

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2019

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 000-55596

MyDx, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada

State or Other Jurisdiction of
Incorporation or Organization

99-0384160

I.R.S. Employer
Identification No.

**4225 Executive Square, Suite 600
La Jolla, CA**

Address of Principal Executive Offices

92037

Zip Code

(800) 814-4550

Registrant's Telephone Number, Including Area Code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

5,901,262,090 shares of common stock, par value \$0.001 per share, issued and outstanding as of November 14, 2019.

MyDx, INC.

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MyDx, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
ASSETS		
Current assets:		
Cash	\$ 175,677	\$ 102,698
Inventory	158,446	114,031
Total current assets	<u>334,123</u>	<u>216,729</u>
Tooling in process	-	173,854
Property and equipment, net	8,756	26,748
Other assets	8,983	18,983
Total assets	<u>\$ 351,861</u>	<u>\$ 436,314</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,019,084	\$ 1,101,853
Customer deposits	80,587	69,330
Accrued liabilities	677,718	692,071
Current portion of leases payable	2,756	2,756
Due to related party	1,075	1,075
Convertible notes payable, current, net of debt discount	695,952	436,177
Derivative liability	2,947,927	1,222,186
Preferred shares liability	2,850,401	2,850,401
Warrant liability	906,112	6,267,426
Total current liabilities	<u>9,181,612</u>	<u>12,643,275</u>
Total liabilities	<u>9,181,612</u>	<u>12,643,275</u>
Redeemable Series B Preferred stock, \$0.001 par value; 10,000,000 shares authorized 107,000 and 107,000 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	2,033,000	2,033,000
Commitments and contingencies		
Stockholders' deficit:		
Series A Preferred stock, \$0.001 par value; 51 shares authorized 51 and 51 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	-	-
Common stock, \$0.001 par value, 10,000,000,000 shares authorized; 4,814,093,774 and 3,905,200,946 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	4,814,093	3,905,201
Additional paid-in capital	22,619,271	21,820,069
Accumulated deficit	(38,296,115)	(39,965,231)
Total stockholders' deficit	<u>(10,862,751)</u>	<u>(14,239,961)</u>
Total liabilities and stockholders' deficit	<u>\$ 351,861</u>	<u>\$ 436,314</u>

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

MYDX INC.
Condensed Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Sales				
Product revenue	\$ 202,048	\$ 53,375	\$ 203,299	\$ 204,280
Product service revenue	11,622	3,641	11,910	15,218
Licensing revenue	441	441	1,308	8,212
Total sales	214,111	57,457	216,517	227,710
Cost of goods sold				
Product costs	58,620	20,254	86,133	82,354
Total cost of sales	58,620	20,254	86,133	82,354
Gross profit	155,491	37,203	130,384	145,356
Operating Expenses				
Research and development	6,037	11,561	32,221	283,869
Sales and marketing	1,038	19,350	65,451	130,475
General and administrative	(72,657)	245,174	460,233	803,103
Total operating expenses	(65,582)	276,085	557,905	1,217,447
Income (loss) from operations	221,073	(238,882)	(427,521)	(1,072,091)
Other income (expense)				
Interest expense, net	(215,591)	(16,049)	(688,850)	(32,751)
Change in fair value of derivative liability	(1,403,760)	625,074	(1,314,958)	1,817,014
Change in fair value of warrant liability	913,261	1,091,663	4,332,366	1,091,663
Derivative expense	(163,033)	-	(181,125)	(281,515)
Loss on settlement of debt	-	(4,500)	-	-
Gain (loss) on extinguishment of debt	(17,712)	-	(37,247)	4,581
Loss on impairment of assets	(173,855)	-	(173,855)	-
Gain (loss) on settlement of vendor liability	269,518	(5,235,869)	160,306	(5,235,869)
Total Other income (expense)	(791,172)	(3,539,681)	2,096,637	(2,636,877)
Income (Loss) before provision for income taxes	(570,099)	(3,778,563)	1,669,116	(3,708,968)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ (570,099)	\$ (3,778,563)	\$ 1,669,116	\$ (3,708,968)
Dividends	(10,700)	-	(32,100)	-
Net income (loss) attributable to common shareholders	(580,799)	(3,778,563)	1,637,016	(3,708,968)
Loss per share				
Basic	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)
Weighted average common shares outstanding - basic	4,709,633,820	3,873,380,471	4,151,099,739	2,931,417,714
Weighted average common shares outstanding - diluted	4,709,633,820	3,873,380,471-	4,151,099,739	2,931,417,714-

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

MyDx, INC.
Statements of Stockholders' Deficit
For the Three and Nine Months Ended September 30, 2019

	Convertible Preferred Stock Series A		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Shareholders' Deficit
	Shares	Amount	Shares	Amount			
Balances as of December 31, 2018	51	\$ -	3,905,200,946	\$ 3,905,201	\$ 21,820,069	\$ (39,965,231)	\$ (14,239,961)
Issuance of common stock upon cashless exercise of warrants	-	-	165,546,562	165,546	680,336	-	845,882
Common stock issued to settle vendor liabilities	-	-	150,000,000	150,000	120,000	-	270,000
Common stock issued upon conversion of convertible notes	-	-	593,346,266	593,346	(1,134)	-	592,212
Net income for nine months ended September 30, 2019	-	-	-	-	-	1,669,116	1,669,116
Balance as of September 30, 2019	51	\$ -	4,814,093,774	\$ 4,814,093	\$ 22,619,271	\$ (38,296,115)	\$ (10,862,751)

	Convertible Preferred Stock Series A		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Shareholders' Deficit
	Shares	Amount	Shares	Amount			
Balance as of June 30, 2019	51	\$ -	4,435,372,829	\$ 4,435,372	\$ 22,746,911	\$ (37,726,016)	\$ (10,543,733)
Shares Issued for Conversion of Debt	-	-	378,720,945	378,721	(127,640)	-	251,081
Net income for three months ended September 30, 2019	-	-	-	-	-	(570,099)	(570,099)
Balance as of September 30, 2019	51	\$ -	4,814,093,774	\$ 4,814,093	\$ 22,619,271	\$ (38,296,115)	\$ (10,862,751)

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

MyDx, INC.
Statements of Stockholders' Deficit
For the Nine Ended September 30, 2018

	<u>Convertible Preferred Stock Series A</u>		<u>Common Stock</u>		<u>Additional Paid-in</u>	<u>Accumulated</u>	<u>Shareholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>	<u>Deficit</u>
Balances as of December 31, 2017	51	\$ -	1,859,397,541	\$ 1,859,397	\$ 19,818,536	\$ (31,632,972)	\$ (9,955,039)
Loss on Settlement of vendor liabilities	-	-	5,000,000	5,000	20,500	-	25,500
Stock based compensation	-	-	-	-	1,971	-	1,971
Issuance of common stock for services rendered	-	-	85,871,212	85,871	273,003	-	358,874
Conversion of Series B to common	-	-	1,897,000,000	1,897,000	1,707,300	-	3,604,300
Conversion of notes to equity	-	-	26,086,956	26,087	88,696	-	114,783
Issuance of common stock for prepaid services	-	-	4,285,714	4,286	9,000	-	13,286
Net income for nine months ended September 30, 2018	-	-	-	-	-	(3,708,968)	(3,708,968)
Balance as of September 30, 2018	51	\$ -	3,877,641,423	\$ 3,877,641	\$ 21,919,006	\$ (35,341,940)	\$ (9,545,292)

	<u>Convertible Preferred Stock Series A</u>		<u>Common Stock</u>		<u>Additional Paid-in</u>	<u>Accumulated</u>	<u>Shareholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>	<u>Deficit</u>
Balance as of June 30, 2018	51	\$ -	3,849,270,211	\$ 3,849,270	\$ 21,834,253	\$ (31,563,378)	\$ (5,069,546)
Issuance of common stock for services rendered	-	-	28,371,212	28,371	84,754	-	113,125
Net income for three months ended September 30, 2018	-	-	-	-	-	(3,778,563)	(3,778,563)
Balance as of September 30, 2018	51	\$ -	3,877,641,423	\$ 3,877,641	\$ 21,919,006	\$ (35,341,940)	\$ (9,545,292)

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

MyDx, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 1,669,116	\$ (3,708,968)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	17,992	33,726
Change in fair value of derivative liability	1,314,958	(1,817,014)
Change in fair value of warrant liability	(4,332,366)	(1,091,663)
Principal Increase Upon Default	38,900	-
Derivative expense	181,125	281,515
(Gain) / Loss on settlement of vendor liabilities	(160,306)	5,235,869
Stock based compensation	(23,795)	360,846
Gain / (Loss) on extinguishment of debt	49,718	(4,581)
Loss on impairment of assets	173,854	-
Interest expense related to amortization of debt issuance costs and debt discount	505,370	3,605
Changes in assets and liabilities:		
Inventory	(44,415)	31,786
Prepaid expenses and other assets	10,000	25,204
Tooling in process	-	(173,854)
Accounts payable and accrued liabilities	192,571	554,344
Customer deposits	11,257	20,756
Net cash used in operating activities	<u>(396,021)</u>	<u>(248,429)</u>
Cash flows from financing activities		
Proceeds from due to related party	-	105,000
Proceeds from the issuance of convertible notes payable, net of issuance costs	494,000	55,000
Repayment of convertible notes	(25,000)	-
Repayments on asset based loans	-	-
Net cash provided by financing activities	<u>469,000</u>	<u>160,000</u>
Net change in cash	72,979	(88,429)
Cash, beginning of period	102,698	119,028
Cash, end of period	<u>\$ 175,677</u>	<u>\$ 30,599</u>
Supplemental cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of non-cash investing and financing activities:		
Settlement of debt with convertible note	<u>\$ 307,200</u>	<u>\$ 60,000</u>
Stock issued for settlement of vendor liabilities	<u>\$ 270,000</u>	<u>\$ 640,875</u>
Conversion of debt	<u>\$ 592,212</u>	<u>\$ -</u>
Conversion of convertible preferred stock to common stock	<u>\$ -</u>	<u>\$ 3,604,300</u>
Reclassification of warrant liability to additional paid-in capital upon Exercise of warrant	<u>\$ 845,883</u>	<u>\$ -</u>

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

MyDx, INC.
Notes to Condensed Consolidated Financial Statements

1. Organization

MyDx, Inc. (the “Company”, “we”, “us” or “our”) (formally known as Brista Corp.) was incorporated under the laws of the State of Nevada on December 20, 2012. The Company’s wholly owned subsidiary, CDx, Inc., was incorporated under the laws of the State of Delaware on September 16, 2013.

2. Nature of Business

MyDx is a science and technology company that develops and deploys products and services in the following focus areas:

- 1) **Consumer Products** – smart devices and consumables
- 2) **Data Analytics** – pre-clinical chemical analysis and patient feedback ecosystem
- 3) **Biopharmaceuticals** – identifying ‘green Active Pharmaceutical IngredientsTM, (gAPITM) and corresponding formulations
- 4) **Software as a Service (SaaS)** – Software services for prescribers, patient groups, cultivators, and regulators

We are committed to addressing areas of critical national need to promote public safety, transparency and regulation in the various markets we serve.

The Company’s first product, MyDx[®], also known as “My Diagnostic”, is a patented multiuse hand-held chemical analyzer made for consumers and professional users which feeds our data analytics platform and SaaS business. MyDx is intended to allow consumers to Trust & Verify[®] what they put into their mind and body by using our science and technology to test for pesticides in food, chemicals in water, toxins in the air, and the safety and potency of cannabis samples, which is our initial focus.

3. Going Concern

The Company has adopted ASU No. 2014-15, “*Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”)*”.

The Company’s condensed consolidated financial statements have been prepared assuming it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the condensed consolidated Financial Statements, the Company had an accumulated deficit at September 30, 2019 and a net cash used in operating activities for the nine months ended September 30, 2019. These factors raise substantial doubt about the Company’s ability to continue as a going concern for a period of one year from the issuance of these financial statements.

The Company is attempting to further implement its business plan and generate sufficient revenues; however, its cash position may not be sufficient to support its daily operations. The Company has a limited operating history and its prospects are subject to risks, expenses and uncertainties frequently encountered by early-stage companies. These risks include, but are not limited to, the uncertainty of availability of financing and the uncertainty of achieving future profitability. Management anticipates that the Company will be dependent, for the near future, on investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise funds through the capital markets. There can be no assurance that such financing will be available at terms acceptable to the Company, if at all. Failure to generate sufficient cash flows from operations, raise capital or reduce certain discretionary spending could have a material adverse effect on the Company’s ability to achieve its intended business objectives. We reported negative cash flow from operations for the nine months ended September 30, 2019. It is anticipated that we will continue to report negative operating cash flow in future periods, likely until one or more of our products generates sufficient revenue to cover our operating expenses. If any of the warrants are exercised, all net proceeds of the warrant exercise will be used for working capital to fund negative operating cash flow.

Our cash balance of \$175,677 at September 30, 2019 will not be sufficient to fund our operations for the next 12 months. Additionally, if we are unable to generate sufficient revenues to pay our expenses, we will need to raise additional funds to continue our operations. We have historically financed our operations through private equity and debt financings. We do not have any commitments for financing at this time, and financing may not be available to us on favorable terms, if at all. If we are unable to obtain debt or equity financing in amounts sufficient to fund our operations, if necessary, we will be forced to suspend or curtail our operations. In that event, current stockholders would likely experience a loss of most or all of their investment. Additional funding that we do obtain may be dilutive to the interests of existing stockholders.

The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

4. Summary of Significant Accounting Policies

Basis of Presentation - Unaudited Interim Financial Information

The accompanying unaudited interim condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information, and in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC") with respect to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the year ended December 31, 2018.

Use of Estimates

The preparation of the consolidated finance 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 at the date of the condensed consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Such management estimates include allowance for doubtful accounts, estimates of product returns, warranty expense, inventory valuation, valuation allowances of deferred taxes, stock-based compensation expenses and fair value of warrants and derivatives. The Company bases its estimates on historical experience and on assumptions that it believes are reasonable. The Company assesses these estimates on a regular basis; however, actual results could materially differ from those estimates.

Concentration of Risk Related to Third-party Suppliers

We depend on a limited number of third-party suppliers for the materials and components required to manufacture our products. A delay or interruption by our suppliers may harm our business, results of operations, and financial condition, and could also adversely affect our future profit margins. In addition, the lead time needed to establish a relationship with a new supplier can be lengthy, and we may experience delays in meeting demand in the event we must change or add new suppliers. Our dependence on our suppliers exposes us to numerous risks, including but not limited to the following: our suppliers may cease or reduce production or deliveries, raise prices, or renegotiate terms; we may be unable to locate a suitable replacement supplier on acceptable terms or on a timely basis, or at all; and delays caused by supply issues may harm our reputation, frustrate our customers, and cause them to turn to our competitors for future needs.

Fair Value of Financial Instruments

The Company recognizes and discloses the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). Each level of input has different levels of subjectivity and difficulty involved in determining fair value.

- Level 1 Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurable date.
- Level 2 Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
- Level 3 Unobservable inputs that reflect management's best estimate of what participants would use in pricing the asset or liability at the measurement date.

The carrying amounts of the Company's financial assets and liabilities, including cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the Company's loan payable and convertible notes payable approximates fair value based upon borrowing rates currently available to the Company for loans with similar terms.

Business Segments

ASC 280 defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performances. Currently, ASC 280 has no effect on the Company's condensed consolidated financial statements as substantially all of the Company's operations are conducted in one industry segment.

Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of September 30, 2019, and December 31, 2018, the Company held no cash equivalents.

The Company's policy is to place its cash with high credit quality financial instruments and institutions and limit the amounts invested with any one financial institution or in any type of instrument. Deposits held with banks may exceed the amount of insurance provided on such deposits. The Company has not experienced any losses on its deposits of cash.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and are not interest bearing. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company makes ongoing assumptions relating to the collectability of its accounts receivable in its calculation of the allowance for doubtful accounts. In determining the amount of the allowance, the Company makes judgments about the creditworthiness of customers based on ongoing credit evaluations and assesses current economic trends affecting its customers that might impact the level of credit losses in the future and result in different rates of bad debts than previously seen. The Company also considers its historical level of credit losses. As of September 30, 2019 and December 31, 2018, there was an allowance for doubtful accounts of \$27,851 and \$27,851 respectively.

During the nine months ended September 30, 2019 the Company recorded a bad debt expense of \$0.

Inventory

Inventory is stated at the lower of cost or market value. Inventory is determined to be salable based on demand forecast within a specific time horizon, generally eighteen months or less. Inventory in excess of salable amounts and inventory which is considered obsolete based upon changes in existing technology is written off. At the point of recognition, a new lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that new cost basis.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the useful life as follows:

Internal-use software	3 years
Equipment	3 to 5 years
Computer equipment	3 to 7 years
Furniture and fixtures	5 to 7 years
Leasehold improvements	Shorter of life of asset or lease

Accounting for Website Development Costs

The Company capitalizes certain external and internal costs, including internal payroll costs, incurred in connection with the development of its website. These costs are capitalized beginning when the Company has entered the application development stage and cease when the project is substantially complete and is ready for its intended use. The website development costs are amortized using the straight-line method over the estimated useful life of three years.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheets.

During the nine months ended September 30, 2019, the Company impaired \$173,854 relating to Tooling in process.

Debt Discount and Debt Issuance Costs

Debt discounts and debt issuance costs incurred in connection with the issuance of debt are capitalized and amortized to interest expense based on the related debt agreements using the straight-line method. Unamortized discounts are netted against long-term debt.

Derivative Liability

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Paragraph 815-15-25-1 the conversion feature and certain other features are considered embedded derivative instruments, such as a conversion reset provision, a penalty provision and redemption option, which are to be recorded at their fair value as its fair value can be separated from the convertible note and its conversion is independent of the underlying note value. The Company records the resulting discount on debt related to the conversion features at initial transaction and amortizes the discount using the effective interest rate method over the life of the debt instruments. The conversion liability is then marked to market each reporting period with the resulting gains or losses shown in the statements of operations.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The Company follows ASC Section 815-40-15 ("Section 815-40-15") to determine whether an instrument (or an embedded feature) is indexed to the Company's own stock. Section 815-40-15 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. The adoption of Section 815-40-15 has affected the accounting for (i) certain freestanding warrants that contain exercise price adjustment features and (ii) convertible bonds issued by foreign subsidiaries with a strike price denominated in a foreign currency.

The Company evaluates its convertible debt, options, warrants or other contracts, if any, to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 and Section 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as either an asset or a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the consolidated statement of operations as other income or expense. Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the date of conversion, exercise or cancellation and then that the related fair value is reclassified to equity.

The Company utilizes the binomial option pricing model to compute the fair value of the derivative and to mark to market the fair value of the derivative at each balance sheet date. The binomial option pricing model includes subjective input assumptions that can materially affect the fair value estimates. The expected volatility is estimated based on the most recent historical period of time equal to the remaining contractual term of the instrument granted.

Revenue Recognition

The Company adopted ASC 606 effective January 1, 2018 using the modified retrospective method which would require a cumulative effect adjustment for initially applying the new revenue standard as an adjustment to the opening balance of retained earnings and the comparative information would not require to be restated and continue to be reported under the accounting standards in effect for those periods.

Based on the Company's analysis the Company did not identify a cumulative effect adjustment for initially applying the new revenue standards. The Company principally generates revenue through providing product, services and licensing revenue

The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

2) *Identify the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

3) *Determine the transaction price*

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price utilizing either the expected value method or the most likely amount method depending on the nature of the variable consideration. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of the Company's contracts as of December 31, 2018 contained a significant financing component. Determining the transaction price requires significant judgment, which is discussed by revenue category in further detail below.

4) *Allocate the transaction price to performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. However, if a series of distinct services that are substantially the same qualifies as a single performance obligation in a contract with variable consideration, the Company must determine if the variable consideration is attributable to the entire contract or to a specific part of the contract. For example, a bonus or penalty may be associated with one or more, but not all, distinct services promised in a series of distinct services that forms part of a single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis unless the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct service that forms part of a single performance obligation. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

The Company satisfies performance obligations either over time or at a point in time. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

	Three Months ended September 30, 2019			Three Months ended September 30, 2018		
	United States	International	Total	United States	International	Total
Product Revenue	\$ 133,930	\$ 68,118	\$ 202,048	\$ 28,367	\$ 25,008	\$ 53,375
Product Service Revenue	9,632	1,990	11,622	2,777	864	3,641
Licensing Revenue	441	-	441	441	-	441
	<u>\$ 144,003</u>	<u>\$ 70,108</u>	<u>\$ 214,111</u>	<u>\$ 31,585</u>	<u>\$ 25,872</u>	<u>\$ 57,457</u>
	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	United States	International	Total	United States	International	Total
Product Revenue	\$ 134,424	\$ 68,875	\$ 203,299	\$ 104,978	\$ 99,302	\$ 204,280
Product Service Revenue	9,920	1,990	11,910	9,694	5,524	15,218
Licensing Revenue	1,308	-	1,308	8,212	-	8,212
	<u>\$ 145,652</u>	<u>\$ 70,865</u>	<u>\$ 216,517</u>	<u>\$ 122,884</u>	<u>\$ 104,826</u>	<u>\$ 227,710</u>

Product revenue

Revenue from multiple-element arrangements is allocated among separate elements based on their estimated sales prices, provided the elements have value on a stand-alone basis.

Licensing revenue

Some of the Company's revenues are generated from software-as-a-service ("SaaS") subscription offerings and related product support and maintenance. SaaS revenues stem mainly from annual subscriptions and are recorded evenly over the term of the subscription. Any customer payments received in advance are deferred until they are earned. Consulting and training revenues are recognized as work is performed.

Product Returns

For any product in its original, undamaged and unmarked condition, with its included accessories and packaging along with the original receipt (or gift receipt) within 30 days of the date the customer receives the product, the Company will exchange it or offer a refund based upon the original payment method.

Customer Deposits

The Company accounts for funds received from crowdfunding campaigns and pre-sales as a liability on the consolidated balance sheets as the investments made entitle the investor to apply these funds towards future shipments once the product has been developed and available for commercial use.

Research and Development Costs

Research and development costs are charged to expense as incurred. These costs consist primarily of salaries and direct payroll-related costs. It also includes purchased materials and services provided by independent contractors, software developed by other companies and incorporated into or used in the development of our final products. Research and development expenses for the nine months ended September 30, 2019 and 2018 were \$32,221 and \$283,869, respectively.

Advertising Costs

Advertising costs are charged to sales and marketing expenses and general and administrative expenses as incurred. Advertising expenses, which are recorded in sales and marketing and general and administrative expenses, totaled \$52,485 and \$130,475 for the nine months ended September 30, 2019 and 2018, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, "*Compensation – Stock Compensation*" ("ASC 718") which establishes financial accounting and reporting standards for stock-based employee compensation. It defines a fair value based method of accounting for an employee stock option or similar equity instrument. Accordingly, stock-based compensation is recognized in the consolidated statements of operations as an operating expense over the requisite service period. The Company uses the Black-Scholes option pricing model adjusted for the estimated forfeiture rate for the respective grant to determine the estimated fair value of stock-based compensation arrangements on the date of grant and expenses this value ratably over the requisite service period of the stock option. The Black-Scholes option pricing model requires the input of highly subjective assumptions. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models may not provide a reliable single measure of the fair value of the Company's stock options. In addition, management will continue to assess the assumptions and methodologies used to calculate estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies for future grants, and which could materially impact the Company's fair value determination.

Collaborative Arrangements

The Company and its collaborative partners are active participants in the collaborative arrangements and both parties are exposed to significant risks and rewards depending on the commercial success of the activity. The Company records all expenses related to collaborative arrangements as research and development expense in the consolidated statements of operations as incurred.

Earnings per Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents.

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net income (loss) attributable to common stockholders per common share.

	For the Three Months Ended		For the Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Numerator:				
Net income/(loss) attributable to common stockholders	\$ (570,099)	\$ (3,778,563)	\$ 1,669,116	\$ (3,708,968)
Effect of dilutive securities:				
Convertible note - Interest expense	-	-	145,411	-
Derivative expense	-	-	181,125	-
Change in Warrant liability	-	-	(4,332,366)	-
Net change in derivative liabilities - convertible payables	-	-	1,314,958	-
Diluted net income (loss)	\$ (570,099)	\$ (3,778,563)	\$ (1,021,756)	\$ (3,708,968)
Denominator:				
Weighted average common shares outstanding - basic	4,709,633,820	3,873,380,471	4,151,099,739	2,931,417,714
Dilutive securities (a):				
Series A Preferred stock	-	-	51	-
Series B Preferred stock	-	-	1,070,000,000	-
Convertible notes payable	-	-	4,697,901,667	-
Convertible accounts payable	-	-	1,650,000,000	-
Warrants	-	-	589,619,179	-
Weighted average common shares outstanding and assumed conversion - diluted	4,709,633,820	3,873,380,471	12,153,620,636	2,931,417,714
Basic net income (loss) per common share	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)
Diluted net income (loss) per common share	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)
(a) - Anti-dilutive options excluded:	4,449,161,696	3,873,380,471	4,449,161,696	2,931,417,714

The Company had the following common stock equivalents at September 30, 2019 and 2018:

	September 30, 2019	September 30, 2018
Series A Preferred stock	51	51
Series B Preferred stock	1,070,000,000	1,906,270,000
Convertible notes payable	4,692,901,667	140,209,819
Convertible accounts payable	1,650,000,000	300,000,000
Options	1,496,250	1,496,250
Warrants	1,744,689,598	1,267,454,215
Totals	9,159,087,566	3,615,430,335

Recent Accounting Guidance Adopted

In February 2016, the FASB issued ASU 2016-02 “Leases” (Topic 842) which amended guidance for lease arrangements to increase transparency and comparability by providing additional information to users of financial statements regarding an entity’s leasing activities. Subsequent to the issuance of Topic 842, the FASB clarified the guidance through several ASUs; hereinafter the collection of lease guidance is referred to as ASC 842. The revised guidance seeks to achieve this objective by requiring reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements.

On January 1, 2019, the Company adopted ASC 842 using the modified retrospective approach. Results for the three months ended March 31, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported in accordance with the legacy accounting guidance under ASC Topic 840, *Leases*.

As part of the adoption we elected the practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to:

1. Continue applying our current policy for accounting for land easements that existed as of, or expired before, January 1, 2019.
2. Not separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component.
3. Not to apply the recognition requirements in ASC 842 to short-term leases.
4. Not record a right of use asset or right of use liability for leases with an asset or liability balance that would be considered immaterial.

5. Inventory

Inventory as of September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019	December 31, 2018
Finished goods	\$ 2,940	\$ 9,781
Raw materials	155,506	104,250
	\$ 158,446	\$ 114,031

6. Debt

Convertible Notes

The following table shows the outstanding balance as of September 30, 2019 and December 31, 2018 respectively.

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Convertible Note - February 6, 2017	265,750	265,750
Convertible Note - July 23, 2018	-	25,000
Convertible Note – October 1, 2018	-	74,800
Convertible Note – October 4, 2018	-	73,500
Convertible Note – October 11, 2018	163,500	283,500
Convertible Note – December 19, 2018	82,000	82,000
Convertible Note – March 7, 2019	210,000	-
Convertible Note –May 2, 2019	63,945	-
Convertible Note – May 7, 2019	100,000	-
Convertible Note – September 18, 2019	35,000	-
Convertible Note – September 18, 2019	69,000	-
Convertible Note – September 18, 2019	27,500	-
Convertible Note – September 18, 2019	25,000	-
	<u>1,041,695</u>	<u>804,550</u>
Less: Debt Discount	<u>(345,743)</u>	<u>(368,373)</u>
Total	<u>\$ 695,952</u>	<u>\$ 436,177</u>

During the year ended December 31, 2018 Hasfer, Inc and Carte Blanche, LLC entered into a note purchase agreement. Hasfer assigned \$60,000 to Carte Blanche, LLC. The Company received additional proceeds of \$30,000.

During the year ended December 31, 2018 the lenders converted \$60,000 of the outstanding principal into 26,086,956 shares of the Company's common stock.

On July 23, 2018 the Company issued convertible notes to third party lenders totaling \$25,000. These notes accrue interest at a rate of 12% per annum and mature with interest and principal due July 23, 2019. The note and accrued interest are convertible at a conversion price equal to a 30% discount of the Company's common stock prior day close price.

Due to the fact that these convertible notes have an option to convert at a variable amount, they are subject to derivative liability treatment. The Company has applied ASC 815, due to the potential for settlement in a variable quantity of shares. The conversion feature has been measured at fair value using a Binomial Option Pricing model at the issuance date and the period end. The conversion feature of the convertible note gave rise to a derivative liability of \$19,070 which was recorded as a debt discount. The debt discount is charged to other expense ratably over the term of the convertible note

During the nine months ended September 30, 2019 the company settled this note. In connection with this settlement the company recorded a gain of \$28,074.

Geneva Securities Purchase Agreement

Effective October 1, 2018, the Company entered into a securities purchase agreement (the "Geneva Purchase Agreement") with Geneva Roth Remark Holdings, Inc., ("Geneva"), pursuant to which Geneva purchased a 10% unsecured convertible promissory note (the "Geneva Note") from the Company in the aggregate principal amount of \$74,800, such principal and the interest thereon convertible into shares of the Company's common stock at the option of Geneva.

The purchase price of \$74,800 of the Geneva Note was paid in cash by Geneva on October 2, 2018. After payment of transaction-related expenses, net proceeds to the Company from the Geneva Note totaled \$65,000.

The maturity date of the Geneva Note is October 1, 2019 (the "Geneva Maturity Date"). The Geneva Note shall bear interest at a rate of ten percent (10%) per annum (the "Geneva Interest Rate"), which interest shall be paid by the Company to Geneva in shares of common stock at any time Geneva sends a notice of conversion to the Company. Geneva is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the Geneva Note into shares of the Company's common stock, at any time after March 20, 2019, at a conversion price for each share of common stock equal to 71% multiplied by the average of the lowest three (3) trading prices (as defined in the Geneva Purchase Agreement) for the common stock during the fifteen (15) Trading Day period (as defined in the Geneva Purchase Agreement) ending on the latest complete trading day prior to the conversion date.

The Geneva Note may be prepaid until 170 days from the issuance date in accordance with its terms.

The Company shall reserve 270,905,432 of its authorized and unissued common stock (the “Geneva Reserved Amount”), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the Geneva Note.

During the nine months ended September 30, 2019 the Company went into default on the convertible note. Interest accrues at a rate of twenty-two percent (22%) per annum during the time that the convertible note is in default.

The company recorded an interest expense of \$37,400 related to the default provisions in the agreement

During the nine months ended September 30, 2019 the lender converted \$112,200 of the outstanding principal and \$3,400 of the outstanding interest into 92,083,917 shares of the Company’s common stock.

GS Capital Securities Purchase Agreement

Effective October 4, 2018 the Company entered into a securities purchase agreement (the “GSC Purchase Agreement”) with GS Capital Partners LLC, (“GSC”, and together with Geneva, the “Investors”), pursuant to which GSC purchased a 8% unsecured convertible promissory note from the Company in the aggregate principal amount of \$75,000 (the “GSC Note”), such principal and the interest thereon convertible into shares of the Company’s common stock at the option of GSC.

The purchase price of \$75,000 of the GSC Note was paid in cash by GSC on October 5, 2018. After payment of transaction-related expenses, net proceeds to the Company from the First GSC Note totaled \$68,500.

The maturity date of the GSC Note is October 4, 2019 (the “the GSC Maturity Date”). The GSC Note shall bear interest at a rate of eight percent (8%) per annum (the “GSC Interest Rate”), which interest shall be paid by the Company to GSC in shares of common stock at any time GSC sends a notice of conversion to the Company. GSC is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the GSC Note into shares of the Company’s common stock, at any time, at the conversion price specified in the for each share of common stock equal to 71% of the average of the three lowest closing bid prices of the common stock for the fifteen prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note the Company recorded a \$58,855 debt discount.

The GSC Note may be prepaid until 180 days from the issuance date in accordance with its terms.

The Company shall reserve 211,267,000 of its authorized and unissued common stock (the “GSC Reserved Amount”), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the GSC Note.

During the nine months ended September 30, 2019, the Company went into default on the convertible note. Interest accrues at a rate of twenty-four percent (24%) per annum during the time that the convertible note is in default. The company recorded an interest expense of \$1,500.

During the nine months ended September 30, 2019, the lender converted \$75,000 of the outstanding principal and \$9,834 of the outstanding interest into 158,207,907 shares of the Company’s common stock.

Eagle and GSC Securities Purchase Agreements

Effective October 11, 2018, the Company entered into a securities purchase agreement (the “Eagle Purchase Agreement”) with Eagle Equities, LLC (“Eagle”), pursuant to which Eagle purchased an 8% unsecured convertible promissory note (the “Eagle Note”) from the Company in the aggregate principal amount of \$181,500, such principal and the interest thereon convertible into shares of the Company’s common stock at the option of Eagle.

Effective October 11, 2018 the Company entered into a securities purchase agreement (the “GSC Purchase Agreement” and together with the Eagle Purchase Agreement, the “SPAs”) with GSC (together with Eagle, the “Investors”), pursuant to which GSC purchased an 8% unsecured convertible promissory note (the “GSC Note” and together with the Eagle Note, the “Notes”) from the Company in the aggregate principal amount of \$102,000, such principal and the interest thereon convertible into shares of the Company’s common stock at the option of GSC.

The purchase price of \$181,500, and of \$102,000, of the Eagle Note and the GSC Note, respectively, was paid in cash by the Investors on October 11, 2018. After payment of transaction-related expenses, net proceeds to the Company from the Eagle Note and the GSC Note totaled \$157,000 and \$90,000, respectively.

The maturity date of the Notes is October 11, 2019 (the "Maturity Date"). The Notes shall bear interest at a rate of eight percent (8%) per annum (the "Interest Rate"), which interest shall be paid by the Company to the Investors in shares of common stock at any time Eagle or GSC sends a notice of conversion to the Company (the "Notice of Conversion"). The Investors are entitled to, at their option, convert all or any amount of the principal face amount and any accrued but unpaid interest of their respective Notes into shares of the Company's common stock, at any time, at a conversion price for each share of common stock equal to 65% of the average of the lowest three closing bid prices of the common stock as reported on the marketplace upon which the Company's shares are traded during the fifteen (15) trading day period ending on the day upon which a Notice of Conversion is received by the Company. In connection with this note, the Company recorded a \$149,702 and \$84,941 debt discounts.

The Notes may be prepaid until 180 days from the issuance date in accordance with its terms.

The Company shall reserve 532,000,000, and 299,000,000, of its authorized and unissued common stock free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the Eagle Note (the "Eagle Reserved Amount"), and the GSC Note (the "GSC Reserved Amount" and together with the Eagle Reserved Amount, the "Total Reserved Amount"), respectively.

During the nine months ended September 30, 2019, the Company went into default on the convertible note. Interest accrues at a rate of twenty-four percent (24%) per annum during the time that the convertible note is in default.

During the nine months ended September 30, 2019, the lender converted \$120,000 of the outstanding principal and \$9,437 of the outstanding interest into 343,054,442 shares of the Company's common stock.

Effective December 19, 2018 the Company entered into a securities purchase agreement (the "GSC Purchase Agreement") with GS Capital Partners LLC, ("GSC", and together with Geneva, the "Investors"), pursuant to which GSC purchased a 8% unsecured convertible promissory note from the Company in the aggregate principal amount of \$82,000 (the "GSC Note"), such principal and the interest thereon convertible into shares of the Company's common stock at the option of GSC.

The purchase price of \$82,000 of the GSC Note was paid in cash by GSC on December 19, 2018. After payment of transaction-related expenses, net proceeds to the Company from the First GSC Note totaled \$78,828.

The maturity date of the GSC Note is December 19, 2019 (the "the GSC Maturity Date"). The GSC Note shall bear interest at a rate of eight percent (8%) per annum (the "GSC Interest Rate"), which interest shall be paid by the Company to GSC in shares of common stock at any time GSC sends a notice of conversion to the Company. GSC is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the GSC Note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 67% of the average of the three lowest closing bid prices of the common stock for the fifteen prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$76,000 debt discount.

The GSC Note may be prepaid until 180 days from the issuance date in accordance with its terms.

The Company shall reserve 211,267,000 of its authorized and unissued common stock (the "GSC Reserved Amount"), free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of the GSC Note.

GS Capital Agreement

Effective March 7, 2019 the Company entered into a securities purchase agreement with GS Capital Partners, pursuant to which GSC purchased a 8% unsecured convertible promissory note from the Company in aggregate principal amount of \$210,000, such principal and interest thereon convertible into shares of the Company's common stock at the option of GSC.

The purchase price of \$210,000 of the GS Capital note was paid in cash by GS Capital on March 11, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$200,000.

The maturity date of the GS Capital note is March 7, 2020. The GS Capital Note shall bear interest at a rate of eight percent (8%) per annum which interest shall be paid by the Company to GS Capital in shares of common stock at any time GSC sends a notice of conversion to the Company. GSC is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the GSC Note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 65% of the average of the two lowest closing bid prices of the common stock for the fifteen prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$167,296 debt discount.

During the nine months ended September 30, 2019 the Company went into default on the convertible note. Interest accrues at a rate of twenty-four percent (24%) per annum during the time that the convertible note is in default.

LG Capital Agreement

Effective May 2, 2019 the Company entered into a securities purchase agreement with LG Capital Funding, pursuant to which LG purchased an 8% unsecured convertible promissory note from the Company in aggregate principal amount of \$63,945, such principal and interest thereon convertible into shares of the Company's common stock at the option of LG Capital.

The purchase price of \$63,945 of the LG Capital note was paid in cash by LG Capital on May 2, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$60,000.

The maturity date of the LG Capital note is May 2, 2020. The LG Capital note shall bear interest at a rate of eight percent (8%) per annum which interest shall be paid by the Company to LG Capital in shares of common stock at any time LG sends a notice of conversion to the Company. LG is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the LG Capital note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 65% of the average of the two lowest closing bid prices of the common stock for the fifteen prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$44,999 debt discount.

During the nine months ended September 30, 2019 the Company went into default on the convertible note. Interest accrues at a rate of twenty-four percent (24%) per annum during the time that the convertible note is in default.

Odyssey Capital Agreement

Effective May 7, 2019 the Company entered into a securities purchase agreement with Odyssey Capital, pursuant to which Odyssey purchased a 12% unsecured convertible promissory note from the Company in aggregate principal amount of \$100,000, such principal and interest thereon convertible into shares of the Company's common stock at the option of Odyssey Capital.

The purchase price of \$100,000 of the Odyssey Capital note was paid in cash by Odyssey Capital on May 7, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$95,000.

The maturity date of the Odyssey Capital note is May 7, 2020. The Odyssey Capital note shall bear interest at a rate of twelve percent (12%) per annum which interest shall be paid by the Company to Odyssey Capital in shares of common stock at any time Odyssey sends a notice of conversion to the Company. Odyssey is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the Odyssey Capital note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 60% of the lowest closing bid prices of the common stock for the twenty prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$95,000 debt discount.

During the nine months ended September 30, 2019 the Company went into default on the convertible note. Interest accrues at a rate of twenty-four percent (24%) per annum during the time that the convertible note is in default.

Odyssey Capital Agreement

Effective September 18, 2019 the Company entered into a securities purchase agreement with Odyssey Capital, pursuant to which Odyssey purchased a 12% unsecured convertible promissory note from the Company in aggregate principal amount of \$35,000, such principal and interest thereon convertible into shares of the Company's common stock at the option of Odyssey Capital.

The purchase price of \$35,000 of the Odyssey Capital note was paid in cash by Odyssey Capital on September 18, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$33,000.

The maturity date of the Odyssey Capital note is September 18, 2020. The Odyssey Capital note shall bear interest at a rate of twelve percent (12%) per annum which interest shall be paid by the Company to Odyssey Capital in shares of common stock at any time Odyssey sends a notice of conversion to the Company. Odyssey is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the Odyssey Capital note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 60% of the lowest trading bid prices of the common stock for the twenty prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$35,000 debt discount.

GS Capital Agreement

Effective September 18, 2019 the Company entered into a securities purchase agreement with GS Capital, pursuant to which GS purchased a 8% unsecured convertible promissory note from the Company in aggregate principal amount of \$69,000, such principal and interest thereon convertible into shares of the Company's common stock at the option of GS Capital.

The purchase price of \$69,000 of the GS Capital note was paid in cash by GS Capital on September 18, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$60,000.

The maturity date of the GS Capital note is September 18, 2020. The GS Capital note shall bear interest at a rate of twelve percent (8%) per annum which interest shall be paid by the Company to GS Capital in shares of common stock at any time GS sends a notice of conversion to the Company. GS is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the GS Capital note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 50% of the lowest closing bid prices of the common stock for the twenty prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$69,000 debt discount.

Eagle Equities Agreement

Effective September 18, 2019 the Company entered into a securities purchase agreement with Eagle Equities, pursuant to which Eagle purchased a 8% unsecured convertible promissory note from the Company in aggregate principal amount of \$27,500, such principal and interest thereon convertible into shares of the Company's common stock at the option of Eagle Equities.

The purchase price of \$27,500 of the Eagle Equities note was paid in cash by Eagle Equities on September 18, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$23,000.

The maturity date of the Eagle Equities note is September 18, 2020. The Eagle Equities Note shall bear interest at a rate of twelve percent (8%) per annum which interest shall be paid by the Company to Eagle Equities in shares of common stock at any time Eagle Equities sends a notice of conversion to the Company. Eagle Equities is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the Eagle Equities Note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 60% of the lowest closing bid prices of the common stock for the fifteen prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$27,500 debt discount.

LG Capital Agreement

Effective September 18, 2019 the Company entered into a securities purchase agreement with LG Capital, pursuant to which LG purchased a 8% unsecured convertible promissory note from the Company in aggregate principal amount of \$25,000, such principal and interest thereon convertible into shares of the Company's common stock at the option of LG Capital.

The purchase price of \$25,000 of the LG Capital note was paid in cash by LG Capital on September 18, 2019. After payment of transaction-related expenses, net proceeds to the Company from the note totaled \$23,000.

The maturity date of the LG Capital note is September 18, 2020. The LG Capital note shall bear interest at a rate of twelve percent (8%) per annum which interest shall be paid by the Company to LG Capital in shares of common stock at any time GS sends a notice of conversion to the Company. LG is entitled to, at its option, convert all or any amount of the principal face amount and any accrued but unpaid interest of the LG Capital note into shares of the Company's common stock, at any time, at the conversion price specified in the for each share of common stock equal to 60% of the lowest trading bid prices of the common stock for the twenty prior trading days including the day upon which a notice of conversion is received by the Company or its transfer agent. In connection with this note, the Company recorded a \$25,000 debt discount.

7. Derivative Liabilities

The Company has identified derivative instruments arising from embedded conversion features in the Company's convertible notes payable and accounts payable at September 30, 2019.

The following summarizes the Binomial-lattice model assumptions used to estimate the fair value of the derivative liability and warrant liability at the date of issuance and for the convertible notes converted during the nine months ended September 30, 2019.

	<u>Low</u>	<u>High</u>
Annual dividend rate	0%	0%
Expected life in years	0	4.00
Risk-free interest rate	2.21%	2.77%
Expected volatility	104%	196%

Risk-free interest rate: The Company uses the risk-free interest rate of a U.S. Treasury Note with a similar term on the date of the grant.

Dividend yield: The Company uses a 0% expected dividend yield as the Company has not paid dividends to date and does not anticipate declaring dividends in the near future.

Volatility: The volatility was estimated using the historical volatilities of the Company's common stock.

Remaining term: The Company's remaining term is based on the remaining contractual maturity of the convertible notes payable and accounts payable.

The following are the changes in the derivative liabilities during the nine months ended September 30, 2019.

	Nine months ended September 30, 2019		
	Level 1	Level 2	Level 3
Derivative Liability as of January 1, 2019			1,222,186
Derivative expense			181,125
Additions			463,795
Conversions			(211,631)
Settlement			(22,506)
Gain on changes in fair value			1,314,958
Derivative liabilities as of September 30, 2019			<u>2,947,927</u>

The following are the changes in the warrant liabilities during the nine months ended September 30, 2019.

	Nine months ended September 30, 2019		
	Level 1	Level 2	Level 3
Balance, January 1, 2019	\$ -	\$ -	\$ 6,267,426
Change due to exercise of warrants			(845,883)
Gain on changes in fair value	-	-	(4,332,366)
Settlement			(159,268)
Accretion of warrant expense			(23,795)
Warrant liabilities as September 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906,114</u>

8. Stockholders' Deficit

Preferred Stock

On September 30, 2016, the Company filed a Certificate of Amendment to Articles of Incorporation with the Secretary of State of the State of Nevada to authorize for issuance ten million (10,000,000) shares of blank check preferred stock, par value \$0.001 ("Blank Check Preferred Stock") as included on Form 8-K filed with the SEC on October 4, 2016.

Series A Preferred Stock

As of September 30, 2019, and December 31, 2018, the Company has designated 51 shares of Series A Preferred Stock par value \$0.001 and 51 shares are issued and outstanding. The Series A Preferred Stock can convert into common stock at a 1:1 ratio. Each one (1) share of the Series A Preferred shall have voting rights equal to (x) 0.019607 multiplied by the total issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote (the "Numerator"), divided by (y) 0.49, minus (z) the Numerator. For purposes of illustration only, if the total issued and outstanding shares of Common Stock eligible to vote at the time of the respective vote is 5,000,000, the voting rights of one share of the Series A Preferred Stock shall be equal to $102,036 (0.019607 \times 5,000,000) / 0.49 - (0.019607 \times 5,000,000) = 102,036$. On December 23, 2016 the 51 shares were issued to Mr. Yazbeck, the Company's sole officer and the sole member of the Board. Mr. Yazbeck, via his ownership of the 51 shares of the Series A Preferred, has control of the majority of the Company's voting stock.

Series B Preferred Stock

The Series B Preferred is convertible into shares of Common Stock at a conversion price of \$0.0001. Holders of the Series B Preferred are entitled to receive dividends annually equal to \$0.10 for each share of Series B Preferred held. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series B Preferred then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment shall be made to the holders of Common Stock. Until such time as there are fewer than 20,000 shares of Series B Preferred outstanding, the Company needs to obtain the majority votes of the holders of Series B Preferred with regard to certain actions. Holders of Series B Preferred shares are entitled to one vote for each share held, are entitled to elect up to two members to the Board, and, absent such election, are provided certain voting and veto rights with regard to any vote by the Board.

On July 31, 2018, the Company agreed to eventually issue 38,272 shares of Series B Preferred at a value of \$1.00 per Series B Preferred share to settle outstanding vendor liability. The shares of Series B Preferred will be issued upon an increase in the authorized shares of Series B Preferred. The Company also agreed to the assignment or issuance of three warrants giving the holder the right to purchase seven and one half percent (7.5%) of the Company's shares of Common Stock issued and outstanding at the time of exercise and having an exercise price of \$0.001 per share. This form of warrant is referred to herein as the "7.5% Warrant." The Company agreed to the assignment of one previously issued 7.5% Warrant to an entity related to BCI Advisors. This 7.5% Warrant will expire on July 31, 2020. In addition, the Company also agreed to the assignment of another previously issued 7.5% Warrant to an entity related to BCI Advisors and agreed to extend the expiration date from March 1, 2019 to July 31, 2020. Finally, the Company agreed to issue a new 7.5% Warrant which will expire on July 31, 2020.

On July 30, 2018, the Company agreed to eventually issue 45,355 shares of the Company's Series B Preferred at a value of \$1.00 per Series B Preferred share to settle outstanding vendor liability. The Company also agreed to issue a 7.5% Warrant with an expiration date of August 1, 2022.

During the nine months ended September 30, 2018 investors converted 189,700 Series B Preferred stock in to 1,897,000,000 shares of common stock.

Common Stock

On September 30, 2016, the Company amended articles of incorporation to increase the number of authorized commons shares to 10,000,000,000 as included on Form 8-K filed with the SEC on October 4, 2016.

On January 15, 2019, the Company issued 165,546,562 shares of common stock for a cashless exercise on warrants.

On April 17, 2019, the Company issued 50,000,000 shares of its restricted common stock to settle outstanding vendor liabilities of \$64,000. In connection with this transaction the Company also recorded a loss on settlement of vendor liabilities of \$56,000. The fair value of the common stock based on the trading price of the stock on April 17, 2019 was \$120,000.

On May 13, 2019, the Company issued 100,000,000 shares of its restricted common stock to settle outstanding vendor liabilities of \$96,788. In connection with this transaction the Company also recorded a loss on settlement of vendor liabilities of \$53,212. The fair value of the common stock based on the trading price of the stock on May 13, 2019 was \$150,000.

During the nine months ended September 30, 2019 the lenders converted \$307,200 of the outstanding principal and \$24,904 of the outstanding interest into 593,346,266 shares of the Company's common stock. In connection with these conversions the company recorded a loss on extinguishment of \$56,163 which is recorded on the Condensed Consolidated Financial Statements.

On November 4, 2019 the Company entered into a separation and release of claims agreement with Matthew Bucciero, Erai Beckman, and Mr. Cannabis, Inc. This agreement is effective as of August 1, 2019. The parties mutually rescind the consulting agreement, the warrants, and any liabilities the company had recorded. In connection with the separation and release of claims agreement the company recorded a \$269,518 gain on settlement of accrued liabilities on the Condensed Consolidated Financial Statements. This gain is comprised of \$159,268 from the warrant liability and \$110,250 from accrued liabilities.

9. Commitments and Contingencies

Distribution and License Agreement and Joint Development Agreements

The Company entered into a Distribution and License Agreement with a third-party for the purpose of developing a sensor array to be used in the Company's product. The Distribution and License Agreement has an initial term of ten years, but can be terminated earlier if the project does not meet the specifications of the Company. The Company will obtain exclusive rights to sell and distribute once a successful sensor prototype is developed. In exchange for a functional prototype, the Company will pay the third-party a 7% royalty on net sales. During the nine months ended September 30, 2019, the Company did not incur any development costs related to the Distribution and License Agreement.

On November 1, 2013, the Company entered into a two-year Joint Development Agreement (the “Agreement”) with an unrelated third-party to develop chemical sensors and peripheral sensing equipment and software for the detection and characterization of cannabis and compounds associated with cannabis.

The Agreement provides for, among other things, any arising intellectual property rights (as defined) outside of the field (as defined), and any arising intellectual property rights relating to improvements to detection materials shall belong to the Joint Venture Developer.

The Agreement also provides that any arising intellectual property rights other than those covered above shall belong to the Company. To the extent that it is necessary to do so to enable the Company to use and exploit its respective arising intellectual property rights, the Joint Developer grants the Company a perpetual, irrevocable, exclusive, and royalty free license (including the right to assign the license and to grant sub-licenses) to use and exploit the Joint Developer’s arising intellectual property rights in the field. Under the terms of the Agreement, either party may cancel the Agreement as the specific tasks provided for in the Agreement have been completed or for causes specifically provided for in the Agreement.

On May 19, 2015, the Company entered into an Exclusive Patent Sublicense Agreement (the “License Agreement”) with Next Dimension Technologies, Inc. (“NDT”). The License Agreement grants the Company a worldwide right to the patents licensed by NDT from the California Institute of Technology. The License Agreement grants both exclusive and non-exclusive patent rights. The license granted in the License Agreement permits the Company to make, have made, use, sell and offer for sale sublicensed products in the field of use. The License Agreement continues until the expiration, revocation, invalidation or enforceability of the rights licensed. The License Agreement provides for the payment of a license fee and royalty payments by CDx to NDT. The License Agreement also contains minimum royalty payments and milestone payments by CDx to NDT. NDT has a right to terminate the License Agreement in the event of an uncured breach by CDx; the insolvency or bankruptcy of CDx; or if CDx does not meet certain productivity milestones. The License Agreement also contains representations, warranties and indemnity obligations for each of CDx and NDT. In connection with the License Agreement, on May 19, 2015, CDx and NDT also executed an Amended Amendment No. 4 (the “Amended Amendment No. 4”) to the Joint Development Agreement, dated as of November 1, 2013, between CDx and NDT, which extended the date of negotiation for the License Agreement through May 19, 2015.

Litigation

In the normal course of business, the Company may be subject to other legal proceedings, lawsuits and other claims. Although the ultimate aggregate amount of probable monetary liability or financial impact with respect to these matters is subject to many uncertainties and is therefore not predictable with assurance, the Company’s management believes that any monetary liability or financial impact to the Company from these other matters, individually and in the aggregate, would not be material to the Company’s financial condition, results of operations or cash flows.

However, there can be no assurance with respect to such result, and monetary liability or financial impact to the Company from these other matters could differ materially from those projected.

10. Subsequent Events

Subsequent to September 30, 2019 investors converted \$123,317 in principal and interest from convertible notes into 1,087,168,316 shares of the company’s common stock.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, MyDx’s audited annual financial statements and the related notes thereto as filed with the Securities and Exchange Commission (“SEC”) on April 25, 2019. This discussion contains certain forward-looking statements that involve risks and uncertainties, as described under the heading “Forward-Looking Statements” in this quarterly report. Actual results could differ materially from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please see the disclosure under the heading “Risk Factors” elsewhere in this quarterly report.

We believe that our assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company’s products and services and competition.

Overview

MyDx is a science and technology company that develops and deploys products and services in the following focus areas:

- 1) **Consumer Products** – smart devices and consumables
- 2) **Data Analytics** – pre-clinical chemical analysis and patient feedback ecosystem
- 3) **Biopharmaceuticals** – identifying ‘green Active Pharmaceutical IngredientsTM, (gAPITM) and corresponding formulations
- 4) **Software as a Service (SaaS)** – Software services for prescribers, patient groups, cultivators, and regulators

We are committed to addressing areas of critical national need to promote public safety, transparency and regulation in the various markets we serve.

The Company’s first product, MyDx[®], also known as “My Diagnostic”, is a multiuse hand-held chemical analyzer made for consumers and professional users which feeds our data analytics platform and SaaS business. MyDx is intended to allow consumers to Trust & Verify[®] what they put into their mind and body by using our science and technology to test for pesticides in food, chemicals in water, toxins in the air, and the safety and potency of cannabis samples, which is our initial focus.

Business Plan

The Company is currently focused on 4 key business segments to service the cannabis industry.

1. Consumer Products

Smart Devices & Consumables

1) CannaDxTM

- The cannabis industry’s first hand-held cannabis sensor and analyzer with disposable single use inserts.
- Comes with a mobile app that acts as a ‘virtual budtender’.
- Analyzes cannabis sample and provides a Total Canna ProfileTM (TCP), a more complete chemical profile to include THC and the most prevalent cannabinoids and terpenes found in cannabis plants.

- Cannabinoids such as THC and CBD have been reported to bind the CB1 and CB2 receptors found throughout the human body and have been reported to provide relief to an array of symptoms, including pain, nausea, and inflammation to name a few. Terpenes, which have been reported to compound the effects of cannabinoids on the body via an “Entourage Effect”, are also important in determining the overall physiological effects various cannabis chemical profiles.
- Enables users to log their ailments and side effects and tie those back to the exact chemical profile.
- Provides strain recommendations based on desired “relief” input based on crowdsourced community feedback.

2) Eco Smart Pen™ and Other Delivery Devices

- MyDx plans to develop additional smart hardware that gather user data, such as the Eco Smart Pen. MyDx plans to release the Eco Smart Pen once the development is complete and the market conditions are favorable to do so.
- Integrated with Bluetooth as well as other technologies that will allow for mobile-app control, dose restrictions, safety controls, and usage statistics.
- We plan to OEM these product to third-party customers.

3) MyDx Tablet Edition

- MyDx plans to develop the first touchscreen kitchen tablet in the market with integrated MyDx sensor reading capability.
- Sensor lineup to include OrganaDx, AquaDx, and AeroDx.
- Company plans to offer CannaDx data portal management ability in MyDx Tablet Edition.

MyDx plans to evaluate the 510K FDA device approval process to leverage its consumer products and the ability of insurance companies to support sales of its smart devices and generate HIPPA compliant crowdsourced data.

2. Data Analytics

Pre-Clinical Chemical Analysis and Patient Feedback Ecosystem.

MyDx has four classes of data and algorithms:

1) User Data

- When users download the CannaDx mobile app, we may ask them put in personal details such as gender, location, height, weight, age etc. that we maintain while complying with HIPAA.

2) Chemical Composition Data

- This information is sourced from a number of inputs including the CannaDx Handheld’s Total Canna Profile (TCP), partner laboratories analyses, and branded pre-tested concentrates.

3) User Feedback

- Provided by users in our CannaDx mobile app as they try various products and record their experiences with those products.

4) Usage Statistics

- We plan to capture type, frequency, dosage, ailments relieved, and side effects.

MyDx plans to leverage this data, which combined is referred to as the Total Canna Profile™ (TCP), combined with our proprietary algorithms, to develop key insights into user behavior based on unique chemical profiles. Our goal is to track how a specific sample is expected to help relieve certain ailments and to validate the results.

3. Biopharmaceutical

Identifying 'green Active Pharmaceutical Ingredients'TM (gAPITM) and corresponding formulations

1) Sale and License of Product Formulations

- MyDx plans to work with third party customers to license crowdsourced formulated chemical profiles that are expected to address a specific "relief" desired using its own proprietary formulas derived from our extensive dataset and algorithms.

2) Sale of green Active Pharmaceutical Ingredients (gAPITM)

- This division will also look to provide an organic source of extracted green Active Pharmaceutical Ingredients (gAPITM), such as a predefined terpene formulation, for consumer and industrial use.
- Given that certain classes of gAPI's such hemp derived CBD and terpenes might offer "relief" without the "high" THC provides, MyDx intends to partner with leaders in the industry to offer branded products without THC, akin to a "virgin" cocktail, if it finds that these formulations offer the benefits desired and the legal framework to sell them is viable.

4. SaaS (Software as a Service)

Software services for prescribers, patient groups, cultivators, and regulators

1) MyDx App

- Available in iOS and Android and controls the MyDx Analyzer.
- Tracks patient tested samples and physiological feedback.
- Prints a Certificate of Analysis, which includes patient feedback.
- Offers patients groups and their doctors with OEM software to track what the community is experiencing.
- Centrally hosted in our secure cloud based server.
- Will offer in App purchases for additional software subscription features.

2) MYDX360

- MyDx360 is a Software As A Service (SAAS)-based community engagement platform designed to help entrepreneurs develop, launch and track the effects of new formulated products on consumers to help penetrate their target markets more effectively.
- As part of the service, companies will choose from among MyDx's many chemical formulations that best align with the physiological response its target demographic is seeking. From there, MyDx will outsource the delivery of those formulations through licensed concentrate manufacturing facilities and provide customer-engagement support via its SAAS platform and MyDx smart devices such as the EcoSmartPen to acquire and analyze user feedback.
- Collectively, this suite of services will be called MyDx360.

3) Software to Support Laboratory Marketing, Customer Service and Data Aggregation

- MyDx will offer what we believe will be the premier lead generator and outsourced services provider for cannabis testing labs.
- Through certain assets MyDx expects to develop or acquire, as well as leads generated from our handheld analysis and smart devices, we believe MyDx will be positioned to become a world leader in cannabis laboratory marketing and services and as the largest "data holder" of tested cannabis and the associated chemical profiles tied to the ailment therapy.

Change in Officers and Directors

On November 10, 2018, the Company entered into a consulting agreement (the “Mr. Cannabis Consulting Agreement”) with Mr. Cannabis, Inc., a California corporation (the “Consultant”), pursuant to which the Consultant would perform management type services for the Company as further defined in the Mr. Cannabis Consulting Agreement. The term of the Mr. Cannabis Consulting Agreement is from November 10, 2018 through November 9, 2021 (the “Term”). The Mr. Cannabis Consulting Agreement shall not be terminated within the first six months of the Term. The Company or the Consultant may terminate this Agreement, with or without cause, at any time after the first six months of the Term upon providing ninety day written notice to the other party.

Pursuant to, and in accordance with the terms and conditions of the Mr. Cannabis Consulting Agreement, the Consultant was issued a common stock purchase warrant (the “Warrant”) to purchase twenty two and one half percent (22.5%) of the issued and outstanding shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”) at the time of the first notice of exercise given by the Consultant to the Company, exercisable at a price of \$.001 per share and for a term of three years from the date of issuance (the “Mr. Cannabis Warrant”).

In connection with the Mr. Cannabis Consulting Agreement, Mr. Daniel Yazbeck resigned from his position as the Company’s Chief Executive Officer (the “Yazbeck Resignation”), but remains a member of the Company’s Board of Directors (the “Board”). Upon Mr. Yazbeck’s resignation, the Board appointed Mr. Matthew Bucciero, an affiliate of the Consultant, as Chief Executive Officer of the Company. Additionally, Mr. Erai Beckmann, currently President of the Consultant, was appointed to the Board.

Mr. Beckmann was the CEO of Humanity Holdings through February 2018. At the time the Company entered into the License and Services Agreement with Humanity Holdings in April 2018, Mr. Beckmann’s position was Co-Founder and he owned 23% of the entity. In addition, on February 1, 2018, the Company and Mr. Beckmann entered into a twelve (12) month Research, Manufacturing, Advertising and Marketing Services Agreement. During the year ended December 31, 2018, the Company has issued 43,906,926 restricted shares of common stock to Mr. Beckmann in connection with the February agreement.

Effective August 1, 2019, Mr. Erai Beckman resigned from his position as a member of the Board and Mr. Matthew Bucciero resigned from his position as Chief Executive Officer and Chief Financial Officer of the Company. The resignations were not caused by a disagreement with the Company.

Effective as of October 2, 2019, Daniel Yazbeck was appointed as Interim Chief Executive Officer and Interim Chief Financial Officer of the Company.

Results of Operations

As shown in the accompanying consolidated financial statements, the Company incurred a net income of \$1,669,116 and net loss of \$3,708,968, respectively, for the nine months ended September 30, 2019 and 2018. The Company had an accumulated deficit of \$38,296,115 and \$39,965,231 respectively, as of September 30, 2019 and December 31, 2018.

Comparison of The Three Months Ended September 30, 2019 and 2018

Revenue

For the three months ended September 30, 2019 and 2018, the Company had licensing revenue of \$441 and \$441, respectively. For the three months ended September 30, 2019 and 2018, the Company had product revenue of \$202,048 and \$53,375 respectively. For the three months ended September 30, 2019 and 2018, the Company had product service revenue of \$11,622 and \$3,641, respectively. The increase in revenue for the three months ended September 30, 2019 compared to 2018 was a result of the recognition of revenue from customer deposits for CannaDx product that were generated in previous quarters and only fulfilled in this quarter through the shipment of CannaDx product to paid customers.

Cost of Goods Sold and Gross Profit

Gross profit as a percentage of net revenues for the three months ended September 30, 2019 and 2018 were 73% and 65%, respectively. During the three months ended September 30, 2019 the Company had \$214,111 in revenue and \$58,620 in costs of goods sold. The Company has fixed costs that are contributing to the high cost of goods sold.

Operating Expenses

For the three months ended September 30, 2019, the Company incurred operating expenses in the amount of \$(65,582) compared to \$276,085 for the three months ended September 30, 2018. These operating expenses were composed of research and development costs, sales and marketing and general and administrative expenses. The decrease mainly resulted from the decrease of general and administrative costs and research and development, which were partially offset by the increase in sales and marketing for the reasons discussed below. In connection with the separation and release of claims agreement the Company recorded a gain on the stock-based compensation of \$186,639 for the three months ended September 30, 2019. This attributed to the gain shown for the operating expenses and general and administrative expenses. (See Note 8 above)

Research and Development Expenses

Research and development expenses primarily consist of engineering and product development, incurred in the design, development, testing and enhancement of our products. For the three months ended September 30, 2019, the Company expended \$6,037 for various research and development projects for hardware, database, software and sensor development as compared to \$11,561 for the three months ended September 30, 2018. The decrease of \$5,524, or 48%, resulted primarily from the Company decreasing its research and development efforts as a result of limited cashflow and resources.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of consulting fees for third-party services and general marketing expenses. For the three months ended September 30, 2019, the Company expended \$1,038 as compared to \$19,350 for the three months ended September 30, 2018. The decrease of \$18,312, or 57%, resulted primarily from the Company resulted primarily from the Company decreasing marketing efforts.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, wages and benefits, consulting fees, legal fees, accounting fees and general administrative expenses.

For the three months ended September 30, 2019, the Company recouped \$72,657 in connection with the separation and release of claims agreement as compared to \$245,174 for the three months ended September 30, 2018. The decrease of \$172,517, or 42%, resulted primarily from a decrease in stock - based compensation due to the re-capture of the expense related to the terminated warrants.

Other income (expense)

Other expenses decreased by approximately \$2.7 million, resulted primarily from a decrease in the loss on settlement of debt of \$5.5 million offset by a decrease in change in derivative expense, a decrease in change in fair value of derivative liability of \$2,028,834 and a gain on extinguishment of vendor liability of \$17,712.

Comparison of The Nine months ended September 30, 2019 and 2018

Revenue

For the nine months ended September 30, 2019 and 2018, the Company had licensing revenue of \$1,308 and \$8,212, respectively. For the nine months ended September 30, 2019 and 2018, the Company had product revenue of \$203,299 and \$204,280, respectively. For the nine months ended September 30, 2019 and 2018, the Company had product service revenue of \$11,910 and \$15,218, respectively. The decrease in revenue for the nine months ended September 30, 2019 compared to 2018 was a result of backlog of orders that have not been shipped for both product and service revenue. Due to a supply chain disruption, MyDx was unable to deliver finished units in the first quarter of 2019. These issues have since been resolved and deliveries are expected to resume in the beginning of the third quarter.

Cost of Goods Sold and Gross Profit

Gross profit as a percentage of net revenues for the nine months ended September 30, 2019 and 2018 were 60% and 64%, respectively.

Operating Expenses

For the nine months ended September 30, 2019, the Company incurred operating expenses in the amount of \$557,905 compared to \$1,217,447 for the nine months ended September 30, 2018. These operating expenses were composed of research and development costs, sales and marketing and general and administrative expenses. The decrease mainly resulted from the decrease in research and development, decrease in sales and marketing, and decrease in general and administrative for the reasons discussed below.

Research and Development Expenses

Research and development expenses primarily consist of engineering and product development, incurred in the design, development, testing and enhancement of our products. For the nine months ended September 30, 2019, the Company expended \$32,221 for various research and development projects for hardware, database, software and sensor development as compared to \$283,869 for the three months ended September 30, 2018. The decrease of \$251,648, or 89%, resulted primarily from the Company decreasing its research and development efforts due to limited cashflow and resources.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of consulting fees for third-party services and general marketing expenses. For the nine months ended September 30, 2019, the Company expended \$65,451 as compared to \$130,475 for the nine months ended September 30, 2018. The decrease of \$65,024, or 50%, resulted primarily from the Company decreasing marketing efforts due to limited cashflow and resources.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, wages and benefits, consulting fees, legal fees, accounting fees and general administrative expenses.

For the nine months ended September 30, 2019, the Company expended \$460,233 as compared to \$803,103 for the nine months ended September 30, 2018. The decrease of \$342,870, or 43%, resulted primarily from a decrease in stock - based compensation due to the re-capture of the expense related to the terminated warrants.

Other income (expense)

Other income increased by \$4,733,514, resulted primarily from an increase from gain on fair value of warrant liabilities offset by an increase in change in derivative expense and an increase in change in in fair value of warrant liability of \$3,240,703.

Liquidity and Capital Resources

Since its inception, capital raised by the Company has been used primarily for the Company's research and development efforts and to support its operations. As of September 30, 2019, the Company had remaining cash of \$175,677 with a net working capital deficit of \$8,847,490. As a result of the Company's significant operating expenditures and the lack of significant product sales revenue, we expect to incur losses from operations for the near future and will be required to seek additional capital to sustain our operations.

It is anticipated that we will continue to report negative operating cash flow in future periods, likely until one or more of our products generate sufficient revenue to cover our operating expenses. If any of the warrants are exercised, all net proceeds of the warrant exercise will be used for working capital to fund negative operating cash flow.

Our cash balance of \$175,677 will not be sufficient to fund our operations for at least the next 12 months. Additionally, if we are unable to generate sufficient revenues to pay our expenses, we will need to raise additional funds to continue our operations. We have historically financed our operations through private equity and debt financings. We do not have any commitments for financing at this time, and financing may not be available to us on favorable terms, if at all. If we are unable to obtain debt or equity financing in amounts sufficient to fund our operations, if necessary, we will be forced to suspend or curtail our operations. In that event, current stockholders would likely experience a loss of most or all their investment. Additional funding that we do obtain may be dilutive to the interests of existing stockholders.

To the extent, we raise additional capital by issuing equity securities or obtaining borrowings convertible into equity, ownership dilution to existing stockholders will result and future investors may be granted rights superior to those of existing stockholders. The incurrence of indebtedness or debt financing would result in increased fixed obligations and could also result in covenants that would restrict our operations. Our ability to obtain additional capital may depend on prevailing economic conditions and financial, business and other factors beyond our control. The Company cannot provide any assurances that it will be able to raise the additional capital needed to fund its operations, or if the Company is able to raise such additional capital, that any such financing will be on terms which are beneficial to the existing shareholders.

Working Capital

	September 30, 2019	December 31, 2018
Current assets	\$ 334,123	\$ 216,729
Current liabilities	9,181,612	12,643,275
Working Capital Deficit	<u>\$ (8,847,489)</u>	<u>\$ (12,426,546)</u>

Current assets for September 30, 2019 increased compared to December 31, 2018 primarily due to an increase in cash and inventory.

Current liabilities for September 30, 2019 decreased compared to December 31, 2018 primarily due to a decrease in Warrant liability, offset by an increase in Accrued Liabilities, Customer Deposits, Convertible Notes Payable, and Derivative Liability.

Cash Flows

	Nine months ended September 30,	
	2019	2018
Net Cash(Used in) Operating Activities	\$ (396,021)	\$ (248,429)
Net Cash(Used in) Investing activities	-	-
Net Cash Provided by Financing Activities	469,000	160,000
Net Change	<u>\$ 72,979</u>	<u>\$ (88,429)</u>

Net Cash (Used in) Operating Activities

Our primary uses of cash from operating activities include payments to consultants for research and development, compensation and related costs, legal and professional fees and other general corporate expenditures.

Cash used in operating activities consist of net loss adjusted for certain non-cash items, primarily equity-based compensation expense, common stock issued in exchange for services, and the change in fair value of derivative liabilities due primarily to the mark to market of the Company's derivatives embedded in the convertible notes, and a gain of settlement of liabilities during the nine months ended September 30, 2019, as well as the effect of changes in working capital and other activities.

Net Cash (Used in) Investing activities

For the nine months ended September 30, 2019 and 2018, investing activities used cash of \$0 and \$0.

Net Cash Provided by Financing Activities

For the nine months ended September 30, 2019 and 2018, financing activities provided cash of \$469,000 and \$160,000.

Going Concern

At September 30, 2019, we had an accumulated deficit of \$38,296,115. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

The Company is not required to provide the information required under this Item 3.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q, to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are not effective as of September 30, 2019, due to the fact that management has not fully remediated the material weakness described in our Current Report on Form 10-K filed with the Securities and Exchange Commission on April 25, 2019.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There have not been any material developments in any of the previously disclosed legal proceedings during the three months ended September 30, 2019.

Item 1A. RISK FACTORS

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, filed with the SEC on April 25, 2019.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Other than as reported in our Current Reports on Form 8-K, or prior periodic reports, we have not sold any of our equity securities during the period covered by this Quarterly Report, except as set forth below:

The securities described above were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

The Company has not repurchased shares of its common stock.

Item 3. DEFAULTS UPON SENIOR SECURITIES

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

Item 4. MINE SAFETY DISCLOSURES

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

4.1	<u>12% Convertible Redeemable Note issued to Odyssey Capital Funding, LLC dated September 18, 2019. Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
4.2	<u>8% Convertible Redeemable Note issued to GS Capital Partners, LLC dated September 18, 2019. Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
4.3	<u>8% Convertible Redeemable Note issued to Eagle Equities, LLC dated September 18, 2019. Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
4.4	<u>8% Convertible Redeemable Note issued to LG Capital Funding, LLC dated September 18, 2019. Incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
10.1	<u>Securities Purchase Agreement, dated as of September 18, 2019, by and between Odyssey Capital Funding, LLC and MyDx, Inc. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
10.2	<u>Securities Purchase Agreement, dated as of September 18, 2019, by and between GS Capital Partners, LLC and MyDx, Inc. Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
10.3	<u>Securities Purchase Agreement, dated as of September 18, 2019, by and between Eagle Equities, LLC and MyDx, Inc. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
10.4	<u>Securities Purchase Agreement, dated as of September 18, 2019, by and between LG Capital Funding, LLC and MyDx, Inc. Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019.</u>
31.1*	<u>Certification of Daniel Yazbeck, Interim CEO and CFO, pursuant to Rule 13a-15(e) or Rule 15d-15(e)</u>
32.1*	<u>Certification of Daniel Yazbeck, Interim CEO and CFO, pursuant to 18 U.S.C. Section 1350</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

Dated: November 19, 2019

MYDX, INC.

By: /s/ Daniel Yazbeck
Interim Chief Executive Officer and
Interim Chief Financial Officer

(signed both as an Officer duly
authorized to sign on behalf of the
Registrant and Principal Financial Officer of the Registrant)

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

I, Daniel Yazbeck, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MyDx, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.

Date: November 19, 2019

By: /s/ Daniel Yazbeck
Daniel Yazbeck
Chief Executive Officer and
Chief Financial Officer

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

In connection with this Quarterly Report of MyDx, Inc. (the "Company"), on Form 10-Q for the period ended September 30, 2019, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Daniel Yazbeck, Chief Executive Officer and Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the period ended September 30, 2019, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2019, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2019

By: /s/ Daniel Yazbeck
Daniel Yazbeck
Chief Executive Officer and
Chief Financial Officer