

**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 March 31, 2018**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 000-27039**

**MARIJUANA COMPANY OF AMERICA, INC.**

(Exact name of registrant as specified in its charter)

**Utah**

(State or other jurisdiction of incorporation or organization)

**98-1246221**

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

**1340 West Valley Parkway  
Suite 205**

**Escondido, CA 92029**

(Address of principal executive offices) (zip code)

**(888) 777-4362**

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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

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

As of May 20, 2018, there were 2,227,231,881 shares of registrant's common stock outstanding.

## TABLE OF CONTENTS

<b>PART I.</b>	<b>FINANCIAL INFORMATION</b>	
ITEM 1.	Financial Statements	
	Condensed consolidated balance sheets as of March 31, 2018 (unaudited) and December 31, 2017 (audited)	3
	Condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017 (unaudited)	4
	Condensed consolidated statement of stockholders' deficit for the three months ended March 31, 2018 (unaudited)	5
	Condensed consolidated statements of cash flows for the three months ended March 31, 2018 and 2017 (unaudited)	6
	Notes to condensed consolidated financial statements (unaudited)	7-23
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24-33
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	33
ITEM 4.	Controls and Procedures	33
<b>PART II.</b>	<b>OTHER INFORMATION</b>	
ITEM 1.	Legal Proceedings	34
ITEM 1A.	Risk Factors	34-46
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	46
ITEM 3.	Defaults Upon Senior Securities	46
ITEM 4.	Mine Safety Disclosures	46
ITEM 5.	Other Information	46
ITEM 6.	Exhibits	46
	SIGNATURES	47

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 <u>(unaudited)</u>	December 31, 2017 <u>(audited)</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 170,085	\$ 249,831
Accounts receivable, net	3,713	4,862
Inventory	228,930	163,720
Total current assets	<u>402,728</u>	<u>418,413</u>
Property and equipment, net	16,377	13,568
Other assets:		
Investments	657,804	695,477
Security deposit	<u>2,500</u>	<u>2,500</u>
Total assets	<u>\$ 1,079,409</u>	<u>\$ 1,129,958</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 283,686	\$ 306,561
Accrued compensation	195,000	—
Accrued interest	80,358	40,155
Debt obligation of Joint venture	—	1,500,000
Notes payable, related party	564,279	542,573
Convertible notes payable, net of debt discount of \$496,835 and \$924,340, respectively	585,543	394,555
Warrant liability	1,961,598	5,859,635
Derivative liability	<u>1,207,898</u>	<u>1,934,097</u>
Total current liabilities	4,878,362	10,577,576
Long term debt:		
Convertible notes payable, net of debt discount of \$673,102 and \$308,280, respectively	101,898	172,856
Derivative liability	876,561	697,278
Total long term debt	<u>978,459</u>	<u>870,134</u>
Total liabilities	5,856,821	11,447,710
Stockholders' deficit:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized		
Class A preferred stock, \$0.001 par value, 10,000,000 shares designated, 10,000,000 shares issued and outstanding as of March 31, 2018 and December 31, 2017	10,000	10,000
Common stock, \$0.001 par value; 5,000,000,000 shares authorized; 2,139,307,875 and 2,103,464,006 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	2,139,308	2,103,464
Additional paid in capital	31,810,586	30,456,888
Accumulated deficit	<u>(38,737,305)</u>	<u>(42,888,104)</u>
Total stockholders' deficit	(4,777,412)	(10,317,752)
Total liabilities and stockholders' deficit	<u>\$ 1,079,409</u>	<u>\$ 1,129,958</u>

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

	Three months ended March 31,	
	2018	2017
<b>REVENUES:</b>		
Sales	\$ 19,010	\$ 5,893
Cost of sales	<u>10,446</u>	<u>3,349</u>
Gross Profit	8,565	2,544
<b>OPERATING EXPENSES:</b>		
Selling, general and administrative expenses	301,479	17,978,754
Depreciation	<u>1,393</u>	<u>242</u>
Total operating expenses	302,873	17,978,996
Net loss from operations	(294,308)	(17,976,452)
<b>OTHER INCOME (EXPENSES):</b>		
Interest expense, net	(730,746)	(121,721)
Loss on equity investment	(37,673)	
Gain on change in fair value of derivative liabilities	5,056,686	19,889
Gain on settlement of debt	<u>156,839</u>	<u>—</u>
Total other income (expense)	4,445,107	(101,832)
Net income (loss) before income taxes	4,150,799	(18,078,284)
Income taxes (benefit)	<u>—</u>	<u>—</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 4,150,799</u>	<u>\$ (18,078,284)</u>
Income (loss) per common share, basic	<u>\$ 0.002</u>	<u>\$ (0.011)</u>
Income (loss) per common share, diluted	<u>\$ 0.001</u>	<u>\$ (0.011)</u>
Weighted average number of common shares outstanding, basic	<u>2,122,103,506</u>	<u>1,676,904,069</u>
Weighted average number of common shares outstanding, diluted	<u>3,113,338,017</u>	<u>1,676,904,069</u>

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**  
**THREE MONTHS ENDED MARCH 31, 2018**

	Class A Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2017	10,000,000	\$ 10,000	2,103,464,006	\$2,103,464	\$ 30,456,888	\$(42,888,104)	\$(10,317,752)
Common stock issued for services rendered	—	—	1,000,000	1,000	51,100	—	52,100
Common stock issued in settlement of convertible notes payable	—	—	16,637,073	16,637	366,015	—	382,652
Common stock issued in exchange for exercise of warrants on a cashless basis	—	—	18,206,796	18,207	(18,207)	—	—
Reclassification of derivative liabilities	—	—	—	—	627,439	—	627,439
Reclassification of warrant liability	—	—	—	—	691,850	—	691,850
Stock based compensation	—	—	—	—	(364,499)	—	(364,499)
Net income	—	—	—	—	—	4,150,799	4,150,799
Balance, March 31, 2018 (unaudited)	<u>10,000,000</u>	<u>\$ 10,000</u>	<u>2,139,307,875</u>	<u>\$2,139,308</u>	<u>\$ 31,810,586</u>	<u>\$(38,737,305)</u>	<u>\$ (4,777,412)</u>

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(unaudited)*

	Three months ended March 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 4,150,799	\$ (18,078,284)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,393	242
Amortization of debt discount	502,682	281
Non cash interest	187,861	138,957
Gain on change in fair value of derivative liabilities	(5,056,686)	(19,889)
Fair value of liability warrants issued as inducement fee	—	—
Stock based compensation	(312,400)	17,672,750
Gain on settlement of debt	(156,839)	—
Loss on equity investment	37,673	—
Changes in operating assets and liabilities:		
Accounts receivable	1,149	(8,758)
Inventory	(65,210)	3,349
Accounts payable	17,329	41,770
Accrued compensation	195,000	60,017
Net cash used in operating activities	(497,250)	(189,565)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	—	(75,000)
Purchase of property and equipment	(4,202)	(4,860)
Net cash used in investing activities	(4,202)	(79,860)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of notes payable	400,000	99,965
Proceeds from issuance of notes payable, related party	21,706	—
Proceeds from sale of common stock	—	85,000
Net cash provided by financing activities	421,706	184,965
Net decrease in cash	(79,746)	(84,460)
Cash-beginning of period	249,831	147,486
Cash-end of period	\$ 170,085	\$ 63,026
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —
Non cash financing activities:		
Common stock issued in settlement of convertible notes payable	\$ 382,652	\$ —

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Marijuana Company of America, Inc. (The “Company”) was incorporated under the laws of the State of Utah in October 1985 under the name Mormon Mint, Inc. The corporation was originally a startup company organized to manufacture and market commemorative medallions related to the Church of Jesus Christ of Latter Day Saints. On January 5, 1999, Bekam Investments, Ltd. acquired one hundred percent of the common shares of the Company and spun the Company off changing its name Converge Global, Inc. From August 13, 1999 until November 20, 2002, the Company focused on the development and implementation of Internet web content and e-commerce applications. In October 2009, in a 30 for 1 exchange, the Company merged with Sparrowtech, Inc. for the purpose of exploration and development of commercially viable mining properties. From 2009 to 2014, we operated primarily in the mining exploration business.

In 2015, the Company changed its business model to a marketing and distribution company for medical marijuana. In conjunction with the change, the Company changed its name to Marijuana Company of America, Inc. At the time of the transition in 2015, there were no remaining assets, liabilities or operating activities of the mining business.

On September 21, 2015, the Company formed H Smart, Inc., a Delaware corporation as a wholly owned subsidiary for the purpose of operating the hempSMART™ brand.

On February 1, 2016, the Company formed MCOA CA, Inc., a California corporation as a wholly owned subsidiary to facilitate mergers, acquisitions and the offering of investments or loans to the Company.

On May 3, 2017, the Company formed HempSMART Limited, a United Kingdom corporation as a wholly owned subsidiary for the purpose of future expansion into the European market.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: H Smart, Inc., HempSMART Limited and MCOA CA, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The condensed balance sheet as of December 31, 2017 has been derived from audited financial statements.

Operating results for the three months ended March 31, 2018 are not necessarily indicative of results that may be expected for the year ending December 31, 2018. These condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2017.

**NOTE 2 – GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements during three months ended March 31, 2018, the Company incurred net losses from operations of \$290,308 and used cash in operations of \$493,250. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

The Company's primary source of operating funds in 2018 has been from revenue generated from proceeds from the issuance of convertible and other debt. The Company has experienced net losses from operations since inception, but expects these conditions to improve in 2018 and beyond as it develops its business model. The Company has stockholders' deficiencies at March 31, 2018 and requires additional financing to fund future operations.

The Company's existence is dependent upon management's ability to develop profitable operations and to obtain additional funding sources. There can be no assurance that the Company's financing efforts will result in profitable operations or the resolution of the Company's liquidity problems. The accompanying statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

**NOTE 3 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue Recognition

The Company recognizes revenue when: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related revenue is recorded. The Company defers any revenue for which the services has not been performed or is subject to refund until such time that the Company and the customer jointly determine that the services has been performed or no refund will be required.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of the Company's stock, stock-based compensation, fair values relating to derivative liabilities, debt discounts and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Cash

The Company considers cash to consist of cash on hand and temporary investments having an original maturity of 90 days or less that are readily convertible into cash.

Concentrations of credit risk

The Company's financial instruments that are exposed to a concentration of credit risk are cash and accounts receivable. Occasionally, the Company's cash and cash equivalents in interest-bearing accounts may exceed FDIC insurance limits. The financial stability of these institutions is periodically reviewed by senior management.

Accounts Receivable

Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

Allowance for Doubtful Accounts

Any charges to the allowance for doubtful accounts on accounts receivable are charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and the current status of accounts receivable. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired. As of March 31, 2018 and December 31, 2017, allowance for doubtful accounts was \$-0-

Inventories

Inventories are stated at the lower of cost or market with cost being determined on a first-in, first-out (FIFO) basis. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. During the periods presented, there were no inventory write-downs.

Cost of sales

Cost of sales is comprised of cost of product sold, packaging, and shipping costs.

Stock Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the statements of operations, as if such amounts were paid in cash. As of March 31, 2018, there were outstanding stock options to purchase 1,000,000,000 shares of common stock, 833,333,333 shares of which were vested. (See Note 9)

Earnings per Share

Basic earnings per share are calculated by dividing net income (loss) by the weighted average number of shares of the Company's common stock outstanding during the period. "Diluted earnings per share" reflects the potential dilution that could occur if our share-based awards and convertible securities were exercised or converted into common stock. The dilutive effect of our share-based awards is computed using the treasury stock method, which assumes all share-based awards are exercised and the hypothetical proceeds from exercise are used to purchase common stock at the average market price during the period. The incremental shares (difference between shares assumed to be issued versus purchased), to the extent they would have been dilutive, are included in the denominator of the diluted EPS calculation. The dilutive effect of our convertible preferred stock and convertible debentures is computed using the if-converted method, which assumes conversion at the beginning of the year.

The following represents a reconciliation of the numerators and denominators of the basic and diluted earnings per share computation for the three months ended March 31, 2018 and 2017:

As of March 31, 2017, common stock equivalents relating to convertible debt, warrants and options were not included in the denominators of the diluted earnings per share as their effect would be anti-dilutive.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

	Three months ended March 31,	
	2018	2017
Net income (loss)	\$ 4,150,799	\$ (18,078,284)
Basic weighted average common shares outstanding	2,122,103,506	1,676,904,069
Plus: incremental shares from assumed exercise-options	833,333,333	—
Plus: incremental shares from assumed exercise-warrants	74,022,722	—
Plus: incremental shares from assumed conversion of convertible debt	83,878,457	—
Adjusted weighted average common shares outstanding	<u>3,113,338,017</u>	<u>1,676,904,069</u>
Net income (loss) per share:		
Basic	<u>\$ 0.002</u>	<u>\$ (0.011)</u>
Diluted	<u>\$ 0.001</u>	<u>\$ (0.011)</u>

Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 years.

Investments

The Company follows Accounting Standards Codification subtopic 321-10, Investments-Equity Securities (“ASC 321-10) which requires the accounting for equity security to be measured at fair value with changes in unrealized gains and losses are included in current period operations. Where an equity security is without a readily determinable fair value, the Company may elect to estimate its fair value at cost minus impairment plus or minus changes resulting from observable price changes (See Note 4).

Derivative Financial Instruments

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company’s control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free-standing derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

The Company’s free-standing derivatives consisted of conversion options embedded within its issued convertible debt and warrants with anti-dilutive (reset) provisions. The Company evaluated these derivatives to assess their proper classification in the balance sheet using the applicable classification criteria enumerated under GAAP. The Company determined that certain conversion and exercise options do not contain fixed settlement provisions. The convertible notes contain a conversion feature and warrants have a reset provision such that the Company could not ensure it would have adequate authorized shares to meet all possible conversion demands.

As such, the Company was required to record the conversion feature and the reset provision which does not have fixed settlement provisions as liabilities and mark to market all such derivatives to fair value at the end of each reporting period.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

The Company has adopted a sequencing policy that reclassifies contracts (from equity to assets or liabilities) with the most recent inception date first. Thus any available shares are allocated first to contracts with the most recent inception dates.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of March 31, 2018 and December 31, 2017. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash, accounts payables and short term notes because they are short term in nature.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. The Company charged to operations \$55,745 and \$21,962 for the three months ended March 31, 2018 and 2017, respectively; as advertising costs.

Income Taxes

Deferred income tax assets and liabilities are determined based on the estimated future tax effects of net operating loss and credit carry forwards and temporary differences between the tax basis of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. The Company records an estimated valuation allowance on its deferred income tax assets if it is not more likely than not that these deferred income tax assets will be realized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of March 31, 2018 and 2017, the Company has not recorded any unrecognized tax benefits.

Segment Information

Accounting Standards Codification subtopic Segment Reporting 280-10 ("ASC 280-10") establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The information disclosed herein materially represents all of the financial information related to the Company's only material principal operating segment.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements, except as disclosed.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2018 and December 31, 2017 is summarized as follows:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Computer equipment	\$ 15,207	\$ 11,004
Furniture and fixtures	5,140	5,140
Subtotal	20,347	16,144
Less accumulated depreciation	(3,970)	(2,576)
Property and equipment, net	\$ 16,377	\$ 13,568

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 years. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

Depreciation expense was \$1,393 and \$242 for the three months ended March 31, 2018 and 2017.

**NOTE 4 – INVESTMENTS**

MoneyTrac

On March 13, 2017, the Company entered into a stock purchase agreement to acquire up to 15,000,000 common shares of MoneyTrac Technology, Inc., a corporation organized and operating under the laws of the state of California, for a total purchase price of \$250,000 representing approximately 19.8% ownership at the time of the agreement. As of December 31, 2017, the Company had acquired 15,000,000 common shares for \$250,000 representing approximately 15% ownership. In connection with the investment, Donald Steinberg, the Company's President and Chief Executive Officer and Director, was appointed as a board member to MoneyTrac. Mr. Steinberg resigned his position on July 18, 2017. On April 14, 2018, MoneyTrac informed the Company that due to unregistered sales of its common stock, the Company's interest in MoneyTrac was reduced to 6%.

The Company accounts for its investment in MoneyTrac Technology, Inc. at estimated market fair value. The Company has elected to estimate its fair value at cost minus impairment plus or minus changes resulting from observable price changes since the equity security does not have a readily determinable fair value.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

BV-MCOA Management, LLC

The standalone unaudited financial statements of the BV- MCOA Management LLC Joint Venture as of March 31, 2018 and December 31, 2017 were as follows:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Deposits	\$ 31,017	\$ 187,312
Note Due From Related Party	114,949	79,811
Fixed Assets	216,276	161,175
Land	274,000	274,000
<b>Total Assets</b>	<b>\$ 636,242</b>	<b>\$ 702,298</b>
Accounts Payable	14,415	\$ 4,365
<b>Total Liabilities</b>	<b>\$ 14,415</b>	<b>4,365</b>
Equity	621,827	697,934
<b>Total Assets and Liabilities</b>	<b>\$ 636,242</b>	<b>\$ 702,298</b>

On March 16, 2017, the Company entered into a Joint Venture Agreement (“Agreement”) with Bougainville Ventures, Inc., a corporation organized under the laws of Canada to engage in the development and promotion of products in the legalized marijuana industry in the state of Washington under the name of BV-MCOA Management LLC. Ownership and voting control is divided on a 49.5% basis with neither party having effective control.

On November 6, 2017, the Company amended a material definitive agreement not made in the ordinary course of its business. The parties to the agreement are the Company and Bougainville Ventures, Inc. (“Bougainville”). On March 16, 2017, the Company and Bougainville previously entered into a Joint Venture Agreement (“Agreement”). The Agreement required the Company to raise funds for the Joint Venture Project in the amount of not less than one million dollars (\$1,000,000). Pursuant to Section 12.9 of the Agreement, the Company and Bougainville entered into a written amendment of the Agreement which changed the Company’s funding obligation from one million dollars (\$1,000,000) to eight hundred thousand dollars (\$800,000), and separately required the Company to issue to Bougainville or its designee fifteen million (15,000,000) shares of its restricted common stock pursuant to the Reg. D exemption from registration pursuant to the 1933 Securities and Exchange Act.

The net carrying amount of the investment of \$307,804 is comprised of a 49.5% ownership of BV-MCOA Management LLC and is accounted for using the equity method of accounting. The Company’s 49.5% income earned by BV-MCOA Management LLC will recorded as other income/expense in the Company’s Statement of Operations in the appropriate periods. The Company’s 49.5% loss incurred by the Company’s interest was \$37,673 and \$0 for the three months ended March 31, 2018 and 2017, respectively and was recorded as other income/expense in the Company’s Statement of Operations in the appropriate periods.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

Benihemp

On June 16, 2017, the Company entered into a Loan Agreement (“Agreement”) with Convenient Hemp Mart, LLC (“Benihemp”), a limited liability company formed and operating under the laws of the State of Wyoming. Pursuant to the Agreement, Benihemp executed a promissory note for a principal loan amount of \$50,000, accruing interest at the rate of 4% per annum and payable in one year, subject to one-time six-month repayment extension. The Agreement also provided that the Company shall have the option to waive repayment of the note and pay Benihemp an additional \$50,000 payment in exchange for a 25% membership interest in Benihemp’s limited liability company.

Convenient Hemp Mart, LLC is a Wyoming limited liability company whose business plan includes the development, manufacture and sale of consumer products containing CBD that are intended for marketing and sales at convenience stores, gas stations and markets. On July 19, 2017, we agreed to lend fifty thousand dollars (\$50,000) to Convenient based on a promissory note. The note provided that in lieu of receiving repayment, we could elect to exercise a right to convert the loaned amount into a payment towards the purchase of a 25% interest in Convenient, subject to our payment of an additional fifty thousand dollars [\$50,000] equaling a total purchase price of \$100,000. The Company exercised this option on November 20, 2017 and made payment to Convenient on November 21, 2017. Convenient developed a line of consumer products containing industrial hemp derived CBD with no traceable THC content. The product line includes tinctures that combine industrial hemp-derived CBD with hemp seed oil, coconut oil and other essential natural oils; a muscle cream product that combines industrial hemp-derived CBD with natural oils; a hand lotion that combines industrial hemp derived CBD with lavender oils; and a line of pet treats that combine industrial hemp-derived CBD with natural oils. Convenient began its initial marketing efforts by introducing its brand and products at the ASD Market Tradeshow in Las Vegas that took place in March 2018. The ASD Market Tradeshow is a business to business convention where retail merchandise is introduced to various consumer market segments, including Convenient’s primary focus on convenience stores, gas stations, small markets and similar venues. Convenient Hemp Mart’s operations are in the development stage.

GateC Research, Inc.

On March 17, 2017, the Company and GateC Research, Inc. (“GateC”) entered into a Joint Venture Agreement (“Agreement”) whereby the Company committed to raise up to one and one-half million dollars (\$1,500,000) over a six-month period, with a minimum commitment of five hundred thousand (\$500,000 USD) within a three (3) month period; and, information establishing brands and systems for the representation of marijuana related products and derivatives comprised of management, marketing and various proprietary methodologies, including but not limited to its affiliate marketing program, directly tailored to the marijuana industry.

GateC agreed to contribute its management and control services and systems related to marijuana grow operations in Adelanto County, California, and its permit to grow marijuana in an approved zone in Adelanto, California. GateC did not own a physical site for its operation in Adelanto County, California, and GateC’s permit to grow marijuana did not contain a conditional use permit.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

On or about November 28, 2017, GateC and the Registrant orally agreed to a suspension of the Registrant's funding commitment, pending the finalization of California State regulations governing the growth, cultivation and distribution of marijuana.

On March 19, 2018, the Company terminated a material definitive agreement not made in the ordinary course of its business. The parties to the agreement are the Company and GateC. With the exception of the entry into a Recession and Mutual Release Agreement terminating the material definitive agreement, no material relationship exists between the Registrant, or any of the Registrant's affiliates or control persons on the one hand, and GateC, and any of its affiliates or control persons on the other hand.

In connection with the agreement dated November 28, 2017, the Company recorded a debt obligation of \$1,500,000 to the Joint Venture and a corresponding impairment charge of \$1,500,000 relating the Agreement dated March 17, 2017 during the year ended December 31, 2017. Upon termination of the material definitive agreement on March 19, 2018, the Company realized a gain on settlement of debt obligation of \$1,500,000 during the three months ended March 31, 2018.

Global Hemp Group JV

On August 31, 2017, the Company entered into a Joint Venture Agreement ("Agreement") with Global Hemp Group, Inc., a Canadian corporation ("Global Hemp Group"). The Company will assist Global Hemp Group in developing commercial hemp production in New Brunswick, Canada. In the first year of the Agreement, the Company will share the costs of the ongoing hemp trial in New Brunswick; provide its expertise in developing hemp cultivation going forward; and, be granted a right of first refusal as Global Hemp Group's primary off-taker of any raw materials produced from the project. The Company's joint venture partner, Global Hemp Group, also partnered with Collège Communautaire du Nouveau Brunswick (CCNB) in Bathurst, New Brunswick, to assist in conducting research with the hemp trials. The trials are taking place on the Acadian peninsula of New Brunswick, and the initial trials to establish commercial cultivation pursuant to the Agreement are expected to be completed in 2018. The Company's costs incurred by the Company's interest was \$10,775 for the year ended December 31, 2017 and was recorded as other income/expense in the Company's Statement of Operations in the appropriate periods.

**NOTE 5 – NOTES PAYABLE, RELATED PARTY**

As of March 31, 2018 and December 31, 2017, the Company's officers and directors have provided advances and incurred expenses on behalf of the Company. The issued notes are unsecured, due on demand and bear 5% interest. At March 31, 2018 and, December 31, 2017 there were an aggregate of \$564,279 and \$542,573 notes payable due to officers. The notes are at 5% per annum and non-interest bearing, respectively, and are due on demand.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

**NOTE 6 – CONVERTIBLE NOTE PAYABLE**

Convertible notes payable are comprised of the following:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Convertible note payable-DTTO- due April 30, 2018	\$ 111,111	\$ 111,111
Convertible notes payable-St George-last due July 8, 2019	1,746,267	1,688,920
<b>Total</b>	<b>1,857,378</b>	<b>1,800,031</b>
Less debt discounts	(1,166,937)	(1,232,620)
<b>Net</b>	<b>687,441</b>	<b>567,411</b>
Less current portion	(585,543)	(394,555)
<b>Long term portion</b>	<b>\$ 101,898</b>	<b>\$ 172,856</b>

Convertible note payable-DTTO

Effective March 30, 2017, the Company issued a 6.5% convertible promissory note for an aggregate of \$2,777,778 due April 30, 2018 for consideration of \$2,500,000, after original interest discount (“OID”) of \$277,778; unsecured.

On June 30, 2017, the Company had received net proceeds of \$99,965 under the note. Gross face amount was \$111,111, after additions for pro rate portion of OID and other related costs.

The note is convertible, at any time, into shares of the Company’s common stock at \$0.03 per share unless on the day prior to the lender’s request to convert, the closing price is less than \$0.05 per share, then the conversion price shall be 60% of the average three lowest days closing prices for 20 trading days prior to the request to convert.

At the funding date of the note, the Company determined the aggregate fair value of \$221,406 of embedded derivatives. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 470.85%, (3) weighted average risk-free interest rate of 1.02%, (4) expected life of 1.08 years, and (5) estimated fair value of the Company's common stock from \$0.0604 per share.

The determined fair value of the debt derivatives of \$221,406 was charged as a debt discount up to the net proceeds of the note with the remainder of \$121,441 charged to operations as non-cash interest expense.

Convertible notes payable-St George Investments

Effective July 3, 2017, the Company issued a secured convertible promissory note in aggregate of \$752,500 to St George Investments LLC (“St George”). The promissory note bears interest at 10% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount (“OID”) of \$67,500. In addition, the Company agreed to pay \$10,000 for legal, accounting and other transaction costs of the lender. The promissory note was funded in five tranches of \$422,500, \$27,500, \$167,200 and \$107,800; net of OID and transaction costs. As an investment incentive, the Company issued 33,653,846, 5 year cashless warrants, exercisable at \$.04 with certain reset provisions.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

*Forbearance agreement*

On August 4, 2017, the Company entered into a forbearance agreement with St. George Investments LLC, due to the Company's alleged breached of certain default provisions of the secured promissory note entered into with St. George on July 3, 2017. The alleged breach occurred due to the Company entering into an investment agreement with Tangiers on July 15, 2017 and issued a fixed convertible promissory note to Tangiers. Due to the alleged breach, St George has the right, among other things, to accelerate the maturity date of the note, increase interest from 10% to 22% and cause the balance of the outstanding promissory note to increase due to the application of the default provisions.

St. George agreed to refrain and forbear from bringing any action to collect under the promissory note, including the interest rate increase and balance increase, with respect to the alleged default. As consideration of the forbearance, the Company agreed to accelerate the installment conversions from 1 year to 6 months and to add an additional OID of \$112,875, which will be considered fully earned as of August 4, 2017, nonrefundable and to be included in the first tranche. The Company and St George ratified the outstanding balance, after the added OID and accrued interest, of \$868,936 as of August 4, 2017.

As of March 31, 2018, the Company had received aggregate net proceeds of \$675,000 under the note. Gross face amount was \$752,500, after additions for OID and other related costs.

Effective November 1, 2017, the Company issued a secured convertible promissory note in aggregate of \$601,420 to St George Investments LLC ("St George"). The promissory note is bears interest at 10% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount ("OID") of \$59,220. The promissory note was funded on November 11, 2017 of \$542,200; net of OID and transaction costs.

As of March 31, 2018, the Company had received aggregate net proceeds of \$542,200 under the note. Gross face amount was \$601,420, after additions for OID and other related costs.

Effective December 20, 2017, the Company issued a secured convertible promissory note in aggregate of \$335,000 to St George Investments LLC ("St George"). The promissory note is bears interest at 10% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount ("OID") of \$35,000. The promissory note was funded on December 27, 2017 of \$542,200; net of OID and transaction costs. As an investment incentive, the Company issued 33,653,846, 5 year cashless warrants, exercisable at \$.04 with certain reset provisions.

As of March 31, 2018, the Company had received aggregate net proceeds of \$300,000 under the note. Gross face amount was \$335,000, after additions for OID and other related costs.

Effective February 9, 2018, the Company issued a secured convertible promissory note in aggregate of \$220,000 to St George Investments LLC ("St George"). The promissory note is bears interest at 10% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount ("OID") of \$20,000. The promissory note was funded on February 9, 2018 of \$200,000; net of OID and transaction costs.

As of March 31, 2018, the Company had received aggregate net proceeds of \$200,000 under the note. Gross face amount was \$220,000, after additions for OID and other related costs.

Effective March 8, 2018, the Company issued a secured convertible promissory note in aggregate of \$220,000 to St George Investments LLC ("St George"). The promissory note is bears interest at 10% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount ("OID") of \$20,000. The promissory note was funded on March 8, 2018 of \$200,000; net of OID and transaction costs.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

As of March 31, 2018, the Company had received aggregate net proceeds of \$200,000 under the note. Gross face amount was \$220,000, after additions for OID and other related costs.

The promissory notes are convertible, at any time at the lender's option, at \$0.04. However, in the event the Company's market capitalization (as defined) falls below \$35,000,000, the conversion rate is 60% of the 3 lowest closing trade prices due the 20 trading days immediately preceding date of conversion, subject to additional adjustments, as defined. In addition, the promissory note includes certain anti-dilution provisions should the Company subsequently issue any common stock or equivalents at an effective price less than the lender conversion price.

The Company has a right to prepayment of the note, subject to a 20% prepayment premium and is secured by a trust deed of certain assets of the Company.

Effective January 18, 2018, upon default of the St. George Investment notes, the conversion rate on all notes were reset from \$0.04 to \$0.023. Accordingly, the Company recorded as a loss on modification of debt of \$1,343,161 due to the change in fair value of the underlying conversion option. The change in fair value was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 436.43%, (3) weighted average risk-free interest rate of 1.79%, (4) expected life of 0.83 to 1.07 years, and (5) estimated fair value of the Company's common stock from \$0.0435 per share.

At the funding dates of the 2018 notes, the Company determined the aggregate fair value of \$587,861 of embedded derivatives. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 434.99% to 435.64%, (3) weighted average risk-free interest rate of 1.89% to 2.05%, (4) expected life of 1.33 years, and (5) estimated fair value of the Company's common stock from \$0.028 to \$0.0341 per share.

The determined fair value of the debt derivatives of \$587,861 was charged as a debt discount up to the net proceeds of the note with the remainder of \$187,861 charged to operations as non-cash interest expense.

During the three months ended March 31, 2018, the Company issued an aggregate of 16,637,073 shares of its common stock in settlement of \$382,652 of outstanding St. George Investments notes payable.

Summary:

The Company has identified the embedded derivatives related to the above described notes and warrants. These embedded derivatives included certain conversion and reset features. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date of the note and to fair value as of each subsequent reporting date.

At March 31, 2018, the Company determined the aggregate fair values of \$2,084,459 and \$1,961,598 of embedded derivatives and warrant liabilities, respectively. The fair values were determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 434.72%, (3) weighted average risk-free interest rate of 1.93% to 2.56%, (4) expected life of 0.64 to 4.71 years, and (5) estimated fair value of the Company's common stock from \$0.0265 per share.

For the three months ended March 31, 2018, the Company recorded a gain on change in fair value of derivative liabilities of \$5,056,686 and recorded amortization of debt discounts of \$502,682 as a charge to interest expense, respectively.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

**NOTE 7 – DERIVATIVE LIABILITIES**

As described in Note 6, the Company issued convertible notes and warrants that contained conversion features and a reset provisions. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date and to fair value as of each subsequent reporting date.

**NOTE 8 – STOCKHOLDERS' DEFICIT**

Preferred stock

The Company is authorized to issue 50,000,000 shares of \$0.001 par value preferred stock as of March 31, 2018 and December 31, 2017. As of March 31, 2018 and December 31, 2017, the Company has designated and issued 10,000,000 shares of Class A Preferred Stock.

Each share of Class A Preferred Stock is entitled to 100 votes on all matters submitted to a vote to the stockholders of the Company, does not have conversion, dividend or distribution upon liquidation rights.

Common stock

The Company is authorized to issue 5,000,000,000 shares of \$0.001 par value common stock as of March 31, 2018 and December 31, 2017. As of March 31, 2018 and December 31, 2017, the Company had 2,139,307,875 and 2,103,464,006 common shares issued and outstanding.

During the three months ended March 31, 2018, the Company issued 1,000,000 shares of its common stock for services rendered with an estimated fair value of \$52,100.

During the three months ended March 31, 2018, the Company issued an aggregate of 16,637,073 shares of its common stock in settlement of \$382,652 of outstanding St. George Investments notes payable.

During the three months ended March 31, 2018, the Company issued an aggregate of 18,206,796 shares of its common stock for 25,631,124 warrants exercised on a cashless basis.

Options

The following table summarizes the stock option activity for the three months ended March 31, 2018:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2017	1,000,000,000	\$ 0.005	7.76	\$ 53,800,000
Granted	—			
Forfeitures or expirations	—			
Outstanding at March 31, 2018	1,000,000,000	\$ 0.005	7.51	\$ 21,500,000
Exercisable at March 31, 2018	833,333,333	\$ 0.005	7.51	\$ 17,916,667

The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on options with an exercise price less than the Company's stock price of \$0.0265 as of March 31, 2018, which would have been received by the option holders had those option holders exercised their options as of that date.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

The following table presents information related to stock options at March 31, 2018:

<b>Options Outstanding</b>		<b>Options Exercisable</b>	
<b>Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Life In Years</b>	<b>Exercisable Number of Options</b>
\$ 0.005	1,000,000,000	7.51	833,333,333

As of March 31, 2018, stock-based compensation of \$300,000 remains unamortized and is expected to be amortized over the weighted average remaining period of 0.50 years.

Warrants

The following table summarizes the stock warrant activity for the three months ended March 31, 2018:

	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at January 1, 2018	99,653,846	\$ 0.04	4.81	\$ 1,873,492
Granted	—			
Exercised	(25,631,124)	\$ 0.125		
Outstanding at March 31, 2018	74,022,722	\$ 0.0125	4.66	1,036,318
Exercisable at March 31, 2018	74,022,722	\$ 0.0125	4.66	\$ 1,036,318

The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on options with an exercise price less than the Company's stock price of \$0.0588 as of December 31, 2017, which would have been received by the option holders had those option holders exercised their options as of that date.

The following table presents information related to warrants at December 31, 2017:

<b>Warrants Outstanding</b>		<b>Warrants Exercisable</b>	
<b>Exercise Price</b>	<b>Number of Options</b>	<b>Weighted Average Remaining Life In Years</b>	<b>Exercisable Number of Options</b>
\$ 0.04	99,653,846	4.81	99,953,846

In connection with the issuance of convertible notes payable, the Company issued an aggregate of 109,653,846 warrants to purchase the Company's common stock from \$0.025 to \$0.04, vesting immediately and expiring 5 years from the date of issuance. (See Note 8)

Restricted Stock Units ("RSU")

The following table summarizes the restricted stock activity for the three months ended March 31, 2018:

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

Total Restricted Shares Issued at January 1, 2018	10,000,000
Granted	—
Forfeited	—
Total Restricted Shares Issued at March 31, 2018	10,000,000
Vested at March 31, 2018	10,000,000
Unvested restricted shares as of March 31, 2018	-

In April 2016, the Company granted to Robert Cronin and Robert Peak an aggregate of 10,000,000 shares of restricted common stock each vesting two years from Anniversary. On November 3, 2016, Mr. Cronin and Mr. Peak each agreed to return to treasury all 20,000,000 shares to the Company, and the Company agreed to issue Mr. Cronin and Mr. Peak 2,500,000 restricted shares each. The fair value of the granted restricted stock units vested during the three months ended March 31, 2018 and 2017 of \$(514,500) and \$(28,750) was recognized in operations as stock based compensation.

As of March 31, 2018, no stock-based compensation related to restricted stock awards remains unamortized.

**NOTE 9 — FAIR VALUE MEASUREMENT**

The Company adopted the provisions of Accounting Standards Codification subtopic 825-10, Financial Instruments (“ASC 825-10”) on January 1, 2008. ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

All items required to be recorded or measured on a recurring basis are based upon level 3 inputs.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

Upon adoption of ASC 825-10, there was no cumulative effect adjustment to beginning retained earnings and no impact on the financial statements.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

The carrying value of the Company's cash and cash equivalents, accounts receivable, accounts payable, short-term borrowings (including convertible notes payable), and other current assets and liabilities approximate fair value because of their short-term maturity.

As of March 31, 2018 and December 31, 2017, the Company did not have any items that would be classified as level 1 or 2 disclosures.

The Company recognizes its derivative liabilities as level 3 and values its derivatives using the methods discussed in note 6. While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The primary assumptions that would significantly affect the fair values using the methods discussed in Note 6 are that of volatility and market price of the underlying common stock of the Company.

As of March 31, 2018 and December 31, 2017, the Company did not have any derivative instruments that were designated as hedges.

The derivative and warrant liability as of March 31, 2018, in the amount of \$2,084,459 and \$1,961,598, respectively, have a level 3 classification.

The following table provides a summary of changes in fair value of the Company's Level 3 financial liabilities for the three years ended March 31, 2018:

	<b>Warrant Liability</b>	<b>Debt Derivative</b>
Balance, January 1, 2018	\$ 5,859,635	\$ 2,631,375
Total (gains) losses		
Initial fair value of debt derivative at note issuance		587,861
Change in fair value of embedded conversion terms due to note modifications		1,343,161
Mark-to-market at March 31, 2018:	(3,206,187)	(1,850,499)
Transfers out of Level 3 upon conversion or payoff of notes payable or exercise of warrants	(691,850)	(627,439)
Balance, March 31, 2018	\$ 1,961,598	\$ 2,084,459
Net gain for the period included in earnings relating to the liabilities held during the period ended March 31, 2018	\$ 3,206,187	\$ 1,850,499

Fluctuations in the Company's stock price are a primary driver for the changes in the derivative valuations during each reporting period. During the period ended March 31, 2018, the Company's stock price decreased significantly from initial valuations. As the stock price decreases for each of the related derivative instruments, the value to the holder of the instrument generally decreases. Stock price is one of the significant unobservable inputs used in the fair value measurement of each of the Company's derivative instruments.

**NOTE 10 — RELATED PARTY TRANSACTIONS**

The Company's current officers and stockholders advanced funds to the Company for travel related and working capital purposes. As of March 31, 2018 and December 31, 2017, there were no related party advances outstanding.

As of March 31, 2018 and December 31, 2017, accrued compensation due officers and executives included as accrued compensation was \$195,000 and \$0, respectively.

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
*(unaudited)*

At March 31, 2018 and December 31, 2017, there were an aggregate of \$564,279 and \$542,573 notes payable due to officers. The notes are at 5% per annum and non-interest bearing, respectively, and are due on demand.

On August 31, 2017, the Company entered into a joint venture agreement with Global Hemp Group, Inc., a Canadian corporation. The Company's Director, Charles Larsen, is the President, Director and shareholder of Global Hemp Group, Inc. The Company's Director, President and Chief Executive Officer, Donald Steinberg, is a shareholder of Global Hemp Group, Inc. The Company's Chief Financial Officer, Robert L. Hymers, III, is a shareholder of Global Hemp Group, Inc.

**NOTE 11 – SUBSEQUENT EVENTS**

On April 3, 2018, the Company converted debt for compensation due its directors under executive employment agreements in effect for the first quarter of 2018, and debt for cash loans made by directors to the Company as follows: Charles Larsen converted unpaid accrued compensation and loans to the Company for the first quarter of 2018 in the amount of \$69,946.35, and other outstanding loans to the Company in an amount of \$163,876.46 into 23,382,281 shares of restricted common stock with a cost basis of \$0.01 per share; Robert L. Hymers, III converted unpaid accrued compensation and loans to the Company for the first quarter of 2018 in the amount of \$45,496.02 and other outstanding loans to the Company in an amount of \$106,076.26 into 15,157,228 shares of restricted common stock with a cost basis of \$0.01 per share; and, Donald Steinberg converted unpaid accrued compensation and loans to the Company for the first quarter of 2018 in the amount of \$101,264.21 and other outstanding loans to the Company in an amount of \$272,623.16 into 37,388,737 shares of restricted common stock with a cost basis of \$0.01 per share.

On May 6, 2018, DTTO Funding notified the Company that it was in default of its April 1, 2017 promissory note for principal of \$100,000 plus default interest at the rate of 13% and penalties and costs.

On May 8, 2018, the Company entered into a joint venture agreement with Global Hemp Group, Inc., a Canadian corporation, and TTO Enterprises, Ltd., an Oregon corporation. The Company's Director, Charles Larsen, is the President, Director and shareholder of Global Hemp Group, Inc. The Company's Director, President and Chief Executive Officer, Donald Steinberg, is a shareholder of Global Hemp Group, Inc. The Company's Chief Financial Officer, Robert L. Hymers, III, is a shareholder of Global Hemp Group, Inc.

The joint venture will operate and has acquired a 109 acre agricultural property in Scio, Oregon (the "Property") for the cultivation of high CBD yielding hemp for the upcoming 2018 growing season. The joint venture acquired the property on May 1, 2018. The total capital commitment for the project will be \$1,380,000. The Company's portion of the capital commitment is to raise \$600,000 based upon the following funding schedule: \$200,000 upon execution of this Agreement; \$238,780 on or before July 31, 2018; \$126,445 on or before October 31, 2018; and \$34,775 on or before January 31, 2019.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.*

*Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our products, fluctuations in pricing for materials, and competition.*

### **Business Overview**

**Plan of Operations** – Marijuana Company of America and subsidiaries is a publicly listed company quoted on the OTC Pink Sheet Exchange under the symbol "MCOA". We are based in Escondido, California. Our business strategy has evolved over the course of fiscal year ended December 31, 2017. We originally were very interested in directly entering into the legalized cannabis business in those states where cannabis is legal for recreational and/or medicinal use. Our original business plans included directly engaging in the growth, cultivation, harvesting and distribution of cannabis and the research and development of cannabis products for sale, in addition to consumer products containing hemp derived, non-psychoactive cannabinoids ("CBD"). Our business plan and operation evolved to only focus in part on the development, manufacturing, marketing and sale of non-psychoactive industrial hemp, and hemp-derived consumer products containing CBD. Our business includes the research and development of (1) varieties of various species of hemp; (2) beneficial uses of hemp and hemp derivatives; (3) indoor and outdoor cultivation methods for hemp; (4) technology used for cultivation and harvesting of different species of hemp, including but not limited to lighting, venting, irrigation, hydroponics, nutrients and soil; (5) different industrial hemp derived CBD, and the possible health benefits thereof; and, (6) new and improved methods of hemp CBD extraction omitting or eliminating the delta-9 tetrahydrocannabinol "THC" molecule. The Company operates two distinct and separate business divisions related to its two wholly owned subsidiaries, H Smart, Inc. and MCOA CA, Inc.

Through our wholly owned subsidiary H Smart, Inc., we develop consumer products that include industrial hemp derived, non-psychoactive CBD as an ingredient, under the brand name "hempSMART™". Our industrial hemp-based products are specifically developed with an enriched CBD molecular composition with a THC concentration of three-tenths of one percent or less by dry weight. We market and sell our hempSMART™ products directly through our web site, and through our affiliate marketing program, where qualified sales affiliates use a secure multi-level-marketing sales software program that facilitates order placement over the internet via a web site, and accounts for affiliate orders and sales; calculates referral benefits apportionable to specific sales associates and calculates and accounts for loyalty and rewards benefits for returning customers. We also retained a full-service marketing company that uses a multi-channel transactional marketing campaign focused on digital advertising, infographics, content marketing, customer incentives and acquisition, a broad social media presence, as well as search engine marketing and optimization that includes comprehensive research and analytics and order fulfillment in order to boost direct sales.

Our business also includes making selected investments in other related new businesses. Currently, we have made investments in startup ventures, including:

- **Convenient Hemp Mart, LLC;** Convenient (sic) Hemp Mart, LLC is a Wyoming limited liability company whose business plan includes the development, manufacture and sale of consumer products containing CBD that are intended for marketing and sales at convenience stores, gas stations and markets. On July 19, 2017, we agreed to lend fifty thousand dollars (\$50,000) to Convenient based on a promissory note. The note provided that in lieu of receiving repayment, we could elect to exercise a right to convert the loaned amount into a payment towards the purchase of a 25% interest in Convenient, subject to our payment of an additional fifty thousand dollars [\$50,000] equaling a total purchase price of \$100,000. The Company exercised this option on November 20, 2017 and made payment to Convenient on November 21, 2017. Convenient developed a line of consumer products containing industrial hemp derived CBD with no traceable THC content. The product line includes tinctures that combine industrial hemp-derived CBD with hemp seed oil, coconut oil and other essential natural oils; a muscle cream product that combines industrial hemp-derived CBD with natural oils; a hand lotion that combines industrial hemp derived CBD with lavender oils; and a line of pet treats that combine industrial hemp-derived CBD with natural oils. Convenient began its initial marketing efforts by introducing its brand and products at the ASD Market Tradeshow in Las Vegas that took place in March 2018. The ASD Market Tradeshow is a business to business convention where retail merchandise is introduced to various consumer market segments, including Convenient's primary focus on convenience stores, gas stations, small markets and similar venues. Convenient Hemp Mart's operations are in the development stage.
- **MoneyTrac Technology, Inc.;** MoneyTrac Technology, Inc. is a developer of an integrated and streamlined electronic payment processing system containing E-Wallet and mobile applications, that allows for the management and processing of prepaid cards, debit cards, and credit card payments. We entered into a stock purchase agreement with MoneyTrac on March 13, 2017 to purchase a 15% equity position in MoneyTrac. On July 27, 2017 we completed tender of the purchase price of \$250,000. MoneyTrac's business and banking software solutions offer firms the ability to deposit funds directly into a "MoneyTrac Merchant Wallet," created and controlled by the firm, from which the firm can manage and provide inventory management, payroll processing, and audit tracking; and, the creation of "Customer Wallets," by anyone who wants to engage in cashless transactions, by loading money into their "MoneyTrac Customer Wallet" from a bank account or through a MoneyTrac kiosk, which also accepts debit and credit card transactions. MoneyTrac's kiosks are marketed to businesses that wish to offer cashless transactions to its customers, who can choose to either have funds loaded directly into their "Customer Wallet" or onto a pre-paid debit card. MoneyTrac's system provides for a secure, managed and auditable record of cashless transactions that is designed to be marketed to firms who want an alternative payment and management method for transacting business, including those firms in the legalized cannabis business in those states where cannabis has been legalized for recreational and/or medicinal use.

- Global Hemp Group, Inc. Joint Venture;** On September 5, 2017, we announced our agreement to participate in a joint venture with Global Hemp Group Inc., a Canadian corporation, in a multi-phase industrial hemp project on the Acadian peninsula of New Brunswick, Canada. The joint venture's goal is to develop a "Hemp Agro-Industrial Zone", a concept that promotes and engages farmers, processors and manufacturers to collaboratively produce and process 100% of the hemp plant into a number of wholesale materials that can be manufactured into healthy and sustainable products. The "HAIZ" will be surrounded by hemp production thereby minimizing the cost of expensive transportation to distant processing facilities. The "Hemp Agro-Industrial Zone" has a goal of producing social and environmental benefits to the communities where they operate. These zones are envisioned to prospectively create jobs for farmers, foster rural development, provide the opportunity to develop more sustainable products of superior quality and help support Global Hemp Group's commitment to creating a carbon free economy. The first phase of the project involved lab testing in support of the trials. The Collège Communautaire du Nouveau Brunswick (CCNB) in Bathurst, New Brunswick ("CCNB") intends to assist Global Hemp Group in research on its ongoing industrial hemp trials in the region, and to perform laboratory tests in support of these trials. These tests will provide information to validate agronomic and key yield data in preparation of a large scale industrial development project that will involve processing of the full plant: grain, straw, flowers and leaves, scheduled to begin in 2018. The results of these tests will also be used in discussions with farmers of the region to refine a hemp-based farming model, and to mobilize additional farmers for the next growing season. Our participation included providing one-half, or \$10,775 of the funding for the phase one work. On January 10, 2018, phase-one was completed by successfully cultivating industrial hemp during the 2017 growing season for research purposes. The objective of phase one was to re-introduce hemp into the area and ensure that it could be productive under New Brunswick growing conditions prior to significantly increasing cultivation acreage and building a hemp processing facility in the region, in future phases of the project. As a result of our participation in the joint venture, we will share in the ownership of research and development of hemp and CBD related studies produced by the New Brunswick Project, and, in the event Canadian laws governing the growing, harvesting, manufacturing and production of products containing hemp and CBD change (as expected, but not guaranteed) in 2018, we would benefit from possible preferred pricing and terms for the purchase of hemp and CBD that would enable us to further conduct its business and research and development into hemp and CBD products.
- Bougainville Ventures, Inc. Joint Venture;** On March 16, 2017, we entered into a joint venture agreement with Bougainville Ventures, Inc., a Canadian corporation. The purpose of the joint venture was for the Company and Bougainville to jointly engage in the development and promotion of products in the legalized Marijuana industry in Washington State; (ii) utilize BV's high quality grow operations in the State of Washington on real property leased by BV for use within the legalized Marijuana industry; (iii) provide technical and management services and resources including but not limited to: sales and marketing, agricultural procedures, operations security and monitoring, processing and delivery, branding, capital resources and financial management; and, (iv) optimize collaborative business opportunities. The Company and Bougainville agreed to operate through a Washington State Limited Liability Company, and BV-MCOA Management, LLC was organized in the State of Washington on May 16, 2017.

As our contribution to the joint venture, the Company committed to raise not less than \$1 million dollars to fund joint venture operations based upon a funding schedule. The Company also committed to providing branding and systems for the representation of Marijuana related products and derivatives comprised of management, marketing and various proprietary methodologies directly tailored to the Marijuana industry.

Bougainville represented that it possessed a lease for real property in Washington State suitable for growing marijuana, and information primarily related to the management and control of Marijuana grow operations as conducted in Washington State that included research, development and know how in the Marijuana industry. Bougainville also represented that it was associated with a Tier 3 license holder in Washington State. The Company and Bougainville's agreement was that the funding provided by the Company would go, in part, towards the ultimate purchase of the land leased by Bougainville, consisting of a one-acre parcel located in Okanogan County, Washington.

As disclosed on Form 8-K on December 11, 2017, the Company did not comply with the funding schedule for the joint venture. On November 6, 2017, the Company and Bougainville amended the joint venture agreement to reduce the amount of the Company's commitment to \$800,000 and also required the Company to issue Bougainville 15 million shares of the Company's restricted common stock. The Company completed its payments pursuant to the amended agreement on November 7, 2017, and on November 9, 2017, issued to Bougainville 15 million shares of restricted common stock.

Thereafter, the Company determined that Bougainville was not a lessee to property in Washington State, but rather was a party to a purchase agreement for real property. Bougainville also did not possess an agreement with an I503 license holder to grow Marijuana on the property. Nonetheless, as a result of funding arranged for by the Company Bougainville purchased the land.

Thereafter, Bougainville and the Company entered into good faith negotiations to revise and restate the joint venture agreement to clarify the respective contributions and roles of the parties going forward. Once the revised and restated joint venture agreement is finalized, and the land is subdivided by the Okanogan County Assessor, Bougainville will deed the land to the joint venture. Thereafter, the joint venture will lease the property to a third party who will operate and curate the land for the growth, cultivation harvest and sale of agricultural products determined by the lessee of the land in its discretion. As noted above, our business plans and priorities evolved over 2017. Originally, we were very interested in directly engaging in the growth, cultivation, harvesting and distribution of cannabis and the research and development of cannabis products for sale. We initially envisioned the joint venture as playing an active role in the growth, cultivation and harvesting of cannabis on the land. However, we ultimately determined to abandon direct involvement with THC psychoactive cannabis in favor of focusing on the development, manufacturing, marketing and sale of non-psychoactive industrial hemp, and hemp-derived consumer products containing CBD. As a result of the foregoing, we expect that aside from having arranged for the funding necessary for the purchase of the land, our participation in the joint venture's role going forward will only be to lease the land to a third party, and to provide financial accounting and business services. The following documents, once completed and executed, will be filed on Form 8-K:

- The revised and restated joint venture agreement between the Company and Bougainville;
  - A copy of the deed transferring the land from Bougainville to BV-MCOA Management, LLC;
  - The lease agreement between BV-MCOA Management, LLC and a third party; and,
  - The agreement between BV-MCOA Management, LLC and third party for consulting services.
- **GateC Research Joint Venture;** On March 17, 2017, the Company and GateC Research, Inc. entered into a Joint Venture Agreement. The Company committed to raise up to \$1,500,000 over a six-month period, with a minimum commitment of \$500,000 within a three (3) month period; and, information establishing brands and systems for the representation of marijuana related products and derivatives comprised of management, marketing and various proprietary methodologies, including but not limited to its affiliate marketing program, directly tailored to the marijuana industry. GateC agreed to contribute its management and control services and systems related to marijuana grow operations in Adelanto County, California, and its permit to grow marijuana in an approved zone in Adelanto, California. On or about November 28, 2017, GateC and the Company orally agreed to a suspension of the Company's funding commitment, pending the finalization of California State regulations governing the growth, cultivation and distribution of marijuana. Consistent with the Company's decision, as discussed above, to not directly engage in TCH psychoactive cannabis growth, the Company and GateC entered into a Recession and Mutual Release Agreement on March 19, 2018. GateC and the Company rescinded the Agreement and concurrently released each other from any all any and all losses, claims, debts, liabilities, demands, obligations, promises, acts, omissions, agreements, costs and expenses, damages, injuries, suits, actions and causes of action, of whatever kind or nature, whether known or unknown, suspected or unsuspected, contingent or fixed, that they may have against each other and their Affiliates, arising out of the joint venture agreement.

## **Results of Operations**

We anticipate that our results of operations will fluctuate for the foreseeable future due to several factors, such as the progress of our hempSMART™ product sales and research and development efforts. Due to these uncertainties, accurate predictions of future operations are difficult or impossible to make.

### ***Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017***

**Results of Operations** - The Company generated revenue of \$19,010 for the three months ended March 31, 2018. This increase is due to the Company's initial deployment of its hempSMART marketing and sales efforts. Since the Company's sales efforts were launched approximately one year ago, no currently known or previous matters are expected to have a material impact on current or future operations, with the exception of the Company's need for additional funding (See Note 2 to the Financial Statements). For the three months ended March 31, 2018, the Company had income from continuing operations of \$4,150,799 compared to a loss from continuing operations of \$18,078,284 for the three months ended March 31, 2017. This change is due primarily to the Company's stock based compensation issued in 2017 as compared to 2018, changes in our derivative and warrant liabilities and non-cash interest related to our with our convertible debt.

### ***Revenues/Cost of sales***

**Total Revenues** - Total revenues were \$19,010 for the three months ended March 31, 2018 as compared to \$5,893 for the three ended March 31, 2017. The reported revenues for each period reflect the Company's initial steps towards marketing and selling its hempSMART™ products. Management plans to expand its marketing and selling efforts in 2018 and expects revenues to increase in the coming months.

**Costs and Expenses** - Costs of sales, include the costs of product development, manufacturing, testing, packaging, storage and sale. For the three months ended March 31, 2018, costs of sales were \$10,446 as compared to \$3,349 for the three months ended March 31, 2017. The reported costs of sales for each period reflect the Company's initial steps towards marketing and selling its hempSMART™ products.

### ***General and administrative expenses***

Other general and administrative expenses decreased to \$301,479 for the three months ended March 31, 2018 compared to \$17,978,754 the three months ended March 31, 2017. General and administrative expenses include selling and marketing, research and development, building rent, utilities, legal fees, office supplies, subscriptions, and office equipment. The decrease is attributed primarily to reduction in stock based compensation from the three months ended March 31, 2017 of \$17,672,750 to \$312,400 in the current period.

### ***Gain on change in fair value of derivative liabilities***

During 2017 and 2018, we issued convertible promissory notes and warrants with an embedded derivative, all requiring us to fair value the derivatives each reporting period, and mark to market as a non-cash adjustment to our current period operations. This resulted in a gain of \$5,056,686 and \$19,889 change in fair value of derivative liabilities for the three months ended March 31, 2018 and 2017, respectively.

### ***Loss on equity investment***

During the three months ended March 31, 2018, we adjusted the carry value of our investment for our pro rata share of loss with BV-MCOA Management LLC to \$0 incurring a \$37,673 loss.

### ***Gain on settlement of debt***

During the three months ended March 31, 2018, we terminated a material definitive agreement not made in the ordinary course of its business. The parties to the agreement are the Company and GateC. As such we canceled our outstanding debt obligation to joint venture realizing a gain on settlement of \$1,500,000. In addition, we incurred a loss on debt settlement of \$1,343,161 due to default provisions of our previously issued convertible notes.

### ***Interest Expense***

Interest expense during the three months ended March 31, 2018 was \$730,746 compared to \$121,721 for the three months ended March 31, 2017. Interest expense primarily consists of interest incurred on our convertible and other debt. The debt discounts amortization and non-cash interest incurred during the three months ended March 31, 2018 and 2017 was \$502,682 and \$281, respectively. In addition, we incurred a non-cash interest of \$187,861 and \$138,957 non-cash interest in connection with convertible notes in 2018 and 2017.

**Liquidity and Capital Resources** – The Company has generated a net income from continuing operations for the three months ended March 31, 2018 of \$4,150,799, however used \$497,250 cash for operations. As of March 31, 2018, the Company had total assets of \$1,079,409, which included inventory of \$228,930 and accounts receivable of \$3,713.

During the three months ended March 31, 2018 and 2017, the Company has met its capital requirements through a combination of loans and convertible debt instruments. The Company will need to secure additional external funding in order to continue its operations. Our primary internal sources of liquidity were provided by an increase in proceeds from the issuance of note payables of \$400,000 for March 31, 2018, as compared to \$99,965 for March 31, 2017, and an increase proceeds from the sale of note payables to a related party of \$21,706 for March 31, 2018 as compared to \$0 for March 31, 2017, and a decrease in proceeds from sales of our common stock of \$0 for March 31, 2018, as compared to \$85,000 for the three months ended March 31, 2017. We have during the period ended March 31, 2018, relied upon external financing arrangements to fund our operations. During the three months ended March 31, 2018, we entered into two separate financing arrangements with St. George Investments, LLC, a Utah limited liability company, in which we borrowed an aggregate of \$440,000, the principal of which is convertible into shares of our common stock (see Note 6, Convertible Note Payable). Our ability to rely upon external financing arrangements to fund operations is not certain, and this may limit our ability to secure future funding from external sources without changes in terms requested by counterparties, changes in the valuation of collateral, and associated risk, each of which is reasonably likely to result in our liquidity decreasing in a material way. We intend to utilize cash on hand, loans and other forms of financing such as the sale of additional equity and debt securities and other credit facilities to conduct our ongoing business, and to also conduct strategic business development and implementation of our business plans generally.

**Operating Activities** - For the three months ended March 31, 2018, the Company used cash in operating activities of \$493,250. For the three months ended March 31, 2017, the Company used cash in operating activities of \$189,565. This increase is due primarily to the implementation of our new business plan, operations, management, personnel and professional services, and the resulting increases in operating expenses.

**Investing Activities** - During the three months ended March 31, 2018, the Company spent cash of \$4,202 in investing activities related to its purchase of equipment. During the three months ended March 31, 2017, we spent \$4,860 on equipment purchases and \$75,000 investment in joint ventures.

Financing Activities - During the three months ended March 31, 2018, the Company, primarily through its receipt of funds from the issuance of notes payable and notes payable to related parties resulted in financing activity of \$421,706. For the three months ended March 31, 2017 the Company received proceeds of \$85,000 from sale of common stock and \$99,965 from issuance of note payable.

The Company's business plans have not generated significant revenues and as of the date of this filing are not sufficient to generate adequate amounts of cash to meet its needs for cash. The Company's primary source of operating funds in 2018 and 2017 have been from revenue generated from proceeds from the sale of common stock and the issuance of convertible and other debt. The Company has experienced net losses from operations since inception, but expects these conditions to improve in the second half of 2018 and beyond as it develops its affiliate marketing program and other direct sales and marketing programs. The Company has stockholders' deficiencies at March 31, 2018 and requires additional financing to fund future operations. As of the date of this filing, and due to the early stages of operations, the Company has insufficient sales data to evaluate the amounts and certainties of cash flows, as well as whether there has been material variability in historical cash flows.

We currently do not have sufficient cash and liquidity to meet our anticipated working capital for the next twelve months. Historically, we have financed our operations primarily through private sales of our common stock and. If our sales goals for our hempSMART™ products do not materialize as planned, and we are not able to achieve profitable operations at some point in the future, we may have insufficient working capital to maintain our operations as we presently intend to conduct them or to fund our expansion, marketing, and product development plans. There can be no assurance that we will be able to obtain such financing on acceptable terms, or at all.

### **Off Balance Sheet Arrangements**

As of March 31, 2018, and December 31, 2017, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Government Regulations of Cannabis**

#### ***Federal Law***

Our business includes the research and development of (1) varieties of various species of hemp; (2) beneficial uses of hemp and hemp derivatives; (3) indoor and outdoor cultivation methods for hemp; (4) technology used for cultivation and harvesting of different species of hemp, including but not limited to lighting, venting, irrigation, hydroponics, nutrients and soil; (5) different industrial hemp derived CBD, and the possible health benefits thereof; and, (6) new and improved methods of hemp CBD extraction omitting or eliminating the delta-9 tetrahydrocannabinol "THC" molecule.

The Company is not engaged in the direct growth, cultivation, harvesting and distribution of cannabis containing psychoactive amounts of the THC molecule. However, we do offer and provide financial consulting and property management services to licensed, lawful and compliant operator(s) engaged within legalized states where cannabis strains containing the THC molecule is regulated and/or has been de-criminalized for personal and/or medicinal use.

Hemp is a member of the cannabis family. Industrial hemp derived CBD, like cannabis, is illegal under federal law and is a "Schedule 1" drug under the Controlled Substances Act (21 U.S.C. § 811). As a Schedule 1 drug, hemp derived CBD is viewed as being highly addictive and having no medical value. The United States Drug Enforcement Agency enforces the Controlled Substances Act, and persons violating it are subject to federal criminal prosecution. The criminal penalty structure in the Controlled Substances Act is determined based on the specific predicate violations, including but not limited to: simple possession, drug trafficking, attempt and conspiracy, distribution to minors, trafficking in drug paraphernalia, money laundering, racketeering, environmental damage from illegal manufacturing, continuing criminal enterprise, and smuggling. A first conviction under the Controlled Substances Act can generally result in possible fines from \$250,000 to \$50 million dollars, and incarceration for periods generally from five and up to forty years. For a second conviction, fines increase generally from \$500,000 to \$75 million dollars, and incarceration for periods generally from ten years to twenty years to life.

The federal government recently issued guidance to federal prosecutors concerning marijuana enforcement under the Controlled Substances Act (CSA). On January 4, 2018, Attorney General Jeff Sessions issued a memorandum for all United States Attorneys concerning federal cannabis enforcement generally. Mr. Sessions rescinded all previous prosecutorial guidance issued by the Department of Justice regarding cannabis, including the August 29, 2013 memorandum by James Cole, Deputy Attorney General (the “Cole Memorandum”).

The Cole Memorandum previously set out the Department of Justice’s prosecutorial priorities in light of various states legalizing cannabis for medicinal and/or recreational use. The Cole Memorandum provided that when states have implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other states, prohibiting access to cannabis by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, the Cole Memorandum provided that enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing cannabis-related activity. If state enforcement efforts are not sufficiently robust to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

By rescinding the Cole Memorandum, Mr. Sessions injected material uncertainty as it relates to how the Department of Justice will evaluate cannabis cases for prosecution, and risk into the Company’s business as it relates to the research, development, marketing and sale of its products containing industrial hemp derived CBD (see Risk Factors, Item 1A).

Mr. Sessions stated that U.S. Attorneys must decide whether or not to pursue prosecution of cannabis activity based upon factors including: the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. Mr. Sessions reiterated that the cultivation, distribution and possession of cannabis continues to be a crime under the U.S. Controlled Substances Act.

On March 23, 2018, President Donald J. Trump signed into law a \$1.3 trillion-dollar spending bill that included an amendment known as “Rohrabacher-Blumenauer,” which prohibits the Justice Department from using federal funds to prevent certain states “from implementing their own State laws that authorize the use, distribution, possession or cultivation of medical marijuana.”

The United States Food & Drug Administration (“FDA”) is generally responsible for protecting the public health by ensuring the safety, efficacy, and security of (1) prescription and over the counter drugs; (2) biologics including vaccines, blood & blood products, and cellular and gene therapies; (3) foodstuffs including dietary supplements, bottled water, and baby formula; and, (4) medical devices including heart pacemakers, surgical implants, prosthetics, and dental devices.

Regarding its regulation of drugs, the FDA process requires a review that begins with the filing of an “Investigational New Drug” (IND) application, with follow on clinical studies and clinical trials that the FDA uses to determine whether a drug is safe and effective, and therefore subject to approval for human use by the FDA.

Aside from the FDA’s mandate to regulate drugs, the FDA also regulates dietary supplement products and dietary ingredients under the Dietary Supplement Health and Education Act of 1994. This law prohibits manufacturers and distributors of dietary supplements and dietary ingredients from marketing products that are adulterated or misbranded. This means that these firms are responsible for evaluating the safety and labeling of their products before marketing to ensure that they meet all the requirements of the law and FDA regulations, including, but not limited to the following labeling requirements: (1) identifying the supplement; (2) nutrition labeling; (3) ingredient labeling; (4) claims; and, (5) daily use information.

The FDA has not approved cannabis, hemp or CBD derived from industrial hemp as a safe and effective drug for any indication. As of the date of this filing, we have not, and do not intend to file an IND with the FDA, concerning any of our consumer products that contain CBD derived from industrial hemp.

The FDA has concluded that products containing industrial hemp derived CBD are excluded from the dietary supplement definition under sections 201(ff)(3)(B)(i) and (ii) of the U.S. Food, Drug & Cosmetic Act, respectively. The FDA’s position is that products containing industrial hemp derived CBD are Schedule 1 drugs under the Controlled Substances Act, and so are illegal drugs that are under the purview of the U.S. Drug Enforcement Agency and U.S. Justice Dept., who are charged with enforcing the Controlled Substances Act. However, at some indeterminate future time, the FDA may choose to change its position concerning cannabis generally, and specifically products containing industrial hemp derived CBD, and may choose to enact regulations that are applicable to such products as either drugs or supplements. In this event, our industrial hemp-based products containing CBD may be subject to regulation (See Risk Factors, Item IA).

In addition to strict compliance with state laws and regulations in those jurisdictions where cannabis is legal for recreational or medical use, the Company’s research and development activities intend to comply with the parameters of a recent 9th Cir. Federal Appellate Court decision, *United States v. McIntosh*, 2016 DJDAR 8484 (Aug. 16, 2016), which held: “the U.S. Department of Justice cannot spend money to prosecute federal marijuana cases if the defendants comply with state guidelines that permit the drug’s sale for medical purposes”. The Court reasoned that “if the DOJ punishes individuals for engaging in activities permitted under state law (such as the use, cultivation, distribution and possession of medical marijuana), then the DOJ is preventing state law from being implemented as a practical matter.” “By officially permitting certain conduct, state law provides for non-prosecution of individuals who engage in such conduct. If the federal government prosecutes such individuals, it has prevented the state from giving practical effect to its law providing for non-prosecution of individuals who engage in the permitted conduct.” This ruling is consistent with Congress’s passing of its current budget law, that included an amendment known as “Rohrabacher-Blumenauer,” which prohibits the Justice Department from using federal funds to prevent certain states “from implementing their own State laws that authorize the use, distribution, possession or cultivation of medical marijuana.”

**Critical Accounting Policies** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 1 to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, contingencies and taxes. Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements.

**Stock-Based Compensation** - The Company also issues restricted shares of its common stock for share-based compensation programs to employees and non-employees. The Company measures the compensation cost with respect to restricted shares to employees based upon the estimated fair value at the date of the grant, and is recognized as expense over the period which an employee is required to provide services in exchange for the award. For non-employees, the Company measures the compensation cost with respect to restricted shares based upon the estimated fair value at measurement date which is either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete.

**Recent Accounting Pronouncements** - See Note 3 of the condensed consolidated financial statements for discussion of recent accounting pronouncements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable to Smaller Reporting Companies.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

Management of the Company is responsible for maintaining disclosure controls and procedures that are designed to ensure that financial information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the timeframes specified in the Securities and Exchange Commission's rules and forms, consistent with Items 307 and 308 of Regulation S-K.

In addition, the disclosure controls and procedures must ensure that such financial information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

As of March 31, 2018, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") was carried out under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer, and other persons carrying out similar functions for the Company. Based on the evaluation of the Company's disclosure controls and procedures, the Company concluded that during the period covered by this report, such disclosure controls and procedures were effective.

The Company continues to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. In addition, the Company evaluates and assesses its internal controls and procedures regarding its financial reporting, utilizing standards incorporating applicable portions of the Public Company Accounting Oversight Board's *2009 Guidance for Smaller Public Companies in Auditing Internal Controls Over Financial Reporting* as necessary and on an on-going basis.

Previously, in our quarterly report for the period ending June 30, 2017, we reported that our internal controls were not effective. In preparing the subject quarterly report, we reviewed and tested our internal communications protocols with an emphasis on examining how the financial data subject to our reporting obligations is communicated amongst our management, including our Principal Executive Officer, our accounting personnel and our legal counsel. Our testing included meeting and conferring with management, our accounting personnel and legal counsel to identify the work flow of how information is generated, processed and distributed amongst all parties. We examined how information was generated; how the information was communicated amongst management and the Company's accounting personnel and legal counsel prior to reporting with the Commission.

Our testing showed that our telephonic communications amongst management, our accounting personnel and legal counsel, was often not made part of follow up written confirmations amongst all concerned in order to identify, accumulate and effectively communicate financial information.

To address this weakness, we established a communications work flow between management, accounting personnel and legal counsel including establishing deadlines in which management communicates in writing with its accounting personnel relevant facts and documents necessary for generating internal accounting recordkeeping that is accurate and necessary for timely reporting. Additionally, the Company established communication requirements such that once the Company's internal accounting recordkeeping is finalized, it is communicated in writing amongst management, our accounting personnel and the Company's legal counsel. Further, any and all communications related to the processed internal accounting recordkeeping should be followed up in a confirmed writing to all concerned, including management, our accountant and our legal counsel. The Company believes that this work flow as implemented addressed the above noted weaknesses because it insures that all relevant parties, including management, our inside accounting personnel and our legal counsel, will have confirmed in writing that the information accumulated and communicated is accurate in order to timely report same consistent with the Company's reporting obligations to the Commission.

### **Changes in Internal Controls Over Financial Reporting**

The Company has no reportable changes to its internal controls over financial reporting for the period covered by this report.

The Company will continually enhance and test its internal controls over financial reporting. Additionally, the Company's management, under the control of its Chief Executive Officer and Chief Financial Officer, will increase its review of its disclosure controls and procedures on an ongoing basis. Finally, the Company plans to designate, in conjunction with its Chief Financial Officer, individuals responsible for identifying reportable developments and the process for resolving compliance issues related to them. The Company believes these actions will focus necessary attention and resources in its internal accounting functions.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On May 6, 2018, DTTO Funding notified the Company that it was in default of its April 1, 2017 promissory note for principal of \$100,000 plus default interest at the rate of 13% and penalties and costs. No legal proceeding has been filed or is pending against the Company at this time, and the Company is attempting to resolve the default amicably.

### **ITEM 1A. RISK FACTORS**

Our business involves a number of very significant risks, including but not limited to various areas of the cannabis industry being illegal under Federal Law and susceptible to aggressive prosecution from the U.S. Attorney General. Our business, operating results and financial condition could be seriously harmed as a result of the occurrence of any of the following risks.

**You should invest in our common stock only if you can afford to lose your entire investment. Your decision to invest in our common stock should only be made after you have knowingly accepted the possibilities of such a loss and the associated risks, including our business being so close to the Federally illegal cannabis industry, including various states where hemp and marijuana are still not legal for commercial purposes and sale.**

#### **Risks Related to Our Business**

*Because we have only recently begun our hempSMART™ operations, and our other ventures are all in the development stage or not of yet capitalized, we anticipate our operating expenses will increase prior to earning revenue, and we may never achieve profitability:*

We launched our first hempSMART™ product, hempSMART Brain™, in November, 2016. As we continue to conduct the research and development and release of other hempSMART™ products and continue to pursue our business interests in Convenient Hemp Mart, LLC, MoneyTrac Technology, Inc., and our joint ventures with Global Hemp Group, Inc. and Bougainville Ventures, we anticipate increases in our operating expenses, without realizing significant revenues from operations. Within the next 12 months, these increases in expenses will be attributed to the cost of (i) administration and start-up costs, (ii) research and development, (iii) advertising and website development, (iv) legal and accounting fees at various stages of operation, (v) joint venture activities, (vi) creating and maintaining distribution and supply chain channels.

As a result of some or all of these factors in combination, we will incur significant financial losses in the foreseeable future. There is no history upon which to base any assumption as to the likelihood that our Company will prove successful. We cannot provide investors with any assurance that our business will attract customers and investors. If we are unable to address these risks, there is a high probability that our business will fail.

***Failure to raise additional capital to fund operations could harm our business and results of operations:***

Our primary source of operating funds from 2015 through the December 31, 2017 year-end has been from revenue generated from proceeds from the sale of our common stock and the issuance of convertible and other debt. The Company has experienced net losses from operations since inception but expects these conditions to improve in 2018 and beyond as it develops its business model. The Company has stockholders' deficiencies at December 31, 2017 and 2016 and requires additional financing to fund future operations. Currently, we do not have any arrangements for financing and can provide no assurance to investors that we will be able to obtain financing when required. No assurance can be given that our Company will obtain access to capital markets in the future or that financing, adequate to satisfy the cash requirements of implementing our business strategies, will be available on acceptable terms. The inability of our Company to gain access to capital markets or obtain acceptable financing could have an adverse effect upon the results of its operations and upon its financial conditions.

***Cannabis and CBD are illegal under federal law:***

Cannabis and CBD are Schedule 1 controlled substances and are illegal under federal law, specifically the Controlled Substances Act (21 U.S.C. § 811). Even in states that have legalized the use of cannabis and hemp, its sale and use remain violations of federal law. The illegality of cannabis and hemp under federal law preempts state laws that legalize its use. Therefore, strict enforcement of federal law regarding cannabis and hemp would likely result in our inability to proceed with our business plan. As Schedule 1 drugs, cannabis, hemp and CBD are viewed as being highly addictive and having no medical value. The United States Drug Enforcement Agency enforces the Controlled Substances Act, and persons violating it are subject to federal criminal prosecution. The criminal penalty structure in the Controlled Substances Act is determined based on the specific predicate violations, including but not limited to: simple possession, drug trafficking, attempt and conspiracy, distribution to minors, trafficking in drug paraphernalia, money laundering, racketeering, environmental damage from illegal manufacturing, continuing criminal enterprise, and smuggling. A first conviction under the Controlled Substances Act can generally result in possible fines from \$250,000 to \$50 million dollars, and incarceration for periods generally from five and up to forty years. For a second conviction, fines increase generally from \$500,000 to \$75 million dollars, and incarceration for periods generally from ten years to twenty years to life.

The federal government recently issued guidance to federal prosecutors concerning marijuana enforcement under the Controlled Substances Act (CSA). On January 4, 2018, Attorney General Jeff Sessions issued a memorandum for all United States Attorneys concerning cannabis enforcement. Mr. Sessions rescinded all previous prosecutorial guidance issued by the Department of Justice regarding cannabis, including the August 29, 2013 memorandum by James Cole, Deputy Attorney General (the "Cole Memorandum").

The Cole Memorandum previously set out the Department of Justice’s prosecutorial priorities in light of various states legalizing cannabis for medicinal and/or recreational use. The Cole Memorandum provided that when states have implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other states, prohibiting access to marijuana by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, the Cole Memorandum provided that enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing cannabis-related activity. If state enforcement efforts are not sufficiently robust to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

By rescinding the Cole Memorandum, Mr. Sessions injected material uncertainty as it relates to how the Department of Justice will evaluate cannabis cases for prosecution, and risk into the Company’s business as it relates to the research, development, marketing and sale of its hempSMART™ products containing hemp derived CBD.

Mr. Sessions stated that U.S. Attorneys must decide whether or not to pursue prosecution of cannabis activity based upon factors including: the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. Mr. Sessions reiterated that the cultivation, distribution and possession of cannabis continues to be a crime under the U.S. Controlled Substances Act.

As to the Company engaging in business outside of the jurisdiction of the U.S.A., we assume that laws in other country(s), territories or destinations are similar to that of the United States Federal Government. As a result, we will retain competent legal counsel in any outside jurisdiction prior to engaging in any cannabis or hemp business.

***Laws and regulations affecting our industry are constantly changing:***

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect our operations. Local, state and federal medical cannabis laws and regulations are broad in scope and subject to changing interpretations. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. Furthermore, violations of these laws, or alleged violations, could disrupt our business and result in a material adverse effect on our operations. In addition, we cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to our business.

***Our business is subject to risk of government action:***

While we will use our best efforts to comply with all state and local laws and regulations laws, there is a possibility that U.S. Federal Government Action to enforce any alleged violations may result in legal fees and damage awards that would adversely affect us.

***Because our business is dependent upon continued market acceptance by consumers, any negative trends will adversely affect our business operations:***

We are substantially dependent on continued market acceptance and proliferation of consumers of cannabis and hemp. We believe that as cannabis and hemp become more accepted, the stigma associated with them will diminish and as a result consumer demand will continue to grow. While we believe that the market and opportunity in the cannabis space continues to grow, we cannot predict the future growth rate and size of the market. Any negative outlook on the cannabis industry will adversely affect our business operations.

***The possible FDA Regulation of cannabis, hemp and industrial hemp derived CBD, and the possible registration of facilities where hemp is grown and CBD products are produced, if implemented, could negatively affect the cannabis industry generally, which could directly affect our financial condition:***

The FDA has not approved cannabis, industrial hemp or CBD derived from industrial hemp as a safe and effective drug for any indication. The FDA considers these substances illegal Schedule 1 drugs. As of the date of this filing, we have not, and do not intend to file an IND with the FDA, concerning any of our hempSMART™ products that contain industrial hemp or CBD derived from industrial hemp. Further, The FDA has concluded that products containing industrial hemp or CBD derived from industrial hemp are excluded from the dietary supplement definition under sections 201(ff)(3)(B)(i) and (ii) of the U.S. Food, Drug & Cosmetic Act, respectively. However, at some indeterminate future time, the FDA may choose to change its position concerning products containing cannabis, hemp, or CBD derived from industrial hemp, and may choose to enact regulations that are applicable to such products, including, but not limited to: the growth, cultivation, harvesting and processing of cannabis and hemp; regulations covering the physical facilities where cannabis and hemp are grown; and possible testing to determine efficacy and safety of industrial hemp derived CBD. In this hypothetical event, our industrial hemp-based hempSMART™ products containing CBD may be subject to regulation. In the hypothetical event that some or all of these regulations are imposed, we do not know what the impact would be on the cannabis industry in general, and what costs, requirements and possible prohibitions may be enforced. If we are unable to comply with the conditions and possible costs of possible regulations and/or registration as may be prescribed by the FDA, we may be unable to continue to operate our business.

***We may have difficulty accessing the service of banks:***

On February 14, 2014, the U.S. government issued rules allowing banks to legally provide financial services to state-licensed cannabis businesses. A memorandum issued by the Justice Department to federal prosecutors re-iterated guidance previously given, this time to the financial industry, that banks can do business with legal cannabis businesses and "may not" be prosecuted. We assume this applies to hemp. The Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued guidelines to banks that "it is possible to provide financial services" to state-licensed cannabis (and hemp) businesses and still be in compliance with federal anti-money laundering laws. The guidance falls short of the explicit legal authorization that banking industry officials had pushed the government to provide and to date, it is not clear if any banks have relied on the guidance. The aforementioned policy may be administration dependent and a change in presidential administrations may cause a policy reversal and retraction of current policies, wherein legal cannabis and hemp businesses may not have access to the banking industry. Also, the inability of potential customers in our target market to open accounts and otherwise use the service of banks may make it difficult for our affiliate sales representatives to purchase our hempSMART™ products.

***Banking regulations in our business are costly and time consuming:***

In assessing the risk of providing services to a cannabis-related business, a financial institutions may conduct customer due diligence that includes: (i) verifying with the appropriate state authorities whether the business is duly licensed and registered; (ii) reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its cannabis-related business; (iii) requesting from state licensing and enforcement authorities available information about the business and related parties; (iv) developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers); (v) ongoing monitoring of publicly available sources for adverse information about the business and related parties; (vi) ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and (vii) refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available. These regulatory reviews may be time consuming and costly.

***Due to our involvement in the cannabis/hemp industry, we may have a difficult time obtaining the various insurances that are desired to operate our business, which may expose us to additional risk and financial liability:***

Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, is more difficult for us to find, and more expensive, because we sell products containing industrial hemp-based CBD, and generally conduct research and development in the cannabis/hemp industry. There are no guarantees that we will be able to find such insurances in the future, or that the cost will be affordable to us. If we are forced to go without such insurances, it may prevent us from entering into certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities.

***The Company's industry is highly competitive and we have less capital and resources than many of our competitors which may give them an advantage in developing and marketing products similar to ours or make our products obsolete:***

We are involved in a highly competitive industry where we may compete with numerous other companies who offer alternative methods or approaches, who may have far greater resources, more experience, and personnel perhaps more qualified than we do. Such resources may give our competitors an advantage in developing and marketing products similar to ours or products that make our products obsolete. There can be no assurance that we will be able to successfully compete against these other entities.

***We may be unable to respond to the rapid technological change in the industry and such change may increase costs and competition that may adversely affect our business:***

Rapidly changing technologies, frequent new product and service introductions and evolving industry standards characterize our market. The continued growth of the Internet and intense competition in our industry exacerbates these market characteristics. Our future success will depend on our ability to adapt to rapidly changing technologies by continually improving the performance features and reliability of our hempSMART™ products. We may experience difficulties that could delay or prevent the successful development, introduction or marketing of our hempSMART™ products. In addition, any new enhancements must meet the requirements of our current and prospective customers and must achieve significant market acceptance. We could also incur substantial costs if we need to modify our hempSMART™ products and services or infrastructures to adapt to these changes.

We also expect that new competitors may introduce products or services that are directly or indirectly competitive with us. These competitors may succeed in developing, products and services that have greater functionality or are less costly than our products and services and may be more successful in marketing such products and services. Technological changes have lowered the cost of operating communications and computer systems and purchasing software. These changes reduce our cost of selling products and providing services, but also facilitate increased competition by reducing competitors' costs in providing similar services. This competition could increase price competition and reduce anticipated profit margins.

***Our hempSMART™ products are new and our industry is rapidly evolving:***

Due consideration must be given to our prospects in light of the risks, uncertainties and difficulties frequently encountered by companies in their early stage of development, particularly companies in the rapidly evolving legal cannabis and hemp industries. To be successful we must, among other things:

- Develop, manufacture and introduce new attractive and successful consumer products in our hempSMART™ brand.
- Attract and maintain a large customer base and develop and grow that customer base.
- Increase awareness of our hempSMART™ brand and develop effective marketing strategies to insure consumer loyalty.
- Establish and maintain strategic relationships with key sales, marketing, manufacturing and distribution providers.
- Respond to competitive and technological developments.
- Attract, retain and motivate qualified personnel.

We cannot guarantee that we will succeed in achieving these goals, and our failure to do so would have a material adverse effect on our business, prospects, financial condition and operating results.

Some of our hempSMART™ products are new and are only in early stages of commercialization. We are not certain that these products will function as anticipated or be desirable to their intended markets. Also, some of our products may have limited functionalities, which may limit their appeal to consumers and put us at a competitive disadvantage. If our current or future hempSMART™ products fail to function properly or if we do not achieve or sustain market acceptance, we could lose customers or could be subject to claims which could have a material adverse effect on our business, financial condition and operating results.

As is typical in a new and rapidly evolving industry, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. Because the market for our Company is new and evolving, it is difficult to predict with any certainty the size of this market and its growth rate, if any. We cannot guarantee that a market for our Company will develop or that demand for our products will emerge or be sustainable. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, our business, financial condition and operating results would be materially adversely affected.

***The Company's failure to continue to attract, train, or retain highly qualified personnel could harm the Company's business:***

The Company's success also depends on the Company's ability to attract, train, and retain qualified personnel, specifically those with management and product development skills. In particular, the Company must hire additional skilled personnel to further the Company's research and development efforts. Competition for such personnel is intense. If the Company does not succeed in attracting new personnel or retaining and motivating the Company's current personnel, the Company's business could be harmed.

***If we are unable to attract and retain independent associates, our business may suffer.***

Our future success depends largely upon our ability to attract and retain a large active base of independent direct sales associates and members who purchase our hempSMART™ products. We cannot give any assurances that the number of our independent associates will be established or increase in the future. Several factors affect our ability to attract and retain independent associates and members, including: on-going motivation of our independent associates; general economic conditions; significant changes in the amount of commissions paid; public perception and acceptance of our industry; public perception and acceptance of multi-level marketing; public perception and acceptance of our business and our products, including any negative publicity; the limited number of people interested in pursuing multi-level marketing as a business; our ability to provide proprietary quality-driven products that the market demands; and, competition in recruiting and retaining independent associates.

***The loss of key management personnel could adversely affect our business.***

We depend on the continued services of our executive officers and senior management team as they work closely with independent associate leaders and are responsible for our day-to-day operations. Our success depends in part on our ability to retain our executive officers, to compensate our executive officers at attractive levels, and to continue to attract additional qualified individuals to our management team. Although we have entered into employment agreements with our senior management team, and do not believe that any of them are planning to leave or retire in the near term, we cannot assure you that our senior managers will remain with us. The loss or limitation of the services of any of our executive officers or members of our senior management team, or the inability to attract additional qualified management personnel, could have a material adverse effect on our business, financial condition, results of operations, or independent associate relations.

***The lack of available and cost-effective directors and officer's insurance coverage in our industry may cause us to be unable to attract and retain qualified executives, and this may result in our inability to further develop our business.***

Our business depends on attracting independent directors, executives and senior management to advance our business plans. We currently do not have directors and officer's insurance to protect our directors, officers and the company against to possible third-party claims. This is due to the significant lack availability of such policies in the cannabis industry at reasonably competitive prices. As a result, the Company and our executive directors and officers are susceptible to liability claims arising by third parties, and as a result, we may be unable to attract and retain qualified independent directors and executive management causing the development of our business plans to be impeded as a result.

***If government regulations regarding multi-level marketing change or are interpreted or enforced in a manner adverse to our business, we may be subject to new enforcement actions and material limitations regarding our overall business model.***

Multi-level marketing is subject to foreign, federal, and state regulations. Any change in legislation and regulations could affect our business. Furthermore, significant penalties could be imposed on us for failure to comply with various statutes or regulations resulting from: ambiguity in statutes; regulations and related court decisions; the discretion afforded to regulatory authorities and courts interpreting and enforcing laws; and new regulations or interpretations of regulations affecting our business.

***If our network marketing activities do not comply with government regulations, our business could suffer.***

Many governmental agencies regulate our multi-level marketing activities. A government agency's determination that our business or our independent associates have significantly violated a law or regulation could adversely affect our business. The laws and regulations for multi-level marketing intend to prevent fraudulent or deceptive schemes. Our business faces constant regulatory scrutiny due to the interpretive and enforcement discretion given to regulators, periodic misconduct by our independent associates, adoption of new laws or regulations, and changes in the interpretation of new or existing laws or regulations.

***Independent associates could fail to comply with our policies and procedures or make improper product, compensation, marketing or advertising claims that violate laws or regulations, which could result in claims against us that could harm our financial condition and operating results.***

In part, we sell our products through a sales force of independent associates. The independent associates are independent contractors and, accordingly, we are not in a position to provide the same direction, motivation, and oversight as we would if associates were our own employees. As a result, there can be no assurance that our associates will participate in our marketing strategies or plans, accept our introduction of new products, or comply with our associate policies and procedures. All independent associates will be required to sign a written contract and agree to adhere to our policies and procedures, which prohibit associates from making false, misleading or other improper claims regarding our hempSMART™ products or income potential from the distribution of the products. However, independent associates may from time to time, without our knowledge and in violation of our policies, create promotional materials or otherwise provide information that does not accurately describe our marketing program. There is a possibility that some jurisdictions could seek to hold us responsible for independent associate activities that violate applicable laws or regulations, which could result in government or third-party actions or fines against us, which could harm our financial condition and operating results.

***We may be held responsible for certain taxes or assessments relating to the activities of our independent associates, which could harm our financial condition and operating results.***

Our independent associates are subject to taxation and, in some instances, legislation or governmental agencies impose an obligation on us to collect taxes, such as value added taxes, and to maintain appropriate tax records. In addition, we are subject to the risk in some jurisdictions of being responsible for social security and similar taxes with respect to our distributors. In the event that local laws and regulations require us to treat our independent distributors as employees, or if our distributors are deemed by local regulatory authorities to be our employees, rather than independent contractors, we may be held responsible for social security and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our financial condition and operating results.

***Our Investments in MoneyTrac Technology, Inc. and Convenient Hemp Mart, LLC, Inc. are each subject to significant risks due to their development stage status, lack of liquidity, lack of operating history, dilution, lack of profits and the typical risks associated with start-up enterprises.***

We made investments during 2017 in MoneyTrac Technology, Inc. and Convenient Hemp Mart, LLC. Both of these ventures are in the development stage. The success of their respective business plans is uncertain and each may fail, causing us to lose our complete investment. The investments carry with them significant risks. Each company is still in an early phase and is just beginning to implement its respective business plans. There can be no assurance that either will ever operate profitably. As an equity purchaser in MoneyTrac and Convenient Hemp Mart, we will not receive a return on our investment unless and until they distribute a dividend. Development stage companies may take a long time or never distribute dividends. As such, there can be no assurance that we will receive any returns from our investments. The timing of profit realization, if any, is highly uncertain. The likelihood of their respective success should be considered in light of the problems, expenses, difficulties, complications and delays usually encountered by companies in their early stages of development. Either company may not be successful in attaining the objectives necessary for them to overcome these risks and uncertainties. Further, each company may need additional funding and it is possible that they will be unable to obtain additional funding as and when they need it. If either company is unable to obtain capital it may be on unfavorable terms or terms which excessively dilute us as an existing equity holder (See Note 4; by virtue of recent MoneyTrac sales of unregistered securities, the Company's equity position in MoneyTrac has been reduced to 6%). If either company is unable to obtain additional funding, they may not be able to repay debts when they are due and payable and they could be forced to delay their development, marketing and expansion efforts and could experience material losses and potentially cease operations.

***We may be unable to fully capture the expected value from our joint ventures in Global Hemp Group, Inc. and Bougainville Ventures, Inc.***

In connection with our entry into joint ventures with Global Hemp Group, Inc. and Bougainville Ventures, Inc., we face numerous risks and uncertainties, including effectively integrating our respective personnel, management controls and business relationships into an effective and cohesive operation. Further, we are subject to additional risks and uncertainties because we may be dependent upon, and subject to, liability losses or damages relating to system controls and personnel that are not under our control.

For example, our arrangements relating to the Company's joint venture Global Hemp Group, Inc. rely significantly upon the activities of Global Hemp Group, Inc. in Canada, and its operation of the research project in conformity with Canadian law. We will not be directly involved with the research, and will rely upon Global Hemp Group' personnel, business acumen, experience and involvement to insure compliance with the parameters of the research project and its compliance with Canadian law.

If we are unable to integrate and monitor our joint ventures successfully and efficiently, there is a risk that our results of operations, financial condition and cash flows may be materially and adversely affected. In addition, conflicts or disagreements between us and any of our joint venture partners may negatively impact the benefits to be achieved by the relevant joint venture. There is no assurance that any of our joint ventures will be successfully integrated or yield all of the positive benefits anticipated.

***Our joint venture with Bougainville Ventures, Inc. is subject to completion of a revised and restated joint venture agreement which is not complete and subject to risks.***

We originally entered into a joint venture agreement with Bougainville Ventures, Inc. on March 16, 2017. Both the Company and Bougainville made certain representations and promises to each other in the joint venture agreement, including, but not limited to, a commitment by the Company to provide funding for the joint venture in an amount not to exceed \$1 million pursuant to a funding schedule; and, Bougainville's representations that it: leased land in Washington State that was suitable for growing cannabis and an association and agreement with a Tier 3 license holder for use of the land to grow cannabis. The Company was unable to meet its funding commitment on schedule pursuant to the joint venture agreement. Bougainville did not have a lease for land in Washington State, but was a party to a real estate purchase contract. Bougainville did not have an agreement with a Tier 3 license holder to operate on the land. The Company and Bougainville entered into good faith negotiations to resolve the differences, discrepancies and representations in the joint venture agreement, and to enter into a revised and restated joint venture agreement. As of the date of this filing, the restated agreement is pending completion. We expect that, consistent with the original joint venture agreement in place, the land purchased as the result of funding the Company arranged for will be deeded into the joint venture by Bougainville, and that afterwards, the joint venture's involvement will be solely that as a lessor of the land to a third party, and as a provider of financial accounting and consulting services. However, as with any pending contract re-negotiation, there are unknown risks that terms may be reached that could be different from or materially harmful to the Company and its investment in the joint venture. These risks include disagreements between us and Bougainville that could result in costly and risky litigation, or materially different terms that could harm our financial position and investment, and our corresponding obligations under secured convertible promissory notes with St. George Investments, LLC that could result in liability under the terms of the notes or St. George's election to convert part of all of the debt outstanding into shares of our common stock, which would result in dilution of our common stock.

## **Risks Related to the Company**

### ***Uncertainty of profitability:***

Our business strategy may result in increased volatility of revenues and earnings. As we will only develop a limited number of products at a time, our overall success will depend on a limited number of products, which may cause variability and unsteady profits and losses depending on the products and/or services offered and their market acceptance.

Our revenues and our profitability may be adversely affected by economic conditions and changes in the market for our products. Our business is also subject to general economic risks that could adversely impact the results of operations and financial condition.

Because of the anticipated nature of the products that we offer and attempt to develop, it is difficult to accurately forecast revenues and operating results and these items could fluctuate in the future due to a number of factors. These factors may include, among other things, the following:

- Our ability to raise sufficient capital to take advantage of opportunities and generate sufficient revenues to cover expenses.
- Our ability to source strong opportunities with sufficient risk adjusted returns.
- Our ability to manage our capital and liquidity requirements based on changing market conditions generally and changes in the developing legal medical marijuana and recreational marijuana industries.
- The acceptance of the terms and conditions of our multi-level sales agreements.
- The amount and timing of operating and other costs and expenses.
- The nature and extent of competition from other companies that may reduce market share and create pressure on pricing and investment return expectations.
- Adverse changes in the national and regional economies in which we will participate, including, but not limited to, changes in our performance, capital availability, and market demand.
- Adverse changes in the projects in which we plan to invest which result from factors beyond our control, including, but not limited to, a change in circumstances, capacity and economic impacts.
- Adverse developments in the efforts to legalize cannabis or increased federal enforcement.
- Changes in laws, regulations, accounting, taxation, and other requirements affecting our operations and business.
- Our operating results may fluctuate from year to year due to the factors listed above and others not listed. At times, these fluctuations may be significant.

### ***Management of growth will be necessary for us to be competitive:***

Successful expansion of our business will depend on our ability to effectively attract and manage staff, strategic business relationships, and shareholders. Specifically, we will need to hire skilled management and technical personnel as well as manage partnerships to navigate shifts in the general economic environment. Expansion has the potential to place significant strains on financial, management, and operational resources, yet failure to expand will inhibit our profitability goals.

***We are entering a potentially highly competitive market:***

The markets for businesses in the cannabis and hemp industries are competitive and evolving. In particular, we face strong competition from larger companies that may be in the process of offering similar products and services to ours. Many of our current and potential competitors have longer operating histories, significantly greater financial, marketing and other resources and larger client bases than we have (or may be expected to have).

Given the rapid changes affecting the global, national, and regional economies generally and the cannabis and hemp industries, in particular, we may not be able to create and maintain a competitive advantage in the marketplace. Our success will depend on our ability to keep pace with any changes in its markets, especially with legal and regulatory changes. Our success will depend on our ability to respond to, among other things, changes in the economy, market conditions, and competitive pressures. Any failure by us to anticipate or respond adequately to such changes could have a material adverse effect on our financial condition, operating results, liquidity, cash flow and our operational performance.

***Although we believe that our hempSMART™ products are exempt from regulation under the CSA, the U.S. Patent and Trademark Office may disagree and disallow us from obtaining trademark and patent protection for our hempSMART™ brand and products:***

We have applied for a trademark for our hempSMART™ brand name and a patent for our hempSMART™ Brain product. Because our hempSMART™ Brain product contains industrial hemp derived CBD and may be considered an illegal Schedule 1 drug under federal law, the U.S. Patent and Trademark Office may not approve our pending applications for patent or trademark protection, and this could materially affect our ability to establish and grow our hempSMART™ brand, products and develop our customer base and good will.

***If we fail to protect our intellectual property, our business could be adversely affected:***

Our viability will depend, in part, on our ability to develop and maintain the proprietary aspects of our hempSMART™ products and brand to distinguish our hempSMART™ products and services from our competitors' products and services. We rely on patents, copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect our intellectual property.

Any infringement or misappropriation of our intellectual property could damage its value and limit our ability to compete. We may have to engage in litigation to protect the rights to our intellectual property, which could result in significant litigation costs and require a significant amount of our time.

Competitors may also harm our sales by designing products that mirror the capabilities of our products or technology without infringing on our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

We may also find it necessary to bring infringement or other actions against third parties to seek to protect our intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute, and there can be no assurance that we will have the financial or other resources to enforce our rights or be able to enforce our rights or prevent other parties from developing similar technology or designing around our intellectual property.

***Our trade secrets may be difficult to protect:***

Our success depends upon the skills, knowledge and experience of our scientific and technical personnel, our consultants and advisors, as well as our contractors. Because we operate in a highly competitive industry, we rely in part on trade secrets to protect our proprietary hempSMART™ products and processes. However, trade secrets are difficult to protect. We enter into confidentiality or non-disclosure agreements with our corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties confidential information developed by the receiving party or made known to the receiving party by us during the course of the receiving party's relationship with us. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to us will be our exclusive property, and we enter into assignment agreements to perfect our rights.

These confidentiality, inventions and assignment agreements may be breached and may not effectively assign intellectual property rights to us. Our trade secrets also could be independently discovered by competitors, in which case we would not be able to prevent the use of such trade secrets by our competitors. The enforcement of a claim alleging that a party illegally obtained and was using our trade secrets could be difficult, expensive and time consuming and the outcome would be unpredictable. The failure to obtain or maintain meaningful trade secret protection could adversely affect our competitive position.

***Our Business Can be Affected by Unusual Weather Patterns:***

The production of some of our hempSMART™ products relies on the availability and use of live plant material. Growing periods can be impacted by weather patterns and these unpredictable weather patterns may impact our ability to harvest hemp products. In addition, severe weather, including drought and hail, can destroy a hemp crop, which could result in our having no hemp to process. If our suppliers are unable to obtain sufficient hemp from which to process CBD, our ability to meet customer demand, generate sales, and maintain operations will be impacted.

***Ordinary and necessary business deduction other than the cost of goods sold are disallowed by the Internal Revenue Services for Cannabis companies under IRC Section 280E:***

At this juncture, IRS 280E does not interfere with our businesses model from deducting ordinary and necessary business expenses. However, should Company enter the cannabis industry more directly, this onerous tax burden might significantly impact the profitability of the Company and may make the pricing of its products less competitive.

**Risks Related to Our Common Stock**

***Because we may issue additional shares of our common stock, investment in our company could be subject to substantial dilution:***

Investors' interests in our Company will be diluted and investors may suffer dilution in their net book value per share when we issue additional shares. We are authorized to issue 5,000,000,000 shares of common stock, \$0.001 par value per share. As of December 31, 2017, there were 2,103,464,006 shares of our common stock issued and outstanding. We anticipate that all or at least some of our future funding, if any, will be in the form of equity financing from the sale of our common stock. If we do sell more common stock, investors' investment in our company will be diluted. Dilution is the difference between what investors pay for their stock and the net tangible book value per share immediately after the additional shares are sold by us. If dilution occurs, any investment in our company's common stock could seriously decline in value.

***Trading in our common stock on the OTC Pink Exchange has been subject to wide fluctuations:***

Our common stock is currently quoted for public trading on the OTC Pink Market Tier. The trading price of our common stock has been subject to wide fluctuations. Trading prices of our common stock may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with limited business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common stock will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

***Utah law, our Certificate of Incorporation and our by-laws provides for the indemnification of our officers and directors at our expense, and correspondingly limits their liability, which may result in a major cost to us and hurt the interests of our shareholders because corporate resources may be expended for the benefit of officers and/or directors:***

Our Certificate of Incorporation and By-Laws include provisions that eliminate the personal liability of our directors for monetary damages to the fullest extent possible under the laws of the State of Utah or other applicable law. These provisions eliminate the liability of our directors and our shareholders for monetary damages arising out of any violation of a director of his fiduciary duty of due care. Under Utah law, however, such provisions do not eliminate the personal liability of a director for (i) breach of the director's duty of loyalty, (ii) acts or omissions not in good faith or involving intentional misconduct or knowing violation of law, (iii) payment of dividends or repurchases of stock other than from lawfully available funds, or (iv) any transaction from which the director derived an improper benefit. These provisions do not affect a director's liabilities under the federal securities laws or the recovery of damages by third parties.

***We do not intend to pay cash dividends on any investment in the shares of stock of our Company and any gain on an investment in our Company will need to come through an increase in our stock's price, which may never happen:***

We have never paid any cash dividends and currently do not intend to pay any cash dividends for the foreseeable future. To the extent that we require additional funding currently not provided for, our funding sources may prohibit the payment of a dividend. Because we do not currently intend to declare dividends, any gain on an investment in our company will need to come through an increase in the stock's price. This may never happen and investors may lose all of their investment in our company.

***Because our securities are subject to penny stock rules, you may have difficulty reselling your shares:***

Our shares as penny stocks, are covered by Section 15(g) of the Securities Exchange Act of 1934 which imposes additional sales practice requirements on broker/dealers who sell our company's securities including the delivery of a standardized disclosure document; disclosure and confirmation of quotation prices; disclosure of compensation the broker/dealer receives; and, furnishing monthly account statements. These rules apply to companies whose shares are not traded on a national stock exchange, trade at less than \$5.00 per share, or who do not meet certain other financial requirements specified by the Securities and Exchange Commission. These rules require brokers who sell "penny stocks" to persons other than established customers and "accredited investors" to complete certain documentation, make suitability inquiries of investors, and provide investors with certain information concerning the risks of trading in such penny stocks. These rules may discourage or restrict the ability of brokers to sell our shares of common stock and may affect the secondary market for our shares of common stock. These rules could also hamper our ability to raise funds in the primary market for our shares of common stock.

***FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock:***

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority (known as "FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

***Costs and expenses of being a reporting company under the 1934 Securities and Exchange Act may be burdensome and prevent us from achieving profitability.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and parts of the Sarbanes-Oxley Act. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended March 31, 2018, the Company made the following sales of unregistered equity securities:

On February 2, 2018, the Company issued PYP Enterprises 1,000,000 shares of restricted common stock, as consideration for services rendered. The issuance was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. PYP Enterprises was an “accredited investor” and/or “sophisticated investor” pursuant to Sections 506 and 501(a) of the Securities Act, who provided the Company with representations, warranties and information concerning its qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to PYP Enterprises full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. PYP Enterprises acquired the restricted common stock for its own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares so purchased cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

## **ITEM 5. OTHER INFORMATION**

None.

## **ITEM 6. EXHIBITS**

The following exhibits are included as part of this report:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1	<a href="#">Articles of Incorporation (1)</a>
3.2	<a href="#">By-laws (1)</a>
10.1	Global Hemp Group, Inc. TTO Enterprises, Inc. Company Joint Venture Agreement
31**	<a href="#">Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32***	<a href="#">Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>

\*\* Filed herewith

\*\*\* Furnished Herewith

(1) Incorporated by reference

**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: May 20, 2018

**MARIJUANA COMPANY OF AMERICA, INC.**

By: /S/ Donald Steinberg  
Donald Steinberg  
President & Chief Executive Officer  
(Principal Executive Officer)

By: /S/ Robert Hymers  
Robert Hymers  
Chief Financial Officer  
(Principal Financial and Accounting Officer)



**EXHIBIT 31.1**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Donald Steinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2018 of Marijuana Company of America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 20, 2018

/S/ Donald Steinberg  
\_\_\_\_\_  
Donald Steinberg  
Chief Executive Officer  
(Principal Executive Officer)

---

**EXHIBIT 31.2**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Robert Hymers, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2018 of Marijuana Company of America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrants other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 20, 2018

/s/ Robert Hymers

Robert Hymers, Chief Financial Officer

(Principal Financial and Accounting Officer)

---

**EXHIBIT 32.1**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marijuana Company of America, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Donald Steinberg, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report 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 the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 20, 2018

/S/ Donald Steinberg

Donald Steinberg

Chief Executive Officer

(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

---

**EXHIBIT 32.2**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marijuana Company of America, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Robert Hymers, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report 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 the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 20, 2018

/s/ Robert Hymers

---

Robert Hymers

Chief Financial Officer

(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

---