

BARISTAS COFFEE COMPANY, INC.

FORM 10-K (Annual Report)

Filed 05/03/16 for the Period Ending 12/31/15

Address	6185 4TH AVE. S. SEATTLE, WA 98108
Telephone	(800) 988-7735
CIK	0001586468
Symbol	BCCI
SIC Code	5810 - Eating And Drinking Places
Industry	Restaurants
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended: December 31, 2015

or

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

For the transition period from _____ to _____

Commission file number: 000-55254

Baristas Coffee Company, Inc.

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of incorporation or organization

20-3118202

(I.R.S. Employer Identification No.)

6185 4 th Ave., S., Seattle, WA 98032

(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: (800) 988-7735

Securities registered pursuant to Section 12(b) of the Act

Title of Each Class

Nil

Name of each Exchange on which registered

N/A

Securities registered pursuant to Section 12(g) of the Act

Common stock, \$0.001 par value per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$16,294,438, based on 65,439,511 shares outstanding and a closing price of \$0.249. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the registrant as of such date have been excluded because such

persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purposes.

As of April 15, 2016, there were 65,439,511 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

TABLE OF CONTENTS

		<u>Page</u>
PART I		
Item 1.	Business.	1
Item 1A.	Risk Factors.	5
Item 1B.	Unresolved Staff Comments.	5
Item 2.	Properties.	5
Item 3.	Legal Proceedings.	5
Item 4.	Mine Safety Disclosures.	6
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	6
Item 6.	Selected Financial Data.	10
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	10
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk.	15
Item 8.	Financial Statements and Supplementary Data.	16
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	32
Item 9A.	Controls and Procedures.	32
Item 9B.	Other Information.	33
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance.	33
Item 11.	Executive Compensation.	36
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	38
Item 13.	Certain Relationships and Related Transactions and Director Independence.	38
Item 14.	Principal Accounting Fees and Services.	39
PART IV		
Item 15.	Exhibits, Financial Statement Schedules.	40

PART I

ITEM 1. BUSINESS

Forward-Looking Statements

This annual report contains "forward-looking statements". All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services, products or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words "may," "could," "estimate," "intend," "continue," "believe," "expect" or "anticipate" or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this annual report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Except as required by applicable law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future changes make it clear that any projected results or events expressed or implied therein will not be realized. You are advised, however, to consult any further disclosures we make in future public filings, statements and press releases.

Forward-looking statements in this annual report include express or implied statements concerning our future revenues, expenditures, capital and funding requirements; the adequacy of our current cash and working capital to fund present and planned operations and financing needs; our proposed expansion of, and demand for, product offerings; the growth of our business and operations through acquisitions or otherwise; and future economic and other conditions both generally and in our specific geographic and product markets. These statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements due to a number of factors including, but not limited to, those set forth below in the section entitled "Risk Factors" in this annual report, which you should carefully read. Given those risks, uncertainties and other factors, many of which are beyond our control, you should not place undue reliance on these forward-looking statements. You should be prepared to accept any and all of the risks associated with purchasing any securities of our company, including the possible loss of all of your investment.

Our financial statements are stated in United States Dollars (USD) unless otherwise stated and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report on Form 10-K, the terms "we", "us" "our" and "Baristas" refer to Baristas Coffee Company, Inc., a Nevada corporation, and our majority-owned subsidiary, Barista Coffee Company of Florida, LLC., unless otherwise specified.

Corporate Overview – Formation, Corporate Changes and Material Mergers and Acquisitions

Baristas Coffee Company, Inc. ("BCCI") is a Nevada Corporation that was originally formed on October 18, 1996. Its fiscal year end date is December 31st. Neither the issuer nor any of its predecessors has ever been in bankruptcy, receivership or any other similar proceeding. Our independent public accounting firm has issued a going concern opinion, in our prior financial statements. This means that our auditors believed there is substantial doubt that we can continue as an on-going business for the next 12 months.

The Company was originally formed as InfoSpi.com in 1996, and developed software programs, hired programmers and procured funding from a venture capital group prior to merging with Innovative Communications Technologies in 2001. At this time the company was renamed Innovative Communications Technologies, Inc. In 2009, Innovative Communications Technologies, Inc. was looking for new opportunities, as its discount long distance business was decreasing and winding down. Pangea was accumulating coffee shops, formulating a business model and procedures for the Baristas brand. On December 22, 2009, Innovative Communications Technologies, Inc. acquired greater than a 60% interest in Pangea Networks, Inc. ("Pangea"), DBA Baristas and Inc., for cash, stock, and other consideration, including numerous coffee stands in the greater Seattle area. In May of 2010, the Company changed its name to Baristas Coffee Company, Inc. The transaction was structured as a partial stock purchase. After the acquisition, the assets and operations were transferred to Innovative Communications Technologies, Inc., and it was renamed to Baristas Coffee Company. In April 2010, Pangea became inactive.

The company is not in default on the terms of any indebtedness or financing arrangement requiring it to make payments, nor has it had a change of control.

In conjunction with the above discussed acquisition of Pangea, the acquisition of certain coffee shops and the conversion of debt to equity, the Company issued common stock shares that increased the number of shares outstanding by more than 10%. Subsequent to year-end, the Company effected a 20:1 reverse split resulting in the number of shares outstanding at June 30, 2010, being more than 10% less than the number of shares outstanding at December 31, 2009.

BCCI had negotiated an Operating Agreement with BMOC USA Partners, LLP, providing Master Franchise Rights to BMOC in the states of NJ, PA, OH, IN, IL, MI, WI, and MN. As part of that Operating Agreement, BCCI had agreed to purchase a restaurant in Knoxville, TN, formerly known as Pavillion 117, to be re-branded to Baristas Bar and Grill. Terms were as follows:

1. Total purchase Price of \$1,220,000
2. \$140,000 +/- delinquent taxes to be paid by Baristas (additional taxes to be paid by Seller)
3. \$136,000 paid at closing
4. \$25,000 credit for Baristas Coffee Franchising Fee
5. \$7500/ month to be paid to a related party for 24 months (\$180,000 total)
6. \$739,000 of BCCI Common Stock

The parties mutually agreed to not pursue this agreement with BMOC, and neither party has any further obligations as of the date of this filing.

Baristas Coffee Company premiered its reality show "Baristas Grounded in Seattle." The show features the daily lives and challenges of working as a costumed Barista, and will continue to air in different time slots over the next few weeks on WE tv. The show can also be seen as it aired at <http://youtu.be/NnTP58vbc1k>.

There has been no delisting of the issuer's securities by any securities exchange or deletion from the OTC Pink Sheets, nor are there any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations. There have been no current, past or pending trading suspensions by a securities regulator. The Company's common stock currently trades on the OTC Markets under the symbol BCCI.

Emerging Growth Company Status

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act enacted on April 5, 2012 (the "JOBS Act"). For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding advisory "say-on-pay" and "say-when-on-pay" votes on executive compensation and shareholder advisory votes on golden parachute compensation.

Under the JOBS Act, we will remain an emerging growth company until the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of \$1 billion or more;
- the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock;
- the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt; or
- the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934 (the "Exchange Act") (we will qualify as a large accelerated filer as of the first day of the first fiscal year after we have (i) more than \$700 million in outstanding common equity held by our non-affiliates and (ii) been public for at least 12 months; the value of our outstanding common equity will be measured each year on the last day of our second fiscal quarter).

The JOBS Act also provides that an emerging growth company may utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. However, we are choosing to "opt out" of such extended transition period, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Our Business

Baristas provides its customers the ability to drive up and order their choice of a custom-blended espresso drinks, freshly brewed coffee or other beverages through its drive-thru locations. Baristas is also expanding its core concept into shopping malls and extending its offerings to include a variety of foods such as sandwiches and salads. Baristas believes it offers a high quality option to fast-food, gas station, or institutional coffee. Baristas also sells retail products such as single serve coffee cups of which it has partnered with Amazon for national; online distribution.

Baristas believes it offers its patrons the finest hot and cold beverages, specializing in specialty coffees, blended teas and other custom drinks. In addition, Baristas offers smoothies, fresh-baked pastries and other confections. Seasonally, Baristas will add beverages such as hot apple cider, hot chocolate, frozen coffees and more. Through the year ended December 31, 2015, the Company generated \$1,206,771 from the sale of their products. Net losses for the year were \$ 6,319,452. For the year ended December 31, 2014, the Company generated \$1,222,957 from the sale of their products. Net losses for the year were \$3,858,403.

Baristas also holds, as of December 31, 2015, 9,110,000 shares of common stock (approximately 2.7%) of Reeltime Rentals, Inc. ("Reeltime"). Reeltime is a publicly traded media distribution company (ticker symbol RLTR) that leverages a technology developed at Baristas and has holdings in Business Continuity Systems, Inc. ("BUCS") a publicly traded company which currently is called Green Leaf 101.

The Company is developing and receiving revenue from other products by promoting and selling Baristas merchandise, calendars, mugs, t-shirts and hats. The products are sold primarily through its retail drive-thru locations throughout the greater Seattle area and online. It also sells merchandise and other novelties via its website at www.baristas.tv, and plans to sell said merchandise displaying its logo via other retail outlets. Baristas has also begun developing single serve coffee cups that can be used in a variety of retail coffee makers including Keurig.

For the next 12 months, Baristas forecasts opening ten new franchise locations, in addition to maintaining our existing locations. We will receive a franchise fee of \$25,000 for each new location (\$250,000 in revenue) and anticipate expenses in supporting each new franchise location to be \$17,500 (\$175,000 in expenses) for an additional net profit of \$75,000 before royalties and other revenues. We anticipate hiring an operations manager as franchise sales are closed.

On May 20, 2014, the Company signed an exclusive Binding Letter of Agreement with BMOC USA Partners LLC ("BMOC") for the development, construction, and management of franchises in eight states including New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, and Minnesota. The deal exempts the previously purchased franchise rights owned by Cuppa Joe's in Manalapan County, New Jersey.

The issuer obtains its raw material from a variety of suppliers that are very competitive and reasonably generic in offering. We do not anticipate any disruption obtaining raw goods. The Company is not dependent on one or a few major customers.

The Company does not have the need for any government approval of principle product or services, except for the normal licenses to operate a business.

Future governmental regulations, such as tax on coffee, restrictions on attire, varying health requirements, among others, may affect profitability of the operations of the Company in the future.

Competition

Competition in the market for coffee and coffee related products is intense and we expect it to increase. Our most significant competitors include premium coffee companies such as Starbucks, Peet's Coffee, Keurig Green Mountain (formerly Green Mountain Coffee Roasters), Dunkin' Donuts, McDonalds, Farmer's Brothers, Dutch Brothers, and other national, local and regional companies in the grocery retail and office coffee service and hospitality industry market, many of which have substantially greater financial, sales, marketing and human resources than we do. In addition, there are numerous smaller companies and that offer similar products and which compete in the coffee business. Baristas separates itself from the competition by offering a premium product and by featuring attractive female servers in fun costumes that provide for a unique coffee experience in the industry. One risk with the business model is that zoning laws might change and our female servers might be prevented from wearing fun costumes.

We believe that our customers choose among coffee brands based on the total value proposition that includes quality, variety, convenience, personal taste preference, price, service and social/sustainable consciousness. We believe that our market share in the category is driven by the quality of our product and the overall experience created by the Company and its servers, while being competitively priced in the premium category.

The environment in the greater Seattle area is very competitive and saturated. Markets outside of the Pacific Northwest are less saturated and do not have the same level of competition.

Product Research and Development

The Company has not spent significant money in the last two fiscal years on research and development activities.

Patents, Trademarks and Licenses

On January 11, 2012, Baristas filed for a trademark of the Baristas Brand SER. No. 85-513,645. On Sept 25, 2012 it was granted protection of the Baristas service mark for coffee shops: Restaurant and Cafe services, in class 43 (U.S. CLS. 100 and 101). The United States Patent and Trademark Office Service Mark Reg. No. is 4,213,149. The Baristas Brand has been in use in commerce since July 1, 2009.

Employees

The Issuer currently has approximately 41 employees (including employees of joint ventures) of which approximately 30 are full-time employees.

Available Information

We are subject to the information and reporting requirements of the Exchange Act, under which we file periodic reports, proxy and information statements and other information with the United States Securities and Exchange Commission, or SEC. Copies of the reports, proxy statements and other information may be examined without charge at the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, or on the Internet at <http://www.sec.gov>. Copies of all or a portion of such materials can be obtained from the Public Reference Room of the SEC upon payment of prescribed fees. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room.

ITEM 1A. RISK FACTORS.

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 2. PROPERTIES.

The company's corporate offices are located at 411 Washington Avenue N., Kent, Washington 98032.

Baristas leases approximately 2,000 square feet at its corporate headquarters and training facility, which allows it to store goods and services, train employees, build, maintain or convert its locations, and conduct general business activities. In addition it leases and operates ten drive-through locations, which are approximately 300 square feet, each varying by location. The Company does not own any real property.

ITEM 3. LEGAL PROCEEDINGS

A default judgment was entered against us in Texas and in the amount of \$76,344. We have been paying on this judgement and it will be satisfied within six months. We do not believe this judgment will have a material impact on our financial statements. Other than this litigation, we know of no material pending legal proceedings to which our company or any of our subsidiaries is a party or of which any of our assets or properties, or the assets or properties of any of our subsidiaries, is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

We know of no material proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder is a party adverse to our company or any of our subsidiaries or has a material interest adverse to our company or any of our subsidiaries.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market information

Our common stock is not traded on any exchange but is currently available for trading in the over-the-counter market and is quoted on the Over the Counter Bulletin Board and on the OTCQB operated by the OTC Markets Group, Inc. under the symbol "BCCI." The Company recently made a formal application to the NASDAQ Capital Markets, under the reserve symbol "BAPI". This application has not yet been approved, and may be rejected. Trading in stocks quoted on these markets is often thin and is characterized by wide fluctuations in trading prices due to many factors that may have little to do with a company's operations or business prospects.

Over the counter securities are not listed or traded on the floor of an organized national or regional stock exchange. Instead, these securities transactions are conducted through a telephone and computer network connecting dealers in stocks. Over the counter issuers are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

Trades in our common stock may be subject to Rule 15c-9 of the *Securities Exchange Act of 1934*, as amended, which imposes requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, broker/dealers must make a special suitability determination for purchasers of the securities and receive the purchaser's written agreement to the transaction before the sale.

The SEC also has rules that regulate broker/dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities listed on certain national exchanges, provided that the current price and volume information with respect to transactions in that security is provided by the applicable exchange or system). The penny stock rules require a broker/dealer, before effecting a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker/dealer and salesperson compensation information, must be given to the customer orally or in writing before effecting the transaction, and must be given to the customer in writing before or with the customer's confirmation. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for shares of our common stock. As a result of these rules, investors may find it difficult to sell their shares.

Set forth below are the range of high and low bid quotations for the periods indicated as reported by the OTC Bulletin Board. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

Quarter Ended	Hi Bid	Low Bid
December 31, 2015	\$ 0.21	\$ 0.04
September 30, 2015	\$ 0.26	\$ 0.07
June 30, 2015	\$ 0.47	\$ 0.21
March 31, 2015	\$ 0.62	\$ 0.30
December 31, 2014	\$ 0.40	\$ 0.24
September 30, 2014	\$ 0.385	\$ 0.245
June 30, 2014	\$ 1.58	\$ 0.86
March 31, 2014	\$ 1.30	\$ 0.20

On April 15, 2016, the closing price of our common stock as reported by the OTC Bulletin Board was \$0.11 per share.

Holder of Common Stock

As of April 15, 2016, there were approximately 55 holders of record of our common stock. As of such date, 65,439,511 shares of our common stock were issued and outstanding.

Dividends

We have never declared or paid dividends. We do not intend to pay cash dividends on our common stock for the foreseeable future, but currently intend to retain any future earnings to fund the development and growth of our business. The payment of dividends if any, on our common stock will rest solely within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements, financial condition, and other relevant factors.

Securities Authorized for Issuance under Equity Compensation Plans

We do not have any equity compensation plans.

Recent Sales of Unregistered Securities

On February 22, 2016, the Company effected a 1:10 reverse stock split. All share and per share information has been retroactively restated for financial presentation of prior periods.

Common Stock

For the Year Ended December 31, 2015:

On December 18, 2015, the Company issued 77,839 shares of common stock to a creditor in settlement of debt of \$10,508. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On December 18, 2015, the Company issued 26,692 shares of common stock to a creditor in settlement of debt of \$5,338. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On November 11, 2015, the Company issued 211,151 shares of common stock to a creditor in settlement of debt of \$10,558. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On September 30, 2015, the Company issued 230,676 shares of common stock to a creditor in settlement of debt of \$18,454. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

During the year ended December 31, 2015, these 6,000,000 shares were issued to these two officers. During year ended December 31, 2015, the Company granted 1,000,000 shares to two officers of the Company (500,000 shares each) for their services with a value of \$222,100. These shares were issued as at September 16, 2016.

On September 9, 2015, the Company issued 126,345 shares of common stock to a creditor in settlement of debt of \$15,793. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On August 26, 2015, the Company issued 168,789 shares of common stock to a creditor in settlement of debt of \$21,099. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On August 11, 2015, the Company issued 603,156 shares of common stock, of which 237,373 shares were from treasury, to a creditor in settlement of debt of \$60,316. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On July 7, 2015, the Company issued 25,000 shares of common stock from treasury to a consultant for services accrued at \$9,600. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On June 17, 2015, the Company issued 360,274 shares of common stock from treasury to a creditor in settlement of debt of \$5,404. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On June 17, 2015, the Company issued 141,863 shares of common stock from treasury to a creditor in settlement of debt of \$21,279. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On June 17, 2015, the Company issued 175,890 shares of common stock from treasury to a creditor in settlement of debt of \$26,384. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On June 17, 2015, the Company issued 209,167 shares of common stock from treasury to a creditor in settlement of debt of \$31,375. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On June 17, 2015, the Company issued 174,680 shares of common stock from treasury to a creditor in settlement of debt of \$26,202. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On June 15, 2015, the Company repurchased 1,000,000 common shares from one of our officers. The Company promised to reissue 1,000,000 common shares to the officer once the increase in authorized shares is approved. The value of the 1,000,000 common shares repurchased from the officer was \$284,000 and recorded as accrued liabilities.

On May 27, 2015, the Company issued 158,301 shares of common stock, of which 192,322 shares were from treasury, to a creditor in settlement of debt of \$31,660. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On May 12, 2015, the Company issued 206,800 shares of common stock from treasury to a creditor in settlement of debt of \$51,700. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On May 6, 2015, the Company issued 25,000 shares of common stock from treasury to a consultant for services accrued at \$9,600. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On May 6, 2015, the Company issued 38,878 shares of common stock from treasury to a creditor in settlement of debt of \$5,269. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On April 28, 2015, the Company repurchased 400,000 common shares from two officers of the Company (200,000 common shares each officer) and returned those shares to treasury. The Company promised to issue 800,000 common shares back these two officers (400,000 common shares each officer) once the increase in authorized shares is approved. The value of the 400,000 common shares repurchased from the officers was \$162,000 and recorded as accrued liabilities. The value of the additional 400,000 common shares which will be issued to the officers was \$162,000 and recorded as interest expenses.

On March 11 2015, the Company issued 25,000 shares of common stock to a consultant for services accrued at \$9,600. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On March 6, 2015, the Company issued 52,890 shares of common stock to a creditor in settlement of debt of \$5,289. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On February 5, 2015, the Company issued 53,260 shares of common stock to a creditor in settlement of debt of \$5,326. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On January 28, 2015, the Company issued 75,000 shares of common stock to a consultant for services accrued at \$28,800. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

On January 12, 2015, the Company issued 53,055 shares of common stock to a creditor in settlement of debt of \$5,306. The above referenced securities were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

Series A Convertible Preferred Stock

For the Year Ended December 31, 2015:

No preferred stock was issued during the year ended December 31, 2015.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. SELECTED FINANCIAL DATA

As a "smaller reporting company", we are not required to provide the information required by this Item

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

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report on Form 10-K.

Overview

Baristas Coffee Company, Inc., is a Nevada corporation, originally formed on October 18, 1996, doing business as Baristas. Baristas provides its customers the ability to drive up and order their choice of a custom-blended espresso drink, freshly brewed coffee, or other beverages. Our fiscal year end is December 31.

Results of Operations

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue was \$1,206,771 for the year ended December 31, 2015 compared to \$1,222,957 for the year ended December 31, 2014, a decrease of \$16,186 or 1.32%. The decrease was primarily due to the closing of five coffee stands during the fourth quarter of 2015. We had 7 coffee stands for the year ended December 31, 2015, whereas, we had 12 coffee stands for the period ended December 31, 2014.

On November 10, 2014, the Company entered into a franchise agreement with BMOC USA Partners LLP to open three new coffee stores. Franchise fees revenue was \$75,000 for the year ended December 31, 2014. During the year ended December 31, 2015, all the franchises were closed.

The changes in our operating expenses from December 31, 2015 to December 31, 2014 are as follows:

	Years Ended December 31,		\$ Change	% Change
	2015	2014		
Direct costs	\$ 439,550	\$ 433,604	\$ 5,946	1.37
Compensation	577,246	616,614	(39,368)	(6.38)
Depreciation and amortization	140,602	175,401	(34,799)	(19.84)
General and administrative	536,980	710,680	(173,700)	(24.44)
Professional expenses	115,011	114,253	758	0.66
Stock-based compensation	263,220	2,485,275	(2,222,055)	(89.41)
Total Operating Expenses	<u>\$ 2,072,609</u>	<u>\$ 4,535,827</u>	<u>\$ (2,463,218)</u>	<u>(54.31)</u>

Direct cost was \$439,550 for the year ended December 31, 2015 compared to \$433,604 for the year ended December 31, 2014, an increase of \$5,946 or 1.37% due to increase of commodity price of coffee supplies.

Compensation expenses were \$577,246 in the year ended December 31, 2015 compared to \$616,614 for the year ended December 31, 2014, a decrease of \$39,368 or 6.38%. The decrease of payroll compensation was due to the closures of coffee stands during the fourth quarter of 2015.

Depreciation and amortization expenses for the year ended December 31, 2015 of \$140,602, decreased \$34,799 from \$175,401 or 19.84% from the year ended December 31, 2014.

General and administrative expenses consisted of expenses covering office, supplies, shipping, telephone, internet insurance, and other general operating costs related to our business. General and administrative expenses of \$536,980 for the year ended December 31, 2015 compared to \$710,680 for the year ended December 31, 2014, a decrease of \$173,700 or 24.44%. The decrease of general and administrative expenses was the result of coffee stand closures during the fourth quarter of 2015.

Professional expenses were \$115,011 in the year ended December 31, 2015 compared to \$114,253 for the year ended December 31, 2014, an increase of \$758 or 0.66%. The professional expenses were primarily used to meet regulatory filing requirements.

Stock-based compensation and compensation expenses consisted of: \$263,220 in stock issued for compensation in the year ended December 31, 2015 compared to \$2,485,275 in the year ended December 31, 2014, a decrease of \$2,222,055 or 89.41%; The decrease was primarily due to 60,000,000 shares granted in 2014 by the Company to two of its directors for their service.

The changes in our other loss from December 31, 2015 to December 31, 2014 are as follows:

	Years Ended December 31,		\$ Change	% Change
	2015	2014		
Beneficial conversion fee	\$ 307,769	\$ 411,030	\$ (103,261)	(25.12)
Fair value adjustment on loan receivable	-	(137,500)	137,500	(100.00)
Impairment of goodwill	2,770,651	-	2,770,651	100.00
Impairment of marketable securities other than temporary	1,620,230	-	1,620,230	100.00
Impairment of loans receivable	296,308	-	296,308	100.00
Interest income	(21,308)	-	(21,308)	100.00
Interest expense	231,024	33,015	198,009	599.75
(Gain) loss on loan settlement	(60,974)	313,988	(374,962)	(119.42)
Loss on assets disposal	96,589	-	96,589	100.00
Realized loss on sales of marketable securities	213,325	-	213,325	100.00
Total Other Expenses	<u>\$ 5,453,614</u>	<u>\$ 620,533</u>	<u>\$ 4,833,081</u>	<u>778.86</u>

The Company has issued a number of notes with various maturities dates to related parties for advances. These notes are convertible either at a fixed dollar amount or 50% of market price and accrue interest at an average rate of 8% per annum. Due to the short-term nature of these loans they are recorded as current liabilities. The outstanding balances at December 31, 2015 and December 31, 2014 were \$579,431 and \$564,115, respectively. The Company plans to pay the loans back as cash flows become available. During the year ended December 31, 2015 and 2014, the Company recognized \$126,316 and \$201,758 beneficial conversion fee on convertible shareholder loans respectively.

The Company has issued a number of notes with various maturities dates to unrelated parties. These notes are convertible at a fixed dollar amount and accrue interest at 8% per annum. Due to the short-term nature of these loans they are recorded as current liabilities. The outstanding balances at December 31, 2015 and December 31, 2014 were \$259,850 and \$286,432, respectively. During the year ended December 31, 2015 and 2014, the Company recognized \$181,452 and \$209,272 beneficial conversion fee on convertible loans from un-related parties respectively.

The intangible assets were purchased along with the hard assets, in December 2009, for \$3.5 million in our common stock. After the assets and intangible assets were identified, the remaining \$2,770,651 was recorded as goodwill. The Company does not amortize goodwill. Instead, the Company evaluates goodwill annually in the fourth quarter and whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has been incurred. During the periods ended December 31, 2015 and 2014, the Company recognized \$2,770,651 and \$0 impairment loss on goodwill, respectively.

During the year ended December 31, 2015, the Company recognized an impairment loss of \$1,620,230 on available for sale marketable security RLTR shares based on the highest price of \$0.018 per share, during April 1, 2013 to March 31, 2015. During the year ended December 31, 2015, the Company sold 12,350,000 RLTR shares for \$8,975 and realized a loss of \$213,325. Accordingly, \$199,600 previous unrealized other comprehensive loss was realized and removed from accumulated other comprehensive loss. During the year ended December 31, 2015 and 2014, the Company recognized an unrealized other comprehensive loss of \$54,829 and \$40,130 unrealized other comprehensive gain, respectively.

The Company has a receivable from a related party for services in prior years. On June 18, 2014, the Company reached a settlement agreement with the related party to pay \$300,000, including reimbursement of prior years' expenses of \$162,500. During the year ended December 31, 2014, the Company recorded a gain on fair value adjustment of \$137,500.

The Company has a receivable from a related party for services in prior years. On June 18, 2014, the Company reached a settlement agreement with the related party to pay \$300,000, including reimbursement of prior years' expenses of \$162,500. During the year ended December 31, 2014, the Company recorded a gain on fair value adjustment of \$137,500. During the year ended December 31, 2015, the Company recognized interest income of \$21,308 and assigned \$25,000 of the loan receivable to a vendor as payment of advertising expenses. At December 31, 2015, the loan receivable and accumulated interest balance of \$296,308 was considered uncollectible and was written off. During the year ended December 31, 2015, the Company recognized interest income of \$21,308 and assigned \$25,000 of the loan receivable to a vendor as payment of advertising expenses. At December 31, 2015, the loan receivable and accumulated interest balance of \$296,308 was considered uncollectible and was written off.

During the year ended December 31, 2015, the Company incurred an interest expense of \$231,024, compared to \$33,015. The increase was primarily due to interest on 400,000 common shares borrowed from two officers during the year ended December 31, 2015.

During the year ended December 31, 2015, 1,395,459 shares in exchange for debt of \$333,500 and accrued interest of \$23,759, result a \$60,974 gain on settlement. During the year ended December 31, 2014, 9,307,953 shares in exchange for debt and accrued interest valued at \$200,856, result a \$313,988 loss on settlement.

During the year ended December 31, 2015, property and equipment of the five closed stands were disposed and incurred a loss on disposal of \$96,589.

Liquidity and Capital Resources

The Company's liquidity may be affected by general decrease in revenues during the holiday months and by the need to allocate startup costs for potential expansion.

We believe that we do not have enough cash on hand and from operations to operate for the next 12 months. We will require additional financing if we are to complete our expansion plan for the next 12 months. While we are optimistic that we can generate the revenue from new franchise fees and refinancing of our existing properties, we do not have any current financing available to us. If we are unable to generate additional fees through franchising, in order to execute our plan of expansion, we would be required to raise funds through a sale of equities, the issuance of debt or a combination thereof. We have no assurances that we would be successful in raising the requisite financing.

Going Concern

We have a history of operating losses as we have focused our efforts on raising capital and building our brand and expanding our business locations. The report of our independent auditors issued on our consolidated financial statements as of and for the year ended December 31, 2014, expresses substantial doubt about our ability to continue as a going concern. During the year ended December 31, 2015, we were successful in raising net proceeds of \$341,416 through debt financing in order to fund the development and growth of our operations. Our ability to continue as a going concern is dependent on our obtaining additional adequate capital to fund additional operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to cease operations.

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities for the periods ended December 31, 2015 and 2014:

	Years Ended December 31,		\$ Change	% Change
	2015	2014		
Net cash used in operating activities	\$ (350,553)	\$ (566,013)	\$ 215,460	(38.07)
Net cash used in investing activities	4,622	(248,047)	252,669	(101.86)
Net cash provided by financing activities	324,460	835,531	(511,071)	(61.17)
Net (decrease) increase in cash	\$ (21,471)	\$ 21,471	\$ (42,942)	100.00

For the year ended December 31, 2015, we incurred a net loss of \$6,217,175. Net cash used in operating activities was \$350,553, net cash received from investing activities was \$4,622 and net cash provided by financing was \$324,460.

For the year ended December 31, 2014, we incurred a net loss of \$3,761,016. Net cash used in operating activities was \$566,013 net cash used in investing activities was \$248,047 and net cash provided by financing activities was \$835,531.

Working Capital Information

The following table presents a summary of our working capital at the end of each period:

	December 31, 2015	December 31, 2014	\$ Change	% Change
Cash	\$ -	\$ 21,471	\$ (21,471)	(100.00)
Current assets	\$ 23,930	\$ 138,112	\$ (114,182)	(82.67)
Current liabilities	2,283,355	3,745,630	(1,462,275)	(39.04)
Working capital deficiency	\$ (2,259,425)	\$ (3,607,518)	\$ 1,348,093	(37.37)

	2015	2014	\$ Change	% Change
Bank overdraft	\$ 2,276	\$ -	\$ 2,276	100.00
Accounts payable and accrued liabilities	1,441,798	2,895,083	(1,453,285)	(50.20)
Notes payable - related parties	579,431	564,115	15,316	2.72
Notes payable	259,850	286,432	(26,582)	(9.28)
Current Liabilities	\$ 2,283,355	\$ 3,745,630	\$ (1,462,275)	43

As of December 31, 2015, the Company had a working capital deficit of \$2,259,425, compared to \$3,607,518 at December 31, 2014, or a decrease in working capital deficit of \$1,348,093 (37.37%). As of December 31, 2015, the Company had cash and cash equivalents of \$0 as compared to \$21,471 on December 31, 2014. For 2015, current assets decreased \$114,182 (82.67%) primarily due to a written off \$75,000 in franchise fee receivable. Current liabilities decreased \$1,462,275 (43%), with a decrease in accounts payable and accrued expenses of \$1,453,285 (50.20%), an increase in shareholder loans of \$15,316 (2.72%), and a decrease in notes payable of \$26,582 (9.28%).

Funding Requirements:

We expect to incur substantial expenses and generate ongoing operating losses for the foreseeable future as we prepare for the ongoing development and launch of our sports bar business, grow the existing base of our coffee store locations and support business and further expand this business into additional facilities and locations. If we are unable to raise an adequate amount of capital, however, we could be forced to curtail or cease operations. Our future capital uses and requirements depend on numerous forward-looking factors.

These factors include the following:

- the time and expense needed to complete the successful launch of the sports bar business;
- the expense associated with building a network of coffee shops to market the brand;
- the degree and speed of developing our franchises with BMOC.

During 2014, we entered joint venture agreements to launch franchises in new states and as well to develop a sports bar. We have yet to achieve profitability as a result of the Company's non-operating expenses, and the issuance of shares of our common stock to third parties for various services rendered. As we grow, the use of our common stock as currency will decline when our cash availability grows.

In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon our continued operations, which in turn is dependent upon our ability to meet our financial requirements, raise additional financing, and the success of our future operations.

Additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders. For example, if we raise additional funds by issuing equity securities or by selling debt securities, if convertible, further dilution to our existing stockholders would result. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings, collaboration agreements, debt financings or licensing arrangements.

If adequate funds are not available, we may be required to terminate, significantly modify or delay the development and launch of our businesses, reduce our planned commercialization efforts, or obtain funds through means that may require us to relinquish certain rights that we might otherwise seek to protect and retain. Further, we may elect to raise additional funds even before we need them if we believe the conditions for raising capital are favorable.

Critical Accounting Policy and Estimates

We prepare our financial statements in conformity with GAAP, which requires management to make certain estimates and assumptions and apply judgments. We base our estimates and judgments on historical experience, current trends and other factors that management believes to be important at the time the financial statements are prepared and actual results could differ from our estimates and such differences could be material. Due to the need to make estimates about the effect of matters that are inherently uncertain, materially different amounts could be reported under different conditions or using different assumptions. On a regular basis, we review our critical accounting policies and how they are applied in the preparation our financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Baristas Coffee Company, Inc.
INDEX TO UNAUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Consolidated Balance Sheets at December 31, 2015 and 2014	17
Consolidated Statements of Operations for the years ended December 31, 2015 and 2014	18
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2015 and 2014	19
Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014	20
Notes to Consolidated Financial Statements	21

Baristas Coffee Company Inc.
Consolidated Balance Sheets
(Unaudited)

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash	\$ -	\$ 21,471
Franchise Fees Receivable	-	75,000
Inventory	20,496	29,281
Prepaid expenses	3,434	12,360
Total Current Assets	23,930	138,112
Loan receivable	-	300,000
Marketable securities	4,555	82,084
Property & equipment, net	74,355	267,068
Goodwill	-	2,770,651
Intangible assets, net	148,417	188,542
Other assets	8,650	9,750
TOTAL ASSETS	\$ 259,907	\$ 3,756,207
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Bank overdraft	\$ 2,276	\$ -
Accounts payable and accrued liabilities	1,441,798	2,895,083
Notes payable - related parties	579,431	564,115
Notes payable	259,850	286,432
Total Current Liabilities	2,283,355	3,745,630
STOCKHOLDERS' DEFICIT		
Preferred Stock, \$0.001 par value, 30,000,000 shares authorized: Series A Preferred Stock, \$0.001 par value, 30,000,000 shares authorized, 27,328,358 and 27,328,358 shares issued and outstanding, respectively	27,328	27,328
Common Stock, \$0.001 par value, 600,000,000 shares authorized; 37,204,585 and 29,709,126 shares issued and outstanding, respectively	37,205	29,709
Additional paid-in capital	12,364,914	9,812,859
Accumulated deficit	(14,208,806)	(7,952,506)
Accumulated other comprehensive loss	(159,425)	(1,924,426)
Total Baristas Coffee Company Inc. stockholders' deficit	(1,938,784)	(7,036)
Noncontrolling interest	(84,664)	17,613
Total equity	(2,023,448)	10,577
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 259,907	\$ 3,756,207

* Common stock retroactively adjusted for 1:10 reverse stock split, effective February 22, 2016.

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

Baristas Coffee Company Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Years Ended December 31,	
	2015	2014
Revenues	\$ 1,206,771	\$ 1,222,957
Franchise Fees	-	75,000
TOTAL REVENUES	<u>1,206,771</u>	<u>1,297,957</u>
OPERATING EXPENSES		
Direct costs	439,550	433,604
Compensation	577,246	616,614
Depreciation and amortization	140,602	175,401
General and administrative	536,980	710,680
Professional expenses	115,011	114,253
Stock-based compensation	263,220	2,485,275
Total Operating Expenses	<u>2,072,609</u>	<u>4,535,827</u>
OPERATING LOSS	<u>(865,838)</u>	<u>(3,237,870)</u>
OTHER (INCOME) EXPENSE		
Beneficial conversion fee	307,769	411,030
Fair value adjustment on loan receivable	-	(137,500)
Impairment of goodwill	2,770,651	-
Impairment of marketable securities other than temporary	1,620,230	-
Impairment of loans receivable	296,308	-
Interest income	(21,308)	-
Interest expense	231,024	33,015
(Gain) loss on loan settlement	(60,974)	313,988
Loss on assets disposal	96,589	-
Realized loss on sales of marketable securities	213,325	-
Total Other Expenses	<u>5,453,614</u>	<u>620,533</u>
NET LOSS	<u>(6,319,452)</u>	<u>(3,858,403)</u>
Net loss attributable to the noncontrolling interest	<u>102,277</u>	<u>97,387</u>
NET LOSS ATTRIBUTABLE TO THE SHAREHOLDERS OF BARISTAS COFFEE COMPANY INC.	<u>(6,217,175)</u>	<u>(3,761,016)</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Impairment of marketable securities	1,620,230	-
Realized loss on sales of marketable securities	199,600	-
Unrealized loss on marketable securities	(54,829)	40,130
NET OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE SHAREHOLDERS OF BARISTAS COFFEE COMPANY INC.	<u>1,765,001</u>	<u>40,130</u>
NET LOSS AND OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO THE SHAREHOLDERS OF BARISTAS COFFEE COMPANY INC.	<u>\$ (4,452,174)</u>	<u>\$ (3,720,886)</u>
Basic and Diluted Loss per Common Share	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>
Basic and Diluted Weighted Average Common Shares Outstanding	<u>30,327,039</u>	<u>29,663,916</u>

* Common stock retroactively adjusted for 1:10 reverse stock split, effective February 22, 2016.

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

Baristas Coffee Company Inc.
Consolidated Statements of Stockholders' Equity
(Unaudited)

Baristas Coffee Company, Inc. Shareholders										
	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	Number of Shares	Amount	Number of Shares	Amount						
Balance December 31, 2013	7,313,358	\$ 7,313	29,523,331	\$ 29,523	\$ 8,331,337	\$ -	\$ (4,191,490)	(1,964,556)	\$ -	\$ 2,212,127
Purchase of subsidiary shares from noncontrolling interest	-	-	-	-	-	-	-	-	115,000	115,000
Stock issued for cash	8,265,000	8,265	-	-	193,535	-	-	-	-	201,800
Stock issued for debt	-	-	930,795	931	801,200	-	-	-	-	802,131
Stock issued for services	-	-	430,000	430	282,545	-	-	-	-	282,975
Common stock converted to preferred stock	11,750,000	11,750	(1,175,000)	(1,175)	(10,575)	-	-	-	-	-
Beneficial conversion fees on convertible loans	-	-	-	-	214,817	-	-	-	-	214,817
Net loss	-	-	-	-	-	-	(3,761,016)	-	(97,387)	(3,858,403)
Other comprehensive income	-	-	-	-	-	-	-	40,130	-	40,130
Balance - December 31, 2014	27,328,358	27,328	29,709,126	29,709	9,812,859	\$ -	(7,952,506)	(1,924,426)	17,613	\$ 10,577
Stock issued for debt	-	-	1,395,459	1,396	238,258	-	-	-	-	239,654
Stock issued for services	-	-	6,100,000	6,100	2,336,300	-	-	-	-	2,342,400
Beneficial conversion fees on convertible loans	-	-	-	-	(22,503)	-	-	-	-	(22,503)
Purchase of treasury stock	-	-	(1,400,000)	-	-	(446,000)	-	-	-	(446,000)
Stock issued from treasury	-	-	1,400,000	-	-	446,000	(39,125)	-	-	406,875
Net loss	-	-	-	-	-	-	(6,217,175)	-	(102,277)	(6,319,452)
Other comprehensive income	-	-	-	-	-	-	-	1,765,001	-	1,765,001
Balance - December 31, 2015	<u>27,328,358</u>	<u>\$ 27,328</u>	<u>37,204,585</u>	<u>\$ 37,205</u>	<u>\$ 12,364,914</u>	<u>\$ -</u>	<u>\$ (14,208,806)</u>	<u>\$ (159,425)</u>	<u>(84,664)</u>	<u>\$ (2,023,448)</u>

* Common stock retroactively adjusted for 1:10 reverse stock split, effective February 22, 2016.

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

Baristas Coffee Company Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Years Ended	
	December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,217,175)	\$ (3,761,016)
Adjustment to reconcile net loss to net cash provided by operations:		
Accrued interest expenses	229,056	-
Bad Debt	77,309	-
Beneficial Conversion Fee	307,769	411,030
Depreciation and amortization	140,602	175,401
Fair value adjustment on shareholder loan	-	(137,500)
Interest income	(21,308)	-
Impairment of goodwill	2,770,651	-
Impairment loss on marketable securities	1,620,230	-
Impairment of loans receivable	296,308	-
Loss on loan settlement	(60,974)	313,988
Loss on assets disposal	96,589	-
Minority interest in net loss of consolidated entities	(102,277)	(97,387)
Non-cash advertising expenses	25,000	-
Realized loss on marketable securities	213,325	-
Stock-based and non-cash compensation	263,220	2,621,249
Unrealized gain on marketable securities	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,309)	(75,000)
Inventory	8,785	1,456
Prepaid	8,926	1,365
Other assets	1,100	(2,090)
Accounts payable and accrued liabilities	(5,380)	(17,509)
Net cash used in operating activities	(350,553)	(566,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,353)	(248,047)
Proceed from sell of marketable securities	8,975	-
Net cash used in investing activities	4,622	(248,047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	2,276	-
Proceeds from issuance of preferred stock	-	201,800
Proceeds from issuance of notes payable	213,100	348,987
Repayment on notes payable	(7,182)	(9,385)
Proceeds from issuance of shareholder loans	128,316	201,758
Repayment on shareholder loans	(12,050)	(22,629)
Proceeds from minority interest	-	115,000
Net cash provided by financing activities	324,460	835,531
Net (decrease) increase in cash and cash equivalents	(21,471)	21,471
Cash and cash equivalents - beginning of period	21,471	-
Cash and cash equivalents - end of period	\$ -	\$ 21,471
Supplemental Cash Flow:		
Cash paid for interest	\$ 1,877	\$ 321
Cash paid for income taxes	\$ -	\$ -
Noncash investing and financing activities:		
Common shares issued for accrued interest	\$ 23,759	\$ 9,869
Notes payable settled by common shares	\$ 101,000	\$ 193,631
Shareholder loans settled by common shares	\$ 232,500	\$ 608,500
Purchase of treasury stock	\$ (446,000)	\$ -
Common shares issued from treasury stock	\$ 446,000	\$ -
Common shares issued for accrued share-based compensation	\$ 2,342,400	\$ -

Treasury stock issued for accrued share-based compensation	\$	<u>19,200</u>	\$	<u>-</u>
--	----	---------------	----	----------

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

Baristas Coffee Company Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Baristas Coffee Company, Inc. ("Baristas" "The Company") is a Nevada C Corporation that was originally formed as InfoSpi.com on October 18, 1996. On December 22, 2009, it acquired greater than a 60% interest in Pangea Networks, Inc. ("Pangea")/ DBA Baristas and Inc., and it acquired for cash, stock, and other consideration, numerous coffee stands in the greater Seattle area through the acquisition of Pangea; In May of 2010, the Company changed its name to Baristas Coffee Company, Inc. The Company's fiscal year end is December 31.

Baristas operates a specialty drive-through beverage retailer with attractive female theme-costumed models as servers. Baristas provides its customers the ability of drive up and order their choice of a custom-blended espresso drink, freshly brewed coffee, or other beverages. We generate revenue by offering our patrons the finest hot and cold beverages, specializing in specialty coffees, blended teas and other custom drinks. In addition, we offer smoothies, fresh-baked pastries and other confections.

On February 22, 2016, the Company effected a 1:10 reverse stock split. All share and per share information has been retroactively restated for financial presentation of prior periods.

Basis of Presentation

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements reflect the financial position and operating results of Baristas and includes our 51% investee, Barista Coffee Company of Florida, LLC, as of January 1, 2014. Intercompany transactions and balances have been eliminated.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation for comparative purposes.

Estimates and Assumptions

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Examples include, but are not limited to, estimates for asset and goodwill impairments, stock-based compensation forfeiture rates, future asset retirement obligations, and inventory reserves; assumptions underlying self-insurance reserves and income from unredeemed stored value cards; and the potential outcome of future tax consequences of events that have been recognized in the financial statements. Actual results and outcomes may differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and December 31, 2014, the Company had \$0 and \$21,471, respectively.

Accounts Receivable

The Company's accounts receivable consists of trade receivables from franchisee. The Company evaluates the collectability of its franchise fees receivable on an on-going basis and write off the amount when it is considered to be uncollectible. During the years ended December 31, 2015, the Company wrote off franchisee receivables of \$75,000 and other accounts receivable of \$2,309 as bad debt expenses.

Marketable Securities

The Company's marketable equity securities have been classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase and reevaluates the designations at each balance sheet date. The Company classifies its marketable equity securities as either short-term or long-term based on the nature of each security and its availability for use in current operations. The Company's marketable equity securities are carried at fair value, with the unrealized gains or losses reported as a component of shareholder's equity except impairment.

Adjustments resulting from the change in fair value, included in accumulated other comprehensive income in shareholder's equity, were an impairment loss of \$1,620,230, an unrealized loss of \$54,829 and a realized loss of \$199,600 for the period ended December 31, 2015 and an unrealized gain of \$40,130 for the period ended December 31, 2014, respectively.

Fair Value of Financial Instruments

The carrying amount of the Company's cash, accounts receivables, accounts payables, and accrued expenses approximates their estimated fair values due to the short-term maturities of those financial instruments.

The Company has adopted a single definition of fair value, a framework for measuring fair value, and providing expanded disclosures concerning fair value whereby estimated fair value is the price to be paid for an asset or the amount to settle a liability in an orderly transaction between market participants at the measurement date. Accordingly, fair value is a market-based measurement and not an entity-specific measurement.

The Company utilizes the following hierarchy in fair value measurements:

Level 1 – Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

	As at December 31, 2015				
	Fair Value Measuring Using				
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments in Marketable Securities, available-for-sale	\$ 4,555	\$ 4,555	-	-	\$ 4,555
Total	\$ 4,555	\$ 4,555	-	-	\$ 4,555

As at December 31, 2014
Fair Value Measuring Using

	Carrying Value	Level 1	Level 2	Level 3	Total
Investments in Marketable Securities, available-for-sale	\$ 82,084	\$ 82,084	-	-	\$ 82,084
Total	\$ 82,084	\$ 82,084	-	-	\$ 82,084

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets are impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows of the financial asset that can be reliably estimated. The Company recognized \$1,620,230 and \$0 impairment loss on marketable securities during the years ended December 31, 2015 and 2014, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is computed using weighted average cost, which approximates actual cost, on a first-in, first-out basis. Inventories on hand are evaluated on an on-going basis to determine if any items are obsolete or in excess of future needs. Items determined to be obsolete are reserved for. The Company provides for the possible inability to sell its inventories by providing an excess inventory reserve. As at December 31, 2015 and December 31, 2014 the Company determined that no reserve was required.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Cost includes all direct costs necessary to acquire and prepare assets for use, including internal labor and overhead in some cases. Depreciation of property, plant and equipment, which includes assets under capital leases, is provided on the straight-line method over estimated useful lives, generally ranging from 3 to 5 years for equipment and 5 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life, generally 5 years. For leases with renewal periods at our option, we generally use the original lease term, excluding renewal option periods, to determine estimated useful lives. If failure to exercise a renewal option imposes an economic penalty to us, we may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of the appropriate estimated useful lives. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. When assets are retired or sold, the asset cost and related accumulated depreciation are eliminated with any remaining gain or loss recognized in net earnings.

Goodwill

We test goodwill for impairment on an annual basis, or more frequently if circumstances, such as material deterioration in performance or a significant number of store closures, indicate reporting unit carrying values may exceed their fair values. When evaluating goodwill for impairment, we may first perform a qualitative assessment to determine if the fair value of the reporting unit is more likely than not greater than its carrying amount. If we do not perform a qualitative assessment or if the fair value of the reporting unit is not more likely than not greater than its carrying amount, we calculate the implied estimated fair value of the reporting unit. If the carrying amount of goodwill exceeds the implied estimated fair value, an impairment charge to current operations is recorded to reduce the carrying value to the implied estimated fair value. The Company recognized \$2,770,651 and \$0 impairment loss on goodwill during the years ended December 31, 2015 and 2014, respectively.

Other Intangible Assets

Definite-lived intangible assets, which mainly consist of acquired rights, trade secrets, trademarks and copyrights, are amortized over their estimated useful lives, and are tested for impairment when facts and circumstances indicate that the carrying values may not be recoverable. There were no other intangible asset impairment charges recorded during the periods ended December 31, 2015 and 2014.

Long-lived Assets

Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.

Revenue Recognition

The Company's revenues consist of sales by Company-operated coffee stores and fees from franchised coffee stores operated by conventional franchisees.

Consolidated revenues are presented net of intercompany eliminations for investees controlled by the Company. Additionally, consolidated revenues are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and rebates. Company-operated stores revenues are recognized when payment is tendered at the point of sale. Company-operated store revenues are reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities. All revenue is recognized when (i) persuasive evidence of an arrangement exists; (ii) the service or sale is completed; (iii) the price is fixed or determinable; and (iv) the ability to collect is reasonably assured.

Revenues from conventional franchised restaurants include initial fees and royalties based on a percent of sales. Initial fees are recognized upon opening of a restaurant or granting of a new franchise term, which is when the Company has performed substantially all initial services required by the franchise arrangement. Royalties are recognized in the period earned.

During the periods ended December 31, 2015 and 2014, the Company recognized initial franchise fees of \$0 and \$75,000, respectively.

Marketing & Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$68,799 and \$208,927 for the periods ended December 31, 2015 and 2014, respectively.

Stock-based Compensation

The Company accounts for employee stock-based compensation to employees, including grants of employee stock options, based on their fair values. The fair value of the equity instrument is charged directly to compensation expense and credited to additional paid-in capital over the period during which services are rendered.

Stock options and warrants issued to consultants and other non-employees are accounted for based upon the fair value of the services provided or the estimated fair market value of the option or warrant, whichever can be more clearly determined.

Stock-based expenses to employees and consultants for general and administration services totaled \$263,220 and \$2,485,275, for the years ended December 31, 2015 and 2014, respectively. Stock-based expenses to consultants for advertising and promotion totaled \$0 and \$135,974, for the periods ended December 31, 2015 and 2014, respectively.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on differences between financial reporting and the tax basis of assets, liabilities, the carry forward of operating losses and tax credits, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

Earnings per Share

Basic earnings per common share equal net earnings or loss divided by the weighted average of shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. The Company incurred a net loss for periods ended December 31, 2015 and 2014, respectively and therefore, basic and diluted earnings per share for those periods are the same because all potential common equivalent shares would be anti-dilutive.

As at December 31, 2015, convertible shareholder loans of \$579,431, convertible notes payable of \$259,850 and 27,328,358 shares of preferred stock were considered to be anti-dilutive.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in ASC 605, "Revenue Recognition," and becomes effective beginning January 1, 2017. The Company is currently evaluating the impact of the provisions of ASC 606.

Accounting standards that have been issued by the FASB or other standards setting bodies that do not require adoption until a future date are being evaluated by the Company to determine whether adoption will have a material impact on the Company's financial statements.

NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. As of December 31, 2015, the Company has a loss from operations of \$6,319,452 and an accumulated deficit of \$14,208,806. The Company intends to fund operations through equity financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements for the year ending December 31, 2016.

The ability of the Company to fully commence its operations is dependent upon, among other things, obtaining additional financing to continue operations, and execution of its business plan. In response to these concerns, management intends to raise additional funds through public or private placement offerings and through loans from officers and directors.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. There can be no assurance that management's plan will be successful.

NOTE 3 – INVENTORY

Inventories were comprised of:

	December 31, 2015	December 31, 2014
Coffee and merchandise held for sale	<u>\$ 20,496</u>	<u>\$ 29,281</u>

NOTE 4 – MARKETABLE SECURITIES

The following tables show the Company's available-for-sale security as of December 31, 2015 and December 31, 2014. The fair value for Reeltime Rentals, Inc ("RLTR") is based on closing market price, less a marketability discount of 15%. The fair value of Business Continuity Systems, Inc. (BUCS) is based on a 100% valuation allowance to the market price due to limited information and activity.

During the year ended December 31, 2015, the Company recognized an impairment loss of \$1,620,230 on RLTR shares based on the highest price of \$0.018 per share, during April 1, 2013 to March 31, 2015.

During the year ended December 31, 2015, the Company sold 12,350,000 RLTR shares for \$8,975 and realized a loss of \$213,325. Accordingly, \$199,600 previous unrealized other comprehensive loss was realized and removed from accumulated other comprehensive loss.

During the year ended December 31, 2015 and 2014, the Company recognized an unrealized other comprehensive loss of \$54,829 and \$40,130 unrealized other comprehensive gain, respectively.

December 31, 2015

	Cost	Sold	Realized Losses	Unrealized Losses	Fair Value
RLTR	\$ 2,006,510	\$ 22,700	\$ 1,819,830	\$ 159,425	\$ 4,555
BUCS	-	-	-	-	-
Total	\$ 2,006,510	\$ 22,700	\$ 1,819,830	\$ 159,425	\$ 4,555

December 31, 2014

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
RLTR	\$ 2,006,510	\$ -	\$ 1,924,426	\$ 82,084
BUCS	-	-	-	-
Total	\$ 2,006,510	\$ -	\$ 1,924,426	\$ 82,084

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET

	December 31, 2015	December 31, 2014
Buildings and leaseholds	\$ 302,963	\$ 402,963
Machinery and equipment	179,353	215,000
Computer equipment	6,400	17,382
Furniture and fixtures	9,065	19,065
Property, plant and equipment, gross	497,781	654,410
Less accumulated depreciation	(423,426)	(387,342)
Property, plant and equipment, net	\$ 74,355	\$ 267,068

During the periods ended December 31, 2015 and 2014, the Company recorded depreciation of \$100,477 and \$130,901, loss on fixed assets disposal of \$96,589 and \$0, respectively.

NOTE 6 – INTANGIBLE ASSETS AND GOODWILL

	December 31, 2015	December 31, 2014
Goodwill	\$ -	\$ 2,770,651
Definite-lived intangibles:		
Trademarks	100,000	100,000
Logo	80,000	80,000
Website	27,500	27,500
Policies and procedures	10,000	10,000
Ice cream intangibles	125,000	125,000
	342,500	342,500
Accumulated amortization	(194,083)	(153,958)
Definite-lived intangibles, net	148,417	188,542
Total intangible assets and goodwill	\$ 148,417	\$ 2,959,193

During the periods ended December 31, 2015 and 2014, the Company recorded amortization of \$40,125 and \$44,500, respectively..

Goodwill

The intangible assets were purchased along with the hard assets, in December 2009, for \$3.5 million in our common stock. After the assets and intangible assets were identified, the remaining \$2,770,651 was recorded as goodwill. The Company does not amortize goodwill. Instead, the Company evaluates goodwill annually in the fourth quarter and whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has been incurred. During the periods ended December 31, 2015 and 2014, the Company recognized \$2,770,651 and \$0 impairment loss on goodwill, respectively.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the followings:

	December 31, 2015	December 31, 2014
Accounts payable	\$ 151,267	\$ 73,456
Accrued liabilities	949,566	2,453,646
Prepaid gift card	22,577	20,324
Taxes payable	318,388	347,657
	<u>\$ 1,441,798</u>	<u>\$ 2,895,083</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

Accounts Payable

During the year ended December 31, 2014, the Company granted 6,000,000 shares to two officers of the Company (3,000,000 shares each) for their services with a value of \$2,304,000.

During the year ended December 31, 2015, these 6,000,000 shares were issued to these two officers. During year ended December 31, 2015, the Company granted 1,000,000 shares to two officers of the Company (500,000 shares each) for their services with a value of \$222,100. These shares were issued as at September 16, 2016.

On April 28, 2015, the Company repurchased 400,000 common shares from two officers of the Company (200,000 common shares each officer) and returned those shares to treasury. The Company promised to issue 800,000 common shares back these two officers (400,000 common shares each officer) once the increase in authorized shares is approved. The value of the 400,000 common shares repurchased from the officers was \$162,000 and recorded as accrued liabilities. The value of the additional 400,000 common shares which will be issued to the officers was \$162,000 and recorded as interest expenses.

On June 15, 2015, the Company repurchased 1,000,000 common shares from one of our officers. The Company promised to reissue 1,000,000 common shares to the officer once the increase in authorized shares is approved. The value of the 1,000,000 common shares repurchased from the officer was \$284,000 and recorded as accrued liabilities.

Loan Receivable

The Company has a receivable from a related party for services in prior years. On June 18, 2014, the Company reached a settlement agreement with the related party to pay \$300,000, including reimbursement of prior years' expenses of \$162,500. During the year ended December 31, 2014, the Company recorded a gain on fair value adjustment of \$137,500.

During the year ended December 31, 2015, the Company recognized interest income of \$21,308 and assigned \$25,000 of the loan receivable to a vendor as payment of advertising expenses. At December 31, 2015, the loan receivable and accumulated interest balance of \$296,308 was considered uncollectible and was written off.

Shareholder loans

The Company has issued a number of notes with various maturities dates to related parties for advances. These notes are convertible either at a fixed dollar amount or 50% of market price and accrue interest at an average rate of 8% per annum. Due to the short-term nature of these loans they are recorded as current liabilities. The outstanding balances at December 31, 2015 and December 31, 2014 were \$579,431 and \$564,115, respectively. The Company plans to pay the loans back as cash flows become available. During the year ended December 31, 2015 and 2014, the Company recognized \$126,316 and \$201,758 beneficial conversion fee on convertible shareholder loans respectively.

NOTE 9 – NOTE PAYABLE

The Company has issued a number of notes with various maturities dates to unrelated parties. These notes are convertible at a fixed dollar amount and accrue interest at 8% per annum. Due to the short-term nature of these loans they are recorded as current liabilities. The outstanding balances at December 31, 2015 and December 31, 2014 were \$259,850 and \$286,432, respectively. During the year ended December 31, 2015 and 2014, the Company recognized \$181,452 and \$209,272 beneficial conversion fee on convertible loans from un-related parties respectively.

NOTE 10 – STOCKHOLDER'S EQUITY

Preferred Stock

On May 12, 2010, the Company amended their Articles of Incorporation to authorize 30,000,000 preferred shares with a par value of \$0.001 per share. The Board of Directors are authorized to divide the authorized shares of Preferred Stock into one or more series, each of which shall be so designated as to distinguish the shares thereof from the shares of all other series and classes.

During the year ended December 31, 2014, the Company issued the following shares of Series A Convertible Preferred Stock:

- 300,000 shares to a non-affiliated investor for cash of \$15,000.
- 7,965,000 shares to officers and directors for cash of \$186,800.
- 11,750,000 shares to officers and director to replace 11,750,000 shares of common stock, which were cancelled.

No new preferred stock was issued during the year ended December 31, 2015.

There were 27,328,358 shares of Series A Convertible Preferred Stock issued and outstanding at December 31, 2015 and December 31, 2014, respectively.

Common Stock

The Company has authorized 300,000,000 common shares with a par value of \$0.001 per share. Each common share entitles the holder to one vote, in person or proxy, on any matter on which action of the stockholders of the corporation is sought. Holders have equal ratable rights to dividends from funds legally available and are entitled to share in assets available for distribution upon liquidation. Holders do not have preemptive, subscription, conversion or cumulative voting rights, and there are no redemption or sinking fund provisions or rights. Holders of common stock have the right to approve any amendment of the Articles of Incorporation, elect directors, approve any plan of merger and approve a plan for the sale, lease or exchange of all of the Company's assets as proposed by the Board of Directors. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since incorporation.

On February 22, 2016, the Company effected a 1:10 stock split. All share and per share information has been retroactively restated for financial presentation of prior periods.

During the year ended December 31, 2015, the Company issued the following shares of common stock:

- 1,395,459 shares in exchange for debt of \$333,500 and accrued interest of \$23,759.
- 6,100,000 shares in exchange for accrued liabilities to related parties valued at \$2,342,400.
- 1,400,000 shares were returned to treasury and 14,000,000 shares were re-issued from treasury.

During the year ended December 31, 2014, the Company issued the following shares of common stock:

- 265,000 shares in exchange for services and prepaid valued at \$147,000.
- 165,000 shares in exchange for advertising and promotion valued at \$135,975.
- 930,795 shares in exchange for debt and accrued interest valued at \$200,856.
- 1,175,000 shares of common stock were retired and replaced by 11,750,000 shares of Series A convertible preferred stock.

There were 37,204,585 and 29,709,126 common shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively.

Minority Interest

Certain unrelated third parties hold 49% of Baristas Coffee Company of Florida, LLC, a consolidated subsidiary. During the year ended December 31, 2015 and 2014, the minority interest recognized \$102,277 \$97,387 in losses from the operations, respectively.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net earnings and other comprehensive income (loss). Accumulated other comprehensive loss reported on our balance sheets consists of unrealized losses on available-for-sale securities.

	December 31, 2014	December 31, 2014
Accumulated other comprehensive loss, opening balance	\$ (1,924,426)	\$ (1,964,556)
Net unrealized gains on available-for-sale securities	1,765,001	40,130
Accumulated other comprehensive loss, ending	<u>\$ (159,425)</u>	<u>\$ (1,924,426)</u>

NOTE 11 – NET INCOME (LOSS) PER SHARE OF COMMON STOCK

The Company follows ASC 260, "Earnings per Share," ("EPS") which requires presentation of basic EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation. In the accompanying financial statements, basic earnings (loss) per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted EPS include additional dilution from common stock equivalents, such as convertible notes, preferred stock, stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for periods presented. As at December 31, 2015 and December 31, 2014, the Company had \$579,431 and \$564,115 in convertible shareholder loans, respectively, \$259,850 and \$286,432 convertible notes payable, respectively, and 27,328,358 and 27,328,358 convertible preferred stock issued and outstanding, respectively, which have been omitted from diluted EPS.

The following table sets forth the computation of basic and diluted earnings per share, for the periods ended December 31, 2015 and 2014:

	Years Ended December 31,	
	2015	2014
NET LOSS	<u>(6,319,452)</u>	<u>(3,858,403)</u>
Basic and Diluted Loss per Common Share	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>
Basic and Diluted Weighted Average Common Shares Outstanding	<u>30,327,039</u>	<u>29,663,916</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Leases

Rental expense under operating lease agreements:

	December 31, 2015	December 31, 2014
Total rentals	<u>\$ 157,283</u>	<u>\$ 148,502</u>

Minimum future rental payments under non-cancelable operating leases as of December 31,, 2015:

<u>Fiscal Year Ending</u>	
2016	120,341
2017	93,131
2018	31,284
Thereafter	-
Total minimum lease payments	<u>\$ 244,756</u>

Legal Matters

From time to time the Company may become a party to litigation matters involving claims against the Company. Management believes that there are no current matters that would have a material effect on the Company's financial position or results of operations.

NOTE 13 – INCOME TAXES

The Company provides for income taxes under ASC 740, "Accounting for Income Taxes". ASC 740 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse. ASC 740 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The provision for income taxes differs from the amounts which would be provided by applying the statutory federal income tax rate of 34% to the net loss before provision for income taxes for the following reasons:

	Years Ended December 31,	
	2015	2014 (Restated)
Income tax rate	34%	34%
Income tax benefit	\$ (2,148,614)	\$ (1,318,757)
Less change in valuation allowance	2,148,614	1,318,757
Income tax expense per books	\$ -	\$ -

The deferred income tax assets consist of the following at:

	Years Ended December 31,	
	2015	2014
Deferred tax assets		
Net operating losses	\$ 2,063,814	\$ 2,002,758
Deferred stock based compensation	1,543,720	1,280,500
Deferred tax assets	3,607,534	3,283,258
Less valuation allowance	(3,607,534)	(3,283,258)
Net deferred tax attributes	\$ -	\$ -

As of December 31, 2015, the Company has approximately \$10,500,000 of net operating losses carried forward to offset taxable income in future years which expire commencing in fiscal 2016 for federal income tax reporting purposes are subject to annual limitations. When a change in ownership occurs, net operating loss carry forwards may be limited as to use in future years.

Pursuant to Internal Revenue Code Sections 382, use of our net operating loss carry forward could be limited if a cumulative change in ownership of more than 50% occurs within a three-year period.

The Company files income tax returns in the United States federal jurisdiction. As of December 31, 2015, the tax returns for the Company for the years ending 2010 through 2015 remain open to examination by the Internal Revenue Service. The Company is not currently under examination for any period.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the Company issued 28,234,926 shares of common stock.

Management has evaluated subsequent events through the date the financial statements were issued and determined there are no additional items to disclose.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our Chief Executive Officer, who is also our Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2014, as defined in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934*, as amended (the "Exchange Act"). Based on this evaluation, our Chief Executive Officer concluded as of December 31, 2015 that our disclosure controls and procedures were not effective such that the information relating to us required to be disclosed in our Securities and Exchange Commission ("SEC") reports: (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) is accumulated and communicated to our management, including our chief executive officer to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our Chief Executive Officer conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework and SEC guidance on conducting such assessments.

Based upon such evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2015 based on the COSO framework criteria, as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee due to a lack of majority of independent members; (2) lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (3) inadequate segregation of duties consistent with control objectives affecting authorization, recordkeeping, custody of assets, and reconciliations; (4) ineffective controls over period end financial disclosure and reporting processes; and (5) management dominated by two individuals without adequate compensating controls. The aforementioned material weaknesses were identified by our Chief Executive Officer in connection with the review of our financial statements as of December 31, 2015.

Management believes that the material weaknesses set forth above did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our board of directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers.

All directors of our company hold office until the next annual meeting of our stockholders or until their successors have been elected and qualified, or until their death, resignation or removal. The executive officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office.

Our directors and executive officers, their ages, positions held, and duration of such, are as follows:

<u>Name</u>	<u>Age</u>	<u>Date First Elected or Appointment</u>	<u>Positions Held with Our Company</u>
Barry Henthorn	49	July 10, 2000	CEO, CFO, Principal Accounting Officer, Secretary, Director
Troy Scott Steciw	51	May 5, 2010	President, Treasurer, Director

Business Experience

The following is a brief account of the education and business experience of directors and executive officers during at least the past five years, indicating their principal occupation during the period, and the name and principal business of the organization by which they were employed:

Barry Henthorn

Mr. Henthorn, CEO, CFO, and Director, has held these positions with Baristas since 2009. Mr. Henthorn has a long history in founding start-up companies, as well as providing business guidance and funding. An inventor and pioneer in the development and marketing of telecommunications technologies, Mr. Henthorn has been advising US corporations in a variety of industries since the early 1990's. While CEO of Emerald City Cellular, he developed the free cellular phone. While CEO of Innovative Communications Technologies, he was the architect of the VOPT voice protocol, which pioneered the elimination of charges for long distance calling, While CEO of ReelTime he developed the ability to stream DVD quality video over the internet.. Mr. Henthorn has been featured for his contributions in publications such as Forbes, The New York Times, Washington CEO, The Seattle Times, The Wall Street Journal, Variety, and others. Mr. Henthorn previous experience with public companies and his background in managing business and providing business consultation advice makes him suitable to be a director.

Troy Scott Steciw

President and Director with Baristas Coffee Company, since 2009 Mr. Steciw duties include refining Baristas' operational processes, increasing revenues and generating profits. Mr. Steciw has been involved in virtually every aspect of the construction industry for nearly 20 years. Mr. Steciw has held positions ranging from a laborer to a designer of high rise buildings, and was a developer of over 40 townhomes. Mr. Steciw has a Bachelor of Science Degree in Business Management from Boston University. The Company believes Mr. Steciw's experience managing large projects and involvement in substantial business transaction make him suitable to be a director.

Family Relationships

There are no family relationships between any director or executive officer of our company.

Significant Employees

We do not currently have any significant employees other than our executive officers.

Involvement in Certain Legal Proceedings

None of our directors and executive officers has been involved in any of the following events during the past ten years:

- (a) any petition under the federal bankruptcy laws or any state insolvency laws filed by or against, or an appointment of a receiver, fiscal agent or similar officer by a court for the business or property of such person, or any partnership in which such person was a general partner at or within two years before the time of such filing, or any corporation or business association of which such person was an executive officer at or within two years before the time of such filing;
- (b) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

- (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining such person from, or otherwise limiting, the following activities: (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; engaging in any type of business practice; or (iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- (d) being the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (c)(i) above, or to be associated with persons engaged in any such activity;
- (e) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission to have violated a federal or state securities or commodities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been reversed, suspended, or vacated;
- (f) being found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- (g) being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease- and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- (h) being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of the our common stock and other equity securities, on Form 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission regulations to furnish our company with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such reports received by us, and on written representations by our officers and directors regarding their compliance with the applicable reporting requirements under Section 16(a) of the Exchange Act, we believe that, with respect to the fiscal year ended December 31, 2015 and 2014, our officers and directors, Barry Henthorn and T. Scott Steciw, have not yet filed a Form 3 reporting their beneficial ownership of the Company's common stock, nor a Schedule 13d.

Code of Ethics

We do not currently have a Code of Ethics because we only have two officers, who are also our only two directors. We believe a code of ethics would have limited utility at this stage. We intend to adopt such code of ethics that would cover our business as soon as possible.

Committees of Board of Directors

The Company does not have a formal Audit Committee, Nominating Committee or Compensation Committee. As the Company's business expands, however, it will reassess this process.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation

The particulars of compensation paid to the following persons:

- (a) all individuals serving as our principal executive officer during the year ended December 31, 2014;
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended December 31, 2014; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at December 31, 2014,

who we will collectively refer to as the named executive officers of our company, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than the principal executive officers, whose total compensation did not exceed \$100,000 for the respective fiscal year.

Summary Compensation Table

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation (\$)	Deferred Earnings (\$)	All Other Compensation (\$)	Total (\$)
Barry Henthorn, CEO, Principal Accounting officer, Secretary (1)	2015	0	0	111,050	0	0	0	0	0	111,050
	2014	0	0	1,152,000	0	0	0	0	0	1,152,000
T. Scott Steciw, President, Treasurer (1)	2015	0	0	111,050	0	0	0	0	0	111,050
	2014	0	0	1,152,000	0	0	0	0	0	1,152,000

(1) On March 1, 2015, Messrs. Henthorn and Steciw signed an employment agreement which provides for compensation of 500,000 shares of common stock each per year for the years 2009 through 2015 (totaling 3,000,000 shares each), and 500,000 shares each per year for the years 2016 through 2020 (totaling 3,000,000 shares each). The shares were issued during the year ended December 31, 2015.

Other than disclosed above, no other board members received compensation in any form for their services as board members.

Narrative Disclosure to Summary Compensation Table

Other than set out below there are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive share options at the discretion of our Board of Directors in the future. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that share options may be granted at the discretion of our Board of Directors.

On March 1, 2015, Messrs. Henthorn and Steciw signed an employment agreement which provides for compensation of 500,000 shares of common stock each per year for the years 2009 through 2015 (totaling 3,000,000 shares each), and 500,000 shares each per year for the years 2016 through 2020 (totaling 3,000,000 shares each). The shares were issued during the year ended December 31, 2015.

No fees were paid to Messrs. Henthorn and Steciw during the year ended 2015

Outstanding Equity Awards at Fiscal Year End

There were no outstanding equity awards at the year ended December 31, 2015.

Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide retirement or similar benefits for our directors or executive officers.

Resignation, Retirement, Other Termination, or Change in Control Arrangements

We have no contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to our directors or executive officers at, following, or in connection with the resignation, retirement or other termination of our directors or executive officers, or a change in control of our company or a change in our directors' or executive officers' responsibilities following a change in control.

Compensation of Directors

We do not have any agreements for compensating our directors for their services in their capacity as directors. We have determined that none of our directors are independent directors, as that term is used in Item 7(d)(3)(iv)(B) of Schedule 14A under the *Securities Exchange Act of 1934*, as amended, and as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

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

The following table sets forth as of April 15, 2015, the number and percentage of the outstanding shares of common stock which, according to the information supplied to the Company, were beneficially owned by (i) each person who is currently a director, (ii) each executive officer, (iii) all current directors and executive officers as a group, and (iv) each person who, to our knowledge, is the beneficial owner of more than 5% of the outstanding common stock.

Title of Class	Name and address of beneficial owner	Nature of Beneficial Ownership	Amount of beneficial ownership(1, 2, 3)	Percent of class
Common Stock	Barry Henthorn 411 Washington Ave., Kent, WA 98032	Direct	39,244,933	10.49%
Common Stock	T. Scot Steciw 411 Washington Ave., Kent, WA 98032	Direct	47,429,175	12.67%
	All directors and executive officers as a group (2 persons)		86,674,168	35.33%

- (1) In determining beneficial ownership of our common stock as of a given date, the number of shares shown includes shares of common stock which may be acquired on exercise of warrants or options or conversion of convertible securities within 60 days of that date. In determining the percent of common stock owned by a person or entity on April 15, 2015,: (a) the numerator is the number of shares of the class beneficially owned by such person or entity, including shares which may be acquired within 60 days on exercise of warrants or options and conversion of convertible securities, and (b) the denominator is the sum of (i) the total shares of common stock outstanding on April 15, 2015, and (ii) the total number of shares that the beneficial owner may acquire upon conversion of the preferred stock, convertible debt, and on exercise of the warrants and options. Unless otherwise stated, each beneficial owner has sole power to vote and dispose of its shares. There are currently insufficient shares of common stock authorized to allow conversion of all preferred shares, which violates the terms of the Certificate of Designation.
- (2) Includes 25,628,358 shares of the Company's Preferred A Stock. Each Preferred A share may be converted into one (1) share of the Company's common stock without additional consideration. As April 15, 2015, Barry Henthorn owned 12,762,358 shares of preferred stock and T. Scott Steciw owned 12,866,000 shares of preferred stock.
- (3) Includes \$165,713 in convertible notes ("the Notes") that are convertible into shares of common stock at a conversion price of approximately \$0.02 per share. As of April 15, 2015, Barry Henthorn has convertible notes totaling \$72,450 and T. Scott Steciw \$93,263, which convert to approximately 3,622,500 and 4,663,175, shares of common stock, respectively.

Changes in Control

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in control of our company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**Shareholder loans**

The Company has issued a number of notes with various maturities dates to related parties for advances. These notes are convertible either at a fixed dollar amount or 50% of market price and accrue interest at an average rate of 8% per annum. Due to the short-term nature of these loans they are recorded as current liabilities. The outstanding balances at December 31, 2015 and December 31, 2014 were \$579,431 and \$564,115, respectively. The Company plans to pay the loans back as cash flows become available. During the year ended December 31, 2015 and 2014, the Company recognized \$126,316 and \$201,758 beneficial conversion fee on convertible shareholder loans respectively.

Director Independence

Our Board of Directors has determined that it does not have a member that is "independent" as the term is used in Item 7(d) (3) (iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees billed for the most recently completed fiscal year ended December 31, 2015 and 2014, for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Audit Fees (1)	\$ 20,000	\$ 18,500
Audit Related Fees (2)	\$ 0	\$ 0
Tax Fees (3)	\$ 0	\$ 0
All Other Fees (4)	\$ 0	\$ 0
Total	\$ 20,000	\$ 18,500

(1) Audit fees consist of fees incurred for professional services rendered for the audit of our financial statements, for reviews of our interim financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided in connection with statutory or regulatory filings or engagements.

(2) Audit-related fees consist of fees billed for professional services that are reasonably related to the performance of the audit or review of our financial statements, but are not reported under "Audit fees."

(3) Tax fees consist of fees billed for professional services relating to tax compliance, tax planning, and tax advice.

(4) All other fees consist of fees billed for all other services.

Our Board of Directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the Board of Directors either before or after the respective services were rendered.

Our Board of Directors has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors' independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements

- (1) Financial statements for our company are listed in the index under Item 8 of this document
- (2) All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

(b) Exhibits

The following documents are filed as exhibits hereto:

Exhibit No.	Description	Incorporated by Reference to
3.1	Articles of Incorporation filed October 18, 1996	Exhibit 3.1 to Form 10 filed on July 22, 2014
3.2	Certificate of Amendment filed March 19, 1999	Exhibit 3.2 to Form 10 filed on July 22, 2014
3.3	Certificate of Amendment filed November 30, 1999	Exhibit 3.3 to Form 10 filed on July 22, 2014
3.4	Certificate of Amendment filed March 16, 2000	Exhibit 3.4 to Form 10 filed on July 22, 2014
3.5	Certificate of Amendment filed July 12, 2000	Exhibit 3.5 to Form 10 filed on July 22, 2014
3.6	Articles and Plan of Merger filed January 12, 2001	Exhibit 3.6 to Form 10 filed on July 22, 2014
3.7	Amended and Restated Articles filed February 8, 2010	Exhibit 3.7 to Form 10 filed on July 22, 2014
3.8	Certificate of Amendment filed May 12, 2010	Exhibit 3.8 to Form 10 filed on July 22, 2014
3.9	Certificate of Designation, Number, Voting Powers, Preferences and Rights of Series A Preferred Stock, filed December 13, 2011	Exhibit 3.9 to Form 10 filed on July 22, 2014
3.10	By-Laws	Exhibit 3.10 to Form 10 filed on July 22, 2014
10.1	Binding Letter of Agreement by and between Baristas Coffee Company, Inc. and BMOC USA Partners LLP	Exhibit 10.1 to Form 10 filed on July 22, 2014
10.2	Shareholder Loan Agreement Example	Exhibit 10.2 to Form 10-12G/A filed on November 13, 2014
21.1	Subsidiary Baristas Coffee Company of Florida, LLC (Florida)	

* Filed Herewith

† In accordance with Regulation S-T, XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not otherwise subject to liability under these sections.

SIGNATURES

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

**Baristas Coffee Company Inc.
a Nevada corporation**

May 2, 2016

By: /s/ Barry Henthorn
Its: Barry Henthorn
Chief Executive Officer, Chief Financial Officer
(Principal Executive, Financial and Accounting Officer)

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

By: /s/ Barry Henthorn May 2, 2016
Barry Henthorn
Its: Chief Executive Officer, Chief Financial
Officer, Director
(Principal Executive and Financial Officer)

By: /s/ Troy Scott Steciw May 2, 2016
Tory Scott Steciw
Its: President, Treasurer, Director