UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended June 30, 2016.

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from to

Commission file number 000-53862

iGambit Inc.

(Exact name of small business issuer as specified in its charter)

Delaware	**11-3363609**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1050 W. Jericho Turnpike, Suite A
Smithtown, New York 11787
(Address of Principal Executive Offices) (Zip Code)
(631) 670-6777
(Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The Registrant had 39,683,990 shares of its common stock outstanding as of August 22, 2016.

iGambit Inc.
Form 10-Q

PART I — FINANCIAL INFORMATION

Item 1 — *Financial Statements*

IGAMBIT INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

		JUNE 30, 2016 (Unaudited)		DECEMBER 31, 2015
ASSETS				
Current assets				
Cash	$	33,370	$	131,987
Accounts receivable, net		441,427		230,182
Inventories		1,160		21,160
Employee advances		800		--
Prepaid expenses		145,924		244,592
Assets from discontinued operations, net		120,434		262,765
Total current assets		743,115		890,686
Property and equipment, net		29,080		40,433
Other assets				
Goodwill		6,705,157		6,705,157
Deposits		1,720		1,720
Total other assets		6,706,877		6,706,877
	$	7,479,072	$	7,637,996
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued expenses	$	665,834	$	636,633
Accrued interest on notes payable		400,272		291,107
Accrued interest on notes payable - related party		29,958		11,171
Amounts due to related parties		91,173		74,871

Deferred revenue, current portion	734,634	811,227
Notes payable, current portion	825,374	779,750
Note payable - related party, current portion	156,566	156,566
Notes payable - other	67,206	--
Liabilities from discontinued operations	18,888	127,353
Total current liabilities	2,989,905	2,888,678
Long-term liabilities		
Deferred revenue, net of current portion	453,823	379,052
Notes payable	2,339,251	2,339,251
Note payable - related party	469,699	469,699
Total long-term liabilities	3,262,773	3,188,002
Total liabilities	6,252,678	6,076,680
Stockholders' equity		
Preferred stock, $.001 par value; authorized - 100,000,000 shares; issued and outstanding - 0 shares in 2016 and 2015, respectively	--	--
Common stock, $.001 par value; authorized - 200,000,000 shares; issued and outstanding - 39,683,990 shares in 2016 and 2015, respectively	39,684	39,684
Additional paid-in capital	4,320,022	4,320,022
Accumulated deficit	(3,133,312)	(2,798,390)
Total stockholders' equity	1,226,394	1,561,316
	$ 7,479,072	$ 7,637,996

See accompanying notes to the condensed consolidated financial statements.

IGAMBIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2016	2015	2016	2015
Sales:				
Hardware and software	$ 169,488	$ --	$ 242,294	$ --
Support and maintenance	420,463	--	751,407	--
Total sales	589,951	--	993,701	--
Cost of sales	25,263	--	28,454	--
Gross profit	564,688	--	965,247	--
Operating expenses				
General and administrative expenses	581,122	86,796	1,139,775	227,007
Income (loss) from operations	(16,434)	(86,796)	(174,528)	(227,007)
Other income (expenses)				
Interest expense	(79,378)	(1,447	(163,712)	(1,501)
Total other income (expenses)	(79,378)	(1,447)	(163,712)	(1,501)
Loss from continuing operations	(95,812)	(88,243)	(338,240)	(228,508)
Income (loss) from discontinued operations	(240)	36,597	3,318	31,965
Net loss	$ (96,052)	$ (51,646)	$ (334,922)	$ (196,543)

Basic and fully diluted loss per common share:

Continuing operations	$ (.00)	$ (.00)	$ (.01)	$ (.01)
Discontinued operations	$ .00	$ .00	$ .00	$ .00
Net loss per common share	$ (.00)	$ (.00)	$ (.01)	$ (.01)
Weighted average common shares outstanding - basic	39,683,990	26,874,100	39,683,990	26,729,846

See accompanying notes to the condensed consolidated financial statements.

IGAMBIT INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30,
(UNAUDITED)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (334,922)	$ (196,543)
Adjustments to reconcile net loss to net cash used in operating activities		
Income from discontinued operations	(3,318)	(31,965)
Depreciation	12,623	331
Stock-based compensation expense	--	131,998
Increase (Decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	(211,245)	--
Inventories	20,000	--
Employee advances	(800)	--
Prepaid expenses	98,668	(63,889)
Accounts payable and accrued expenses	29,201	14,065
Accrued interest on notes payable	127,952	--
Deferred revenue	(1,822)	--
Net cash used in continuing operating activities	(263,663)	(146,003)
Net cash provided by discontinued operating activities	42,683	26,133
NET CASH USED IN OPERATING ACTIVITIES	(220,980)	(119,870)
NET CASH USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,269)	--
Net cash used in continuing investing activities	(1,269)	--
Net cash used in discontinued investing activities	--	(5,026)
NET CASH USED IN INVESTING ACTIVITIES	(1,269)	(5,026)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stockholders' loans	--	15,500
Repayments of stockholders' loans	--	(6,500)
Proceeds from notes payable	112,830	--

Increase in amounts due to related parties	16,302	--
Net cash provided by continuing financing activities	129,132	9,000
Net cash used in discontinued financing activities	(5,500)	23,436
NET CASH PROVIDED BY FINANCING ACTIVITIES	123,632	32,436
NET DECREASE IN CASH	(98,617)	(92,460)
CASH - BEGINNING OF PERIOD	131,987	133,436
CASH - END OF PERIOD	$ 33,370	$ 40,976

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 13,427	$ 4,844

See accompanying notes to the condensed consolidated financial statements.

IGAMBIT INC.
Notes to Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 and 2015

Note 1 - Organization and Basis of Presentation

The consolidated financial statements presented are those of iGambit Inc., (the "Company") and its wholly-owned subsidiaries, Wala, Inc. doing business as Arcmail Technology ("ArcMail") and Gotham Innovation Lab Inc. ("Gotham"). The Company was incorporated under the laws of the State of Delaware on April 13, 2000. The Company was originally incorporated as Compusations Inc. under the laws of the State of New York on October 2, 1996. The Company changed its name to BigVault.com Inc. upon changing its state of domicile on April 13, 2000. The Company changed its name again to bigVault Storage Technologies Inc. on December 21, 2000 before changing to iGambit Inc. on April 5, 2006. Gotham was incorporated under the laws of the state of New York on September 23, 2009. The Company is a holding company which seeks out acquisitions of operating companies in technology markets. ArcMail provides email archive solutions to domestic and international businesses through hardware and software sales, support, and maintenance. Gotham is in the business of providing media technology services to real estate agents and brokers in the New York metropolitan area.

Interim Financial Statements

The following (a) condensed consolidated balance sheet as of December 31, 2015, which has been derived from audited financial statements, and (b) the unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2016 are not necessarily indicative of results that may be expected for the year ending December 31, 2016. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on April 14, 2016.

Business Acquisition

On November 4, 2015, the Company acquired Wala, Inc. doing business as ArcMail Technology in accordance with a stock purchase agreement. Pursuant to the stock purchase agreement, the total consideration paid for the outstanding capital stock of Wala was 11,500,000 shares of iGambit common stock, valued at $.10 per share. The following table presents the allocation of the value of the common shares issued for ArcMail to the acquired identifiable assets, liabilities assumed and goodwill:

Common shares issued, valued at $.10 per share		$ 1,150,000
Cash	$ 10,198	

Accounts receivable, net	205,208	
Inventories	21,160	
Prepaid expenses	276	
Fixed assets	41,235	
Total identifiable assets	278,077	
Accounts payable and accrued expenses	(442,300)	
Accrued interest	(254,718)	
Deferred revenue	(1,254,865)	
Note payable	(3,881,351)	
Total liabilities assumed	(5,833,234)	
Excess of liabilities assumed over identifiable assets		5,555,157
Total goodwill		$ 6,705,157

Note 2 – Discontinued Operations

Sale of Business

On November 5, 2015, pursuant to an asset purchase agreement Gotham sold assets consisting of fixed assets, client and supplier lists, trade names, software, social media accounts and websites, and domain names to VHT, Inc., a Delaware corporation for a purchase price of $600,000. Gotham received $400,000 and commencing on January 29, 2016, VHT, Inc. shall pay twelve equal monthly installments of $16,667 on the last business day of each month (the “Installment Payments” and each, an “Installment Payment”), each Installment Payment to consist of (1) an earn-out payment of $10,000 (the “Earn-Out Payments” and each, an “Earn-Out Payment”), and (2) an additional payment of $6,667 (the “Additional Payments” and each, an “Additional Payment”); provided that VHT, Inc. shall only be required to make the Earn-Out Payments for as long as it maintains its relationship with Gotham’s major client, unless it is dissatisfied with VHT, Inc.

The assets and liabilities of the discontinued operations are presented in the consolidated balance sheets under the captions “Assets from discontinued operations” and “Liabilities from discontinued operations”, respectively. The underlying assets and liabilities of the discontinued operations as of June 30, 2016 and December 31, 2015 are presented as follows:

	2016	2015
Assets:		
Cash	$ --	$ 13,893
Accounts receivable, net	118,934	247,372
Prepaid expenses	1,500	1,500
Total assets	$ 120,434	$ 262,765
Liabilities:		
Accounts payable and accrued expenses	14,452	117,417
Note payable - related party	4,436	9,936

	$ 18,888	$ 127,353

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Wala, Inc. and Gotham Innovation Lab, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash, accounts receivable, prepaid expenses, accounts payable, accrued interest, deferred revenue, and amounts due to related parties, the carrying amounts approximate fair value due to their short maturities. Additionally, there are no assets or liabilities for which fair value is remeasured on a recurring basis.

Revenue Recognition

The Company recognizes revenue from product sales when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, an equipment order has been placed with the vendor, the selling price is fixed or determinable, and collectability is reasonably assured. Revenues from maintenance contracts covering multiple future periods are recognized during the current periods and deferred revenue is recorded for future periods and classified as current or noncurrent, depending on the terms of the contracts.

Gotham's revenues were derived primarily from the sale of products and services rendered to real estate brokers. Gotham recognized revenues when the services or products have been provided or delivered, the fees charged are fixed or determinable, Gotham and its customers understood the specific nature and terms of the agreed upon transactions, and collectability was reasonably assured.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs for the six months ended June 30, 2016 and 2015 were $130,249 and $2,037, respectively.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include checking and money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Accounts Receivable

The Company analyzes the collectability of accounts receivable from continuing operations each accounting period and adjusts its allowance for doubtful accounts accordingly. A considerable amount of judgment is required in assessing the realization of accounts receivables, including the creditworthiness of each customer, current and historical collection history and the related aging of past due balances. The Company evaluates specific accounts when it becomes aware of information indicating that a customer may not be able to meet its financial obligations due to deterioration of its financial condition, lower credit ratings, bankruptcy or other factors affecting the ability to render payment. Allowance for doubtful accounts was $8,345 at June 30, 2016 and December 31, 2015, respectively. There was no bad debt expense charged to operations for the six months ended June 30, 2016 and 2015, respectively.

Inventories

Inventories consisting of finished products are stated at the lower of cost or market. Cost is determined on an average cost basis.

Property and equipment and depreciation

Property and equipment are stated at cost. Maintenance and repairs are charged to expense when incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is credited or charged to income. Depreciation for both financial reporting and income tax purposes is computed using combinations of the straight line and accelerated methods over the estimated lives of the respective assets as follows:

Office equipment and fixtures	5 - 7 years
Computer hardware	5 years
Computer software	3 years
Development equipment	5 years

Goodwill

Goodwill represents the excess of liabilities assumed over assets acquired of ArcMail and the fair market value of the common shares issued by the Company for the acquisition of ArcMail. In accordance with ASC Topic No. 350 "Intangibles – Goodwill and Other"), the goodwill is not being amortized, but instead will be subject to an annual assessment of impairment by applying a fair-value based test, and will be reviewed more frequently if current events and circumstances indicate a possible impairment. An impairment loss is charged to expense in the period identified. If indicators of impairment are present and future cash flows are not expected to be sufficient to recover the asset's carrying amount, an impairment loss is charged to expense in the period identified. A lack of projected future operating results from ArcMail's operations may cause impairment. As the acquisition of ArcMail occurred on November 4, 2015, it is too early for management to evaluate whether goodwill has been impaired. No impairment was recorded during the six months ended June 30, 2016.

Long-Lived Assets

The Company assesses the valuation of components of its property and equipment and other long-lived assets whenever events or circumstances dictate that the carrying value might not be recoverable. The Company bases its evaluation on indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such factors indicate that the carrying amount of an asset or asset group may not be recoverable, the Company determines whether an impairment has occurred by analyzing an estimate of undiscounted future cash flows at the lowest level for which identifiable cash flows exist. If the estimate of undiscounted cash flows during the estimated useful life of the asset is less than the carrying value of the asset, the Company recognizes a loss for the difference between the carrying value of the asset and its estimated fair value, generally measured by the present value of the estimated cash flows.

Deferred Revenue

Deposits from customers are not recognized as revenues, but as liabilities, until the following conditions are met: revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services or when assets received in such exchange are readily convertible to cash or claim to cash or when such goods/services are transferred. When such income item is earned, the related revenue item is recognized, and the deferred revenue is reduced. To the extent revenues are generated from the Company's support and maintenance services, the Company recognizes such revenues when services are completed and billed. The Company has received deposits from its various customers that have been recorded as deferred revenue in the amount of $1,188,457 and $1,190,279 as of June 30, 2016 and December 31, 2015, respectively.

Stock-Based Compensation

The Company accounts for its stock-based awards granted under its employee compensation plan in accordance with ASC Topic No. 718-20, *Awards Classified as Equity,* which requires the measurement of compensation expense for all share-based compensation granted to employees and non-employee directors at fair value on the date of grant and recognition of compensation expense over the related service period for awards expected to vest. The Company uses the Black-Scholes option pricing model to estimate the fair value of its stock options and warrants. The Black-Scholes option pricing model requires the input of highly subjective assumptions including the expected stock price volatility of the Company's common stock, the risk free interest rate at the date of grant, the expected vesting term of the grant, expected dividends, and an assumption related to forfeitures of such grants. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company's stock options and warrants.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC Topic No. 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

The Company applies the provisions of ASC Topic No. 740 for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. In accordance with this provision, tax positions must meet a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position.

Recent Accounting Pronouncements

FASB ASC 606 ASU 2014-09 - Revenue from contracts with customers:

In May 2014, the FASB issued amended guidance on contracts with customers to transfer goods or services or contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The guidance requires an entity to recognize revenue on contracts with customers to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires that an entity depict the consideration by applying the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.
The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. This amendment is to be either retrospectively adopted to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASC 718 ASU 2014-12 – Compensation – Stock Compensation:

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period," ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC Topic No. 718, "Compensation - Stock Compensation" as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not anticipate that the adoption of ASU 2014-12 will have a material impact on its consolidated financial statements.

FASB ASC 740 ASU 2015-17 - Balance Sheet Classification of Deferred Taxes:

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). The FASB issued this ASU as part of its ongoing Simplification Initiative, with the objective of reducing complexity in accounting standards. The amendments in ASU 2015-17 require entities that present a classified balance sheet to classify all deferred tax liabilities and assets as a noncurrent amount. This guidance does not change the offsetting requirements for deferred tax liabilities and assets, which results in the presentation of one amount on the balance sheet. Additionally, the amendments in this ASU align the deferred income tax presentation with the requirements in International Accounting Standards (IAS) 1, Presentation of Financial Statements. The amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

FASB ASC 842 ASU 2016-02 – Leases:

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. The ASU will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating ASU 2016-02 and its impact on its consolidated financial statements.

Note 4 – Property and Equipment

Property and equipment are carried at cost and consist of the following at June 30, 2016 and December 31, 2015:

	2016	2015
Office equipment and fixtures	$ 139,006	$ 139,006
Computer hardware	92,212	90,943
Computer software	77,700	77,700
Development equipment	35,318	35,318
	344,236	342,967

Less: Accumulated depreciation	315,156	302,534
	$ 29,080	$ 40,433

Depreciation expense of $12,623 and $2,611 was charged to operations for the six months ended June 30, 2016 and 2015, respectively.

Note 5 - Earnings (Loss) Per Common Share

The Company calculates net earnings (loss) per common share in accordance with ASC 260 "*Earnings Per Share*" ("ASC 260"). Basic and diluted net earnings (loss) per common share was determined by dividing net earnings (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. The Company's potentially dilutive shares, which include outstanding common stock options and common stock warrants, have not been included in the computation of diluted net earnings (loss) per share for all periods as the result would be anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Stock options	1,422,000	1,718,900	1,422,000	1,718,900
Stock warrants	275,000	275,000	275,000	275,000
Total shares excluded from calculation	1,697,000	1,993,900	1,697,000	1,993,900

Note 6 – Stock Based Compensation

Stock-based compensation expense for all stock-based award programs, including grants of stock options and warrants, is recorded in accordance with "*Compensation—Stock Compensation*", Topic 718 of the FASB ASC. Stock-based compensation expense, which is calculated net of estimated forfeitures, is computed using the grant date fair-value and amortized over the requisite service period for all stock awards that are expected to vest. The grant date fair value for stock options and warrants is calculated using the Black-Scholes option pricing model. Determining the fair value of options at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility of the Company's common stock, expected dividends, and a risk-free interest rate. Stock-based compensation expense is reported under general and administrative expenses in the accompanying consolidated statements of operations.

<u>Options</u>

In 2006, the Company adopted the 2006 Long-Term Incentive Plan (the "2006 Plan"). Awards granted under the 2006 Plan have a ten-year term and may be incentive stock options, non-qualified stock options or warrants. The awards are granted at an exercise price equal to the fair market value on the date of grant and generally vest over a three or four year period. The Plan expired on December 31, 2009, therefore as of June 30, 2016, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2006 plan.

The 2006 Plan provided for the granting of options to purchase up to 10,000,000 shares of common stock. 8,146,900 options were issued under the plan of which 7,157,038 have been exercised and 989,862 expired. There were 296,900 options outstanding under the 2006 Plan on its expiration date of December 31, 2009 that expired on May 1, 2016.

All options issued subsequent to this date were not issued pursuant to any plan and vested upon issuance.

Stock option activity during the six months ended June 30, 2016 and 2015 follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value	Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2014	1,518,900	$ 0.03	$ 0.10	4.76
Options granted	200,000	0.01	0.40	4.74
Options outstanding at June 30, 2015	1,718,900	$ 0.03	0.13	4.32
Options outstanding at December 31, 2015	1,718,900	$ 0.03	0.13	3.82
Options expired	(296,900)	0.01	--	
Options outstanding at June 30, 2016	1,422,000	$ 0.03	$ 0.13	6.10

Options outstanding at June 30, 2016 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
June 9, 2014	213,000	213,000	$0.03	June 9, 2024
June 9, 2014	159,000	159,000	$0.03	June 9, 2024
June 9, 2014	600,000	600,000	$0.03	June 9, 2024
June 6, 2014	250,000	250,000	$0.05	June 6, 2019
March 24, 2015	200,000	200,000	$0.01	March 24, 2020

Total	1,422,000	1,422,000

Warrants

In addition to our 2006 Long Term Incentive Plan, we have issued and outstanding compensatory warrants to two consultants entitling the holders to purchase a total of 275,000 shares of our common stock at an average exercise price of $0.94 per share. Warrants to purchase 25,000 shares of common stock vest upon 6 months after the Company engages in an IPO, have an exercise price of $3.00 per share, and expire 2 years after the Company engages in an IPO. Warrants to purchase 250,000 shares of common stock vest 100,000 shares on issuance (June 1, 2009), and 50,000 shares on each of the following three anniversaries of the date of issuance, have exercise prices ranging from $0.50 per share to $1.15 per share, and expire on June 1, 2019. The issuance of the compensatory warrants was not submitted to our shareholders for their approval.

Warrant activity during the six months ended June 30, 2016 and 2015 follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Grant-Date Fair Value	(1)Weighted Average Remaining Contractual Life (Years)
Warrants outstanding at December 31, 2014	275,000	$ 0.94	$ 0.10	4.42
No warrant activity	--	--	--	
Warrants outstanding at June 30, 2015	275,000	$ 0.94	$ 0.10	3.92
Warrants outstanding at December 31, 2015	275,000	$ 0.94	$ 0.10	3.42
No warrant activity	--	--	--	
Warrants outstanding at June 30, 2016	275,000	$ 0.94	$ 0.10	2.92

Warrants outstanding at June 30, 2016 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
April 1, 2000	25,000	25,000	$3.00	2 years after IPO
June 1, 2009	100,000	100,000	$0.50	June 1, 2019
June 1, 2009	50,000	50,000	$0.65	June 1, 2019
June 1, 2009	50,000	50,000	$0.85	June 1, 2019
June 1, 2009	50,000	50,000	$1.15	June 1, 2019
Total	275,000	275,000		

(1) Exclusive of 25,000 warrants expiring 2 years after initial IPO.

Note 7 – Deferred Revenue

Deferred revenue represents sales of maintenance contracts that extend to and will be realized in future periods. Deferred revenue at June 30, 2016 will be realized in the following years ended December 31,

2016	$ 734,634
2017	357,882
2018	43,720
2019	43,720
2020	6,801
2021	1,700
	$ 1,188,457

Note 8 – Notes Payable

Notes payable at March 31, 2016 consist of various notes payable in annual installments totaling $779,750 through September 2019. The notes include interest at 7% and are secured by the assets of ArcMail.

Principal amounts due on notes payable for the years ended December 31, are as follows:

2016	$ 825,374
2017	779,750
2018	779,750
2019	779,751
	$ 3,164,625

During the six months ended June 30, 2016, Arcmail entered into merchant financing agreements with two lenders for proceeds totaling $210,000 payable in daily amounts based on various percentages of future collections of accounts receivable, which were assigned to the lenders. The obligations will be satisfied upon total payments of $287,400 and will mature in January 2017. The outstanding balance of notes payable - other was $67,206 at June 30, 2016.

Note 9 – Stock Transactions

<u>Common Stock Issued</u>

In connection with the acquisition of ArcMail the Company issued 11,500,000 common shares valued at $.10 per share to the president and CEO of Wala, Inc. on November 4, 2015.

The Company issued 1,000,000 and 600,000 common shares for services, valued at $.20 per share on August 3, 2015 and May 18, 2015, respectively.

Note 10 - Income Taxes

	Quarter Ended June 30,	
	2016	2015
Effective tax rate	0.0 %	0.0 %

A full valuation allowance was recorded against the Company's net deferred tax assets. A valuation allowance must be established if it is more likely than not that the deferred tax assets will not be realized. This assessment is based upon consideration of available positive and negative evidence, which includes, among other things, the Company's most recent results of operations and expected future profitability. Based on the Company's cumulative losses in recent years, a full valuation allowance against the Company's deferred tax assets has been established as Management believes that the Company will not realize the benefit of those deferred tax assets.

Note 11 - Retirement Plan

ArcMail has a defined contribution 401(k) plan, which covers substantially all employees. Under the terms of the Plan, Arcmail is currently not required to match employee contributions. The Company did not make any employer contributions to the Plan during the six months ended June 30, 2016.

Note 12 – Concentrations and Credit Risk

Sales and Accounts Receivable

No customer accounted for more than 10% of sales for the six months ended June 30, 2016 and 2015, respectively.

Cash

Cash is maintained at a major financial institution. Accounts held at U.S. financial institutions are insured by the FDIC up to $250,000. Cash balances could exceed insured amounts at any given time, however, the Company has not experienced any such losses. The Company did not have any interest-bearing accounts at June 30, 2016 and December 31, 2015, respectively.

Note 13 - Related Party Transactions

Note Payable – Related Party

ArcMail issued a promissory note to the president of ArcMail on June 30, 2015 for funds advanced. The note is payable in annual installments of $155,566 through December 2019. The notes include interest at 6% and are subordinated to the notes payable (see Note 8).

Principal amounts due on notes payable for the years ended December 31, are as follows:

2016	$	156,566
2017		156,566
2018		156,566
2019		156,567
	$	626,265

Note 14 – Commitments and Contingencies

Lease Commitment

The Company is obligated under two operating leases for its premises that expire at various times through October 31, 2018.

Total future minimum annual lease payments under the leases for the years ending December 31 are as follows:

2016	$ 29,979
2017	46,581
2018	36,533
	$113,093

Rent expense of $31,297 and $34,118 was charged to operations for the six months ended June 30, 2016 and 2015, respectively.

Contingencies

The Company provides accruals for costs associated with the estimated resolution of contingencies at the earliest date at which it is deemed probable that a liability has been incurred and the amount of such liability can be reasonably estimated.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-Q which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company's business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. Factors that could adversely affect actual results and performance include, among others, potential fluctuations in quarterly operating results and expenses, government regulation, technology change and competition. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

CRITICAL ACCOUNTING ESTIMATES

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements may require us to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements. We do not currently have any estimates or assumptions where the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change or the impact of the estimates and assumptions on financial condition or operating performance is material, except as described below.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Wala, Inc. and Gotham Innovation Lab, Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

For certain of our financial instruments, including cash, accounts receivable, prepaid expenses, accounts payable, accrued interest, deferred revenue, and amounts due to related parties, the carrying amounts approximate fair value due to their short maturities. Additionally, there are no assets or liabilities for which fair value is remeasured on a recurring basis.

Long-Lived Assets

We assess the valuation of components of its property and equipment and other long-lived assets whenever events or circumstances dictate that the carrying value might not be recoverable. We base our evaluation on indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such factors indicate that the carrying amount of an asset or asset group may not be recoverable, we determine whether an impairment has occurred by analyzing an estimate of undiscounted future cash flows at the lowest level for which identifiable cash flows exist. If the estimate of undiscounted cash flows during the estimated useful life of the asset is less than the carrying value of the asset, we recognize a loss for the difference between the carrying value of the asset and its estimated fair value, generally measured by the present value of the estimated cash flows.

Revenue Recognition

We recognize revenue from product sales when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, an equipment order has been placed with the vendor, the selling price is fixed or determinable, and collectability is reasonably assured. Revenues from maintenance contracts covering multiple future periods are recognized during the current periods and deferred revenue is recorded for future periods and classified as current or noncurrent, depending on the terms of the contracts.

Gotham's revenues were derived primarily from the sale of products and services rendered to real estate brokers. Gotham recognized revenues when the services or products have been provided or delivered, the fees charged are fixed or determinable, Gotham and its customers understood the specific nature and terms of the agreed upon transactions, and collectability was reasonably assured.

Deferred Revenue

Deposits from customers are not recognized as revenues, but as liabilities, until the following conditions are met: revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services or when assets received in such exchange are readily convertible to cash or claim to cash or when such goods/services are transferred. When such income item is earned, the related revenue item is recognized, and the deferred revenue is reduced. To the extent revenues are generated from our support and maintenance services, we recognize such revenues when services are completed and billed. We received deposits from our various customers that have been recorded as deferred revenue in the amount of $1,188,457 and $1,190,279 as of June 30, 2016 and December 31, 2015, respectively.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include checking and money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Accounts Receivable

We analyze the collectability of accounts receivable from continuing operations each accounting period and adjust our allowance for doubtful accounts accordingly. A considerable amount of judgment is required in assessing the realization of accounts receivables, including the credit worthiness of each customer, current and historical collection history and the related aging of past due balances. We evaluate specific accounts when we become aware of information indicating that a customer may not be able to meet its financial obligations due to deterioration of its financial condition, lower credit ratings, bankruptcy or other factors affecting the ability to render payment. Allowance for doubtful accounts was $8,345 at June 30, 2016 and December 31, 2015, respectively. There was no bad debt expense charged to operations for the six months ended June 30, 2016 and 2015, respectively.

Property and equipment and depreciation

Property and equipment are stated at cost. Maintenance and repairs are charged to expense when incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is credited or charged to income. Depreciation for both financial reporting and income tax purposes is computed using combinations of the straight line and accelerated methods over the estimated lives of the respective assets as follows:

Office equipment and fixtures	5 - 7 years
Computer hardware	5 years
Computer software	3 years
Development equipment	5 years

Depreciation expense of $12,623 and $2,611 was charged to operations for the six months ended June 30, 2016 and 2015, respectively.

Goodwill

Goodwill represents the excess of liabilities assumed over assets acquired of ArcMail and the fair market value of the common shares issued by the Company for the acquisition of ArcMail. In accordance with ASC Topic No. 350 “Intangibles – Goodwill and Other”), the goodwill is not being amortized, but instead will be subject to an annual assessment of impairment by applying a fair-value based test, and will be reviewed more frequently if current events and circumstances indicate a possible impairment. An impairment loss is charged to expense in the period identified. If indicators of impairment are present and future cash flows are not expected to be sufficient to recover the asset's carrying amount, an impairment loss is charged to expense in the period identified. A lack of projected future operating results from ArcMail's operations may cause impairment. As the acquisition of ArcMail occurred on November 4, 2015, it is too early for management to evaluate whether goodwill has been impaired. No impairment was recorded during the six months ended June 30, 2016.

Stock-Based Compensation

Stock-based compensation expense for all stock-based award programs, including grants of stock options and warrants, is recorded in accordance with "*Compensation—Stock Compensation*", Topic 718 of the FASB ASC. Stock-based compensation expense, which is calculated net of estimated forfeitures, is computed using the grant date fair-value and amortized over the requisite service period for all stock awards that are expected to vest. The grant date fair value for stock options and warrants is calculated using the Black-Scholes option pricing model. Determining the fair value of options at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility of the Company's common stock, expected dividends, and a risk-free interest rate. Stock-based compensation expense is reported under general and administrative expenses in the accompanying consolidated statements of operations.

<u>Options</u>

In 2006, we adopted the 2006 Long-Term Incentive Plan (the "2006 Plan"). Awards granted under the 2006 Plan have a ten-year term and may be incentive stock options, non-qualified stock options or warrants. The awards are granted at an exercise price equal to the fair market value on the date of grant and generally vest over a three or four year period. The Plan expired on December 31, 2009, therefore as of June 30, 2016, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2006 plan.

The 2006 Plan provided for the granting of options to purchase up to 10,000,000 shares of common stock. 8,146,900 options have been issued under the plan to date of which 7,157,038 have been exercised and 692,962 have expired to date. There were 296,900 options outstanding under the 2006 Plan on its expiration date of December 31, 2009.

All options issued subsequent to this date were not issued pursuant to any plan.

Stock option activity during the six months ended June 30, 2016 and 2015 follows:

	Options Outstanding	Weighted Average Exercise Price		Weighted Average Grant-Date Fair Value		Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2014	1,518,900	$	0.03	$	0.10	4.76
Options granted	200,000		0.01		0.40	4.98
Options outstanding at June 30, 2015	1,718,900	$	0.03		0.13	4.57
Options outstanding at December 31, 2015	1,718,900	$	0.03		0.13	3.82
Options expired	(296,900)		0.01		--	
Options outstanding at June 30, 2016	1,718,900	$	0.03	$	0.13	6.10

Options outstanding at June 30, 2016 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
June 9, 2014	213,000	213,000	$0.03	June 9, 2024
June 9, 2014	159,000	159,000	$0.03	June 9, 2024
June 9, 2014	600,000	600,000	$0.03	June 9, 2024
June 6, 2014	250,000	250,000	$0.05	June 6, 2019
March 24, 2015	200,000	200,000	$0.01	March 24, 2020
Total	1,422,000	1,422,000		

Warrants

In addition to our 2006 Long Term Incentive Plan, we have issued and outstanding compensatory warrants to two consultants entitling the holders to purchase a total of 275,000 shares of our common stock at an average exercise price of $0.94 per share. Warrants to purchase 25,000 shares of common stock vest upon 6 months after the Company engages in an IPO, have an exercise price of $3.00 per share, and expire 2 years after the Company engages in an IPO. Warrants to purchase 250,000 shares of common stock vest 100,000 shares on issuance (June 1, 2009), and 50,000 shares on each of the following three anniversaries of the date of issuance, have exercise prices ranging from $0.50 per share to $1.15 per share, and expire on June 1, 2019. The issuance of the compensatory warrants was not submitted to our shareholders for their approval.

Warrant activity during the six months ended June 30, 2016 and 2015 follows:

	Warrants Outstanding	Weighted Average Exercise Price		Weighted Average Grant-Date Fair Value		(1)Weighted Average Remaining Contractual Life (Years)
Warrants outstanding at December 31, 2014	275,000	$	0.94	$	0.10	4.42
No warrant activity	--		--		--	
Warrants outstanding at June 30, 2015	275,000	$	0.94	$	0.10	4.17
Warrants outstanding at December 31, 2015	275,000	$	0.94	$	0.10	3.42
No warrant activity	--		--		--	
Warrants outstanding at June 30, 2016	275,000	$	0.94	$	0.10	3.17

(1) Exclusive of 25,000 warrants expiring 2 years after initial IPO.

Warrants outstanding at June 30, 2016 consist of:

Date Issued	Number Outstanding	Number Exercisable	Exercise Price	Expiration Date
April 1, 2000	25,000	25,000	$3.00	2 years after IPO
June 1, 2009	100,000	100,000	$0.50	June 1, 2019
June 1, 2009	50,000	50,000	$0.65	June 1, 2019
June 1, 2009	50,000	50,000	$0.85	June 1, 2019
June 1, 2009	50,000	50,000	$1.15	June 1, 2019
Total	275,000	275,000		

Stock Transactions

On September 25, 2014, the Board unanimously approved an amendment to the Company's Articles of Incorporation to increase the number of shares of Common Stock which the Company is authorized to issue from seventy five million (75,000,000) to Three Hundred Million (300,000,000) shares of Common Stock, $0.001 par value per share, and to create a new class of stock entitled "preferred stock" (together, the "Capitalization Amendments"). The Capitalization Amendments create provisions in the Company's Articles of Incorporation, which allows the voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions of each series of preferred stock to be established from time to time by the Board without approval of the stockholders. No dividend, voting, conversion, liquidation or redemptions rights as well as redemption or sinking fund provisions are yet established with respect to the Company's preferred stock. On October 3, 2014, the Majority Stockholders executed and delivered to the Company a written consent approving the Capitalization Amendments.

Common Stock Issued

In connection with the acquisition of Wala, Inc. we issued 11,500,000 common shares valued at $.10 per share to the president and CEO of Wala, Inc. on November 4, 2015.

We issued 1,000,000 and 600,000 common shares for services, valued at $.20 per share on August 3, 2015 and May 18, 2015, respectively.

Income Taxes

We account for income taxes using the asset and liability method in accordance with ASC Topic No. 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

We apply the provisions of ASC Topic No. 740 for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. In accordance with this provision, tax positions must meet a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position.

INTRODUCTION

iGambit is a company focused on the technology markets. Our sole operating subsidiary, Wala, Inc. doing business as ArcMail Technology (ArcMail) is in the business of providing simple, secure and cost-effective enterprise information and email archiving solutions for businesses of all sizes across a range of vertical markets. We are focused on expanding the operations of ArcMail by marketing the company to existing and potential new clients.

Assets. At June 30, 2016, we had $7,479,072 in total assets, compared to $7,637,996 at December 31, 2015. The decrease in total assets was primarily due to the decrease in cash, the decrease in prepaid expenses, and the decrease in assets from discontinued operations.

Liabilities. At June 30, 2016, our total liabilities were $6,252,678 compared to $6,076,680 at December 31, 2015. Our current liabilities at June 30, 2016 consisted of accounts payable and accrued expenses of $665,834, accrued interest on notes payable of $430,230, amounts due to related parties of $91,173, notes payable of $1,049,146, liabilities from discontinued operations of $18,888 and deferred revenue current portion of $734,634, whereas our current liabilities as of December 31, 2015 consisted of accounts payable and accrued expenses of $636,633, accrued interest on notes payable of $302,278, notes payable of $936,316, amounts due to related parties of $74,871, liabilities from discontinued operations of $127,353 and deferred revenue current portion of $811,227. Our long term liabilities at June 30, 2016 consisted of Notes payable of

$2,808,950 and deferred revenue non-current portion of $453,823, whereas our long term liabilities as of December 31, 2015 consisted of Notes payable of $2,808,950 and deferred revenue non-current portion of $379,052.

Stockholders' Equity. Our stockholders' equity decreased to $1,226,394 at June 30, 2016 from $1,561,316 at December 31, 2015. This decrease was primarily due to an increase in accumulated deficit from $(2,798,390) at December 31, 2015 to $(3,133,312) at June 30, 2016, resulting from a net loss of $(334,922) for the six months ended June 30, 2016.

THREE MONTHS ENDED JUNE 30, 2016 AS COMPARED TO THREE MONTHS ENDED JUNE 30, 2015

Revenues and Net Loss. We had $589,951 of revenue and a net loss of $96,052 during the three months ended June 30, 2016 from our ArcMail subsidiary. The increase in revenue was due primarily to an increase in revenue generated by our ArcMail subsidiary acquired in November 2015. In addition to ArcMail's operations, we had a loss from discontinued operations of $240 compared to income from discontinued operations of $36,587 for the three months ended June 30, 2016 and June 30, 2015, respectively.

General and Administrative Expenses. General and Administrative Expenses increased to $581,122 for the three months ended June 30, 2016 from $86,796 for the three months ended June 30, 2015. For the three months ended June 30, 2016 our General and Administrative Expenses consisted of corporate administrative expenses of $73,892, legal and accounting fees of $21,637, health insurance expenses of $23,249, payroll expenses of $323,450, finders fees and commissions of $8,750, marketing expense of $119,592, computer and internet expense of $9,474, and exchange filing fees of $1,078. For the three months ended June 30, 2015 our General and Administrative Expenses consisted of corporate administrative expenses of $25,145, legal and accounting fees of $24,569, finders fees and commissions of $17,500, and investor relations expenses of $9,649. The increases from the three months ended June 30, 2015 to the three months ended June 30, 2016 relate primarily to: (i) an increase in payroll expenses; (ii) an increase in consulting expenses; (iii) an increase in exchange filing fees; and (iv) an increase in general and administrative costs associated with the operation of our ArcMail subsidiary acquired in November 2015. Costs associated with our officers' salaries and the operation of our ArcMail subsidiary should remain level going forward, subject to a material expansion in the business operations of ArcMail which would likely increase our corporate administrative expenses.

Other Income (Expense) and Taxes. We had interest expense of $79,378 for the three months ended June 30, 2016 compared to $1,447 for the three months ended June 30, 2015.

Six Months Ended June 30, 2016 as Compared to Six Months Ended June 30, 2015

Revenues and Net Loss. We had $993,701 of revenue and net loss of $334,922 during the six months ended June 30, 2016. The increase in revenue was due primarily to an increase in revenue generated by our ArcMail subsidiary acquired in November 2015. In addition to ArcMail's operations, we had income from discontinued operations of $3,318 and $31,965 for the six months ended June 30, 2016 and June 30, 2015, respectively.

General and Administrative Expenses**.** General and Administrative Expenses increased to $1,139,775 for the six months ended June 30, 2016 from $227,007 for the six months ended June 30, 2015. For the six months ended June 30, 2016 our General and Administrative Expenses consisted of corporate administrative expenses of $142,073 legal and accounting fees of $61,255, health insurance expenses of $37,969, directors and officers insurance expense of $10,640, payroll expenses of $664,928, finders fees and commissions of $26,250, marketing expense of $163,583, computer and internet expense of $24,499 and exchange filing fees of $8,578. For the six months ended June 30, 2015 our General and Administrative Expenses consisted of corporate administrative expenses of $51,508, legal and accounting fees of $64,649, directors and officers' insurance expense of $20,533, consulting fees of $14,498, finders fees and commissions of $17,500, investor relations expenses of $9,649, filing fees of $10,105, and payroll expenses of $38,565. The increases from the three months ended June 30, 2015 to the three months ended June 30, 2016 relate primarily to: (i) an increase in payroll expenses; (ii) an increase in consulting expenses; (iii) an increase in exchange filing fees; and (iv) an increase in general and administrative costs associated with the operation of our ArcMail subsidiary acquired in November 2915. Costs associated with our officers' salaries and the operation of our ArcMail subsidiary should remain level going forward, subject to a material expansion in the business operations of ArcMail which would likely increase our corporate administrative expenses.

Other Income (Expense) and Taxes**.** We had interest expense of $163,712 for the six months ended June 30, 2016 compared to $1,501 for the six months ended June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

As reflected in the accompanying consolidated financial statements, at June 30, 2016, we had $33,370 of cash and stockholders' equity of $1,226,394 as compared to $131,987 and $1,561,316 at December 31, 2015. At June 30, 2016 we had $7,479,072 in total assets, compared to $7,637,996 at December 31, 2015.

Our primary capital requirements in 2016 are likely to arise from the expansion of our Arcmail operations, and, in the event we effectuate an acquisition, from: (i) the amount of the purchase price payable in cash at closing, if any; (ii) professional fees associated with the negotiation, structuring, and closing of the transaction; and (iii) post closing costs. It is not possible to quantify those costs at this point in time, in that they depend on Arcmail's business opportunities, the state of the overall economy, the relative size of any target company we identify and the complexity of the related acquisition transaction(s). We anticipate raising capital in the private markets to cover any such costs, though there can be no guaranty we will be able to do so on terms we deem to be acceptable. We do not have any plans at this point in time to obtain a line of credit or other loan facility from a commercial bank.

While we believe in the viability of our strategy to improve Arcmail's sales volume and to acquire companies, and in our ability to raise additional funds, there can be no assurances that we will be able to fully effectuate our business plan.

Cash Flow Activity

Net cash used in continuing operating activities was $263,663 for the six months ended June 30, 2016, compared to $146,003 for the six months ended June 30, 2015. Our primary source of operating cash flows from continuing operating activities for the six months ended June 30, 2016 was from our ArcMail subsidiary's revenues of $993,701. Additional contributing factors to the change were from an increase in accounts receivable of $221,245, a decrease in inventories of $20,000, an increase in employee advances of $800, a decrease in prepaid expenses of $98,668, an increase in accounts payable and accrued expenses of $29,201, an increase in accrued interest of $127,952, and a decrease in deferred revenue of $1,822. Net cash provided by discontinued operating activities was $42,683 for the six months ended June 30, 2016 and $0 for the six months ended June 30, 2015. The $42,683 and $26,133 cash provided by discontinued operations for the six months ended June 30, 2016 and June 30, 2015, respectively, represents cash payments received from VHT which was offset by a decrease in accounts receivable included in the Assets from Discontinued Operations.

Cash used in continuing investing activities was $1,269 for the six months ended June 30, 2016 and Cash used in discontinued investing activities of $5,026 for the six months ended June 30, 2015 was from the purchase of property and equipment

Cash provided by financing activities was $123,632 for the six months ended June 30, 2016 compared to $32,436 for the six months ended June 30, 2015. The cash provided by financing activities for the six months ended June 30, 2016 consisted of an increase in notes payable of $112,830 and amounts due to related parties of $16,302 whereas the cash provided by financing activities for the three months ended June 30, 2015 consisted of proceeds from loans from shareholders of $32,436.

Supplemental Cash Flow Activity

In the six months ended June 30, 2016 the company paid interest of $13,427 compared to interest of $4,844 in the six months ended June 30, 2015.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

Not Required.

Item 4. *Controls and Procedures.*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, as required by paragraph (b) of Rule 13a-15 and 15d-15 of the Exchange Act under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of June 30, 2012. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2016.

Change in Internal Controls

During the six months ended June 30, 2016, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

From time-to-time, the Company is involved in various civil actions as part of its normal course of business. The Company is not a party to any litigation that is material to ongoing operations as defined in Item 103 of Regulation S-K as of the period ended June 30, 2016.

Item 1A. ***Risk Factors.***
Not required

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

On May 18, 2015, the Company issued 600,000 common shares for services, valued at $.20 per share.

Item 3. ***Defaults upon Senior Securities.***
None

Item 4. ***Removed and Reserved.***

Item 5. ***Other Information.***
None

Item 6. **Exhibits**

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be

deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

32.2 Certification of the Interim Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 22, 2016.

iGambit Inc.

/s/ Rory T. Welch
Rory T. Welch
Chief Executive Officer

/s/ Elisa Luqman
Elisa Luqman
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Interim Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
32.2	Certification of the Interim Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

Exhibit 31.1

I, Rory T. Welch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iGambit Inc.;

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

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

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

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

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

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

August 22, 2016

/s/ Rory T. Welch
Chief Executive Officer

Exhibit 31.2

I, Elisa Luqman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iGambit Inc.;

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

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

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

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

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

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

August 22, 2016	/s/ Elisa Luqman Chief Financial Officer

Exhibit 32.1

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Executive Officer of iGambit Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2013, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 22, 2016

/s/ Rory T. Welch
Chief Executive Officer

Exhibit 32.2

WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Financial Officer of iGambit Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2013, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 22, 2016

/s/ Elisa Luqman
Chief Financial Officer