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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

☐ **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	98-1246221
(State or other jurisdiction of incorporation or organization)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

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 September 30, 2020, and November 16, 2020, there were 1,913,880,887 and 2,053,481,896 shares of registrant's common stock issued and outstanding respectively.

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ITEM 1. FINANCIAL STATEMENTS

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

		Sept 30, 2020		Dec 31, 2019
		(Unaudited)		(Audited)
ASSETS				
Current assets:				
Cash	$	149,477	$	211,765
Short-term Investments		130,060		27,403
Accounts receivable, net		8,563		18,317
Inventory		145,523		149,175
Prepaid Insurance		66,131		—
Investment receivable		54,940		—
Notes receivable		75,000		—
Other current assets		22,508		11,034
Total current assets		652,202		417,694
Property and equipment, net		3,028		7,512
Other assets:				
Long-term Investments		1,343,915		693,915
Right-of-use-assets		11,642		22,101
Security deposit		2,500		2,500
Total assets		2,013,287		1,143,722
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable		696,010		797,789
Accrued compensation		125,738		4,875
Accrued liabilities		522,014		522,258
Notes payable, related parties		40,000		40,000
Loans payable PPP Stimulus		35,500		—
Convertible notes payable, net of debt discount of $334,980 and $808,980, respectively		2,181,571		3,193,548
Right-of-use liabilities - current portion		3,784		14,361
Warrant liability to be settled		—		192,115
Contingency Liability		—		956,251
Subscriptions payable		650,000		330,797
Derivative liability		3,426,888		5,693,071
Total current liabilities		7,681,505		11,745,065
Non-Current Liabilities				
Right-of-use liabilities		7,858		7,858
Total liabilities		7,689,363		11,752,923
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 September 30, 2020 and December 31, 2019		10,000		10,000
Class B preferred stock, $0.001 par value, 5,000,000 shares designated, 0 shares issued and outstanding as of September 30, 2020 and December 31, 2019		—		—
Common stock, $0.001 par value; 5,000,000,000 shares authorized; 1,913,880,887 and 77,958,081 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively		1,913,881		77,958
Common stock to be issued, 1,000,000 and 0 shares, respectively		1,000		—
Additional paid in capital		70,740,648		63,467,054
Accumulated deficit		(78,341,604)		(74,164,213)
Total stockholders' deficit		(5,676,075)		(10,609,201)
Total liabilities and stockholders' deficit	$	2,013,287	$	1,143,722

See the accompanying notes to these unaudited condensed consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 and 2019
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
REVENUES:				
Sales	$ 49,933	$ 225,356	$ 206,407	$ 540,398
Related party Sales	3,262	4,015	11,565	12,363
Total Revenues	53,195	229,371	217,972	552,761
Cost of sales	37,170	90,843	110,563	159,859
Gross Profit	16,025	138,528	107,409	392,902
OPERATING EXPENSES:				
Depreciation	1,374	1,696	4,702	5,087
Selling and marketing	125,942	376,342	326,608	1,462,104
Payroll and related	62,000	90,000	258,842	310,000
Stock-based compensation	123,000	—	665,767	100,350
General and administrative	294,921	295,113	710,094	1,353,757
Total operating expenses	607,237	763,151	1,966,013	3,231,298
Net loss from operations	(591,212)	(624,623)	(1,858,604)	(2,838,396)
OTHER INCOME (EXPENSES):				
Interest expense, net	(688,090)	(1,559,720)	(2,460,185)	(3,001,972)
Legal Contingency expense	—	(1,497,674)	—	(1,497,674)
Gain (Loss) on joint venture	238,296	—	(22,658)	—
Gain (Loss) on equity investment	240,198	122,864	106,305	(107,961)
Loss on change in fair value of derivative liabilities	(1,454,903)	(1,668,112)	(312,631)	(2,148,262)
Unrealized Loss on trading securities	—	(362,625)	(13,945)	(647,625)
Loss on sale of trading securities	—	(24,698)	(2,603)	(24,698)
Gain on settlement of joint venture	383,440	—	386,930	—
Loss on settlement of debt	—	(612,034)	—	(612,034)
Total other income (expense)	(1,281,059)	(5,601,999)	(2,318,787)	(8,040,226)
Net loss before income taxes	(1,872,271)	(6,226,622)	(4,177,391)	(10,878,622)
Income taxes (benefit)	0	0	0	0
NET INCOME (LOSS)	$ (1,872,271)	$ (6,226,622)	$ (4,177,391)	($ 10,878,622)
Loss per common share, basic and diluted	$ (0.00)	$ (0.13)	$ (0.01)	$ (0.26)
Weighted average number of common shares outstanding, basic and diluted (after stock-split)	1,178,860,134	49,686,994	518,261,567	41,726,239

See the accompanying notes to these unaudited condensed consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	Class A Preferred Stock		Class B Preferred Stock		Common Stock		Common Stock to be issued		Common Stock	Additional Paid In	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Subscriptions	Capital	Deficit	Total
Balance, December 31, 2018	**10,000,000**	**$10,000**	**—**	**$ —**	**42,687,301**	**$42,687**	**—**	**$ —**	**$ 90,000**	**$50,707,103**	**$(53,983,895)**	**$ (3,134,105)**
Common stock issued for services rendered	—	—	—	—	552,054	552	—	—	—	553,815	—	554,367
Common stock issued in settlement of convertible notes payable and accrued interest	—	—	—	—	5,208,063	5,208	—	—	—	3,551,615	—	3,556,823
Reclassification of derivative liabilities to additional paid in capital	—	—	—	—	—	—	—		—	462,714	—	462,714
Conversion of related party notes payable	—	—	—	—	2,394,565	2,395	—	—	—	1,730,119	—	1,732,514
Common stock issued in exchange for exercise of warrants on a cashless basis	—	—	—	—	655,556	656	27,778	28	(40,000)	95,139	—	55,823
Sale of common stock	—	—	—	—	531,699	532	—	—	(50,000)	203,522	—	154,054
Net Loss	—	—	—	—	—	—	—	—	—	—	(10,878,622)	(10,878,622)
Balance, September 30, 2019	**10,000,000**	**$10,000**	**$ —**	**$ —**	**52,029,238**	**$52,029**	**27,778**	**$ 28**	**$ —**	**$57,304,027**	**$(64,862,517)**	**$ (7,496,433)**

	Class A Preferred Stock		Class B Preferred Stock		Common Stock		Common Stock to be issued		Common Stock	Additional Paid In	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Subscriptions	Capital	Deficit	Total
Balance, December 31, 2019	**10,000,000**	**$10,000**	**—**	**$ —**	**77,958,081**	**$ 77,958**	**—**	**$ —**	**$ —**	**$ 63,467,054**	**$(74,164,213)**	**$(10,609,201)**
Common stock issued to settle amounts previously accrued	—	—	—	—	8,333	8	—	—	—	6,692	—	6,700
Common stock issued for services rendered	—	—	—	—	156,444,047	156,444	—	—	—	509,323	—	665,767
Common stock issued in settlement of convertible notes payable and accrued interest	—	—	—	—	1,469,725,298	1,469,725	—	—	—	1,165,922	—	2,635,647
Conversion of related party notes payable	—	—	—	—	21,384,103	21,384	—	—	—	29,229	—	50,613
Common stock issued in exchange for exercise of warrants on a cashless basis	—	—	—	—	51,054,214	51,054	1,000,000	1,000	—	375,446	—	427,500
Sale of common stock	—	—	—	—	127,012,847	127,013	—	—	—	26,673	—	153,686
Common shares issued in settlement of legal case	—	—	—	—	10,293,843	10,294	—	—	—	1,273,338	—	1,283,632
Reclassification of derivative liabilities to additional paid in capital	—	—	—	—	—	—	—	—	—	3,886,971	—	3,886,971
Net Loss	—	—	—	—	—	—	—	—	—	—	(4,177,391)	(4,177,391)
Balance, September 30, 2020	**10,000,000**	**$10,000**	**—**	**$ —**	**1,913,880,766**	**$1,913,881**	**1,000,000**	**$ 1,000**	**$ —**	**$ 70,740,648**	**$(78,341,604)**	**$ (5,676,075)**

See the accompanying notes to these unaudited condensed consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC., AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (4,177,391)	$ (10,878,622)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	1,373,575	2,172,936
Depreciation and amortization	4,702	5,087
Bad debt expense	—	15,000
Non cash interest	—	1,886,837
Impairment Loss on equity method investee	22,658	
(Gain) Loss on equity investment, net of debt settlement	(106,305)	107,961
Loss on change in fair value of derivative liability	312,631	2,148,262
Loss on share inducement and settlement of warrant liability	427,500	—
Stock-based compensation	665,767	100,350
Unrealized Loss on trading securities	13,945	647,625
Realized Loss on trading securities	—	41,667
Gain on settlement of joint venture	(386,930)	
Loss on settlement of debt	—	612,034
Changes in operating assets and liabilities:		
Accounts receivable	9,754	(31,597)
Inventories	3,652	(17,052)
Prepaid expenses and other current assets	(77,605)	(17,707)
Accounts payable	205,061	206,926
Accrued expenses and other current liabilities	325,883	(348)
Right-of-use assets	10,459	—
Right-of-use liabilities	(10,577)	—
Accrued compensation	120,863	(381,038)
Contingency liability	—	1,497,675
Net cash provided by (used in) operating activities	**(1,262,358)**	**(1,884,004)**
Cash flows from investing activities:		
Purchases of property and equipment	(1,271)	(2,703)
Investment in joint venture	125,000	(685,049)
Net cash provided by (used in) investing activities	**123,729**	**(687,752)**
Cash flows from financing activities:		
Proceeds from issuance of notes payable	876,302	2,257,000
Proceeds from PPP loan payable	35,500	—
Proceeds from sales of trading securities	10,854	—
Proceeds from sale of common stock	153,685	—
Net cash provided by (used in) financing activities	**1,076,342**	**2,257,000**
Net increase (decrease) in cash	(62,288)	(314,756)
Cash at beginning of period	211,765	359,577
Cash at end of period	**$ 149,477**	**$ 44,821**
Supplemental disclosure of cash flow information:		
Cash paid for interest	—	—
Cash paid for taxes	—	—
Non cash transactions:		
Common stock issued in settlement of convertible notes payable	$ 2,635,647	$ 3,556,823
Common stock issued in settlement of related party notes payable and accrued compensation	$ 50,613	$ 1,732,514
Reclassification of derivative liabilities to additional paid-in capital	$ 3,886,971	$ 462,714
Investment in joint venture	$ —	$ 2,650,000
Gain on settlement of JV investment	386,930	—
Common shares issued in settlement of legal case	$ 1,283,632	$ —

See the accompanying notes to these unaudited condensed consolidated financial statements

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, 2019 has been derived from audited financial statements.

Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of results that may be expected for the year ending December 31, 2020. These condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

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 for nine months ended September 30, 2020, the Company had a net loss of $4,177,391 and used cash in operations of $1,263,358. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company's primary source of operating funds in 2020 has been from funds generated from proceeds from the issuance of convertible and other debt and issuance of stock through private placements. With the exception of the current quarter, the Company has experienced net losses from operations since inception, but expects these conditions to improve as its business develops. The Company has stockholders' deficiencies at September 30, 2020 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 discussed in this filing. 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

For annual reporting periods after December 15, 2017, the Financial Accounting Standards Board ("FASB") made effective ASU 2014-09 "Revenue from Contracts with Customers," to supersede previous revenue recognition guidance under current U.S. GAAP. Revenue is now recognized in accordance with FASB ASC Topic 606, Revenue Recognition. The objective of the guidance is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principal is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Two options were made available for implementation of the standard: the full retrospective approach or modified retrospective approach. The guidance became effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. We adopted FASB ASC Topic 606 for our reporting period as of the year ended December 31, 2017, which made our implementation of FASB ASC Topic 606 effective in the first quarter of 2018. We decided to implement the modified retrospective transition method to implement FASB ASC Topic 606, with no restatement of the comparative periods presented. Using this transition method, we applied the new standards to all new contracts initiated on/after the effective date. We also decided to apply this method to any incomplete contracts we determine are subject to FASB ASC Topic 606 prospectively. For the year ended December 31, 2018, and for the quarter ended September 30, 2019, there were no incomplete contracts. As is more fully discussed below, we are of the opinion that none of our contracts for services or products contain significant financing components that require revenue adjustment under FASB ASC Topic 606.

Identification of Our Contracts with Our Customers.

Contracts included in our application of FASB ASC Topic 606, consist completely of sales contracts between us and our customers that create enforceable rights and obligations. For the year ended December 31, 2019, and for the three and nine months ended September 30, 2020, our sales contracts included the following parties: us, our sales associates and our customers. Our sales contracts were offered by us and our sales associates to our customers directly through our web site. Our sales contracts, and those formalized by our sales associates, are represented by an electronic order form, which contains the contractual elements of offer for sale, acceptance and the provision of consideration consisting of the buyer's payment, and the concurrent delivery of our hempSMART™ product. Since our hempSMART™ product sales contracts are consummated upon (i) receipt of the customer's acceptance of our offer; (ii) our concurrent receipt of our customers payment; and, (iii) our delivery of the agreed to hempSMART™ product, all parties are equally committed to fulfilling their respective obligations under the sales contracts. Further, the sales contracts specifically identify (i) parties; (ii) quantity and type of hempSMART™ product ordered; (iii) price; and, (iv) subject, and so each respective party's rights are identifiable and the payment terms are defined. Since the sales contracts are consummated concurrent with offer, acceptance, payment and delivery of the hempSMART™ product ordered, we recognize principal revenue and cash flows as the respective sales contract transactions are completed. Further, because our sales contracts are offered, accepted and consummated concurrently, our ability to collect revenue is immediate. We receive no payments for agreements that do not qualify as a contract. If customers agree to multiple sales contracts when they are entered into at or near the same time, our policy is to combine those contracts if: (i) the sales contracts are negotiated as a single package; (ii) the payment amount of one sales contract is dependent upon another sales contract; (iii) our performance obligations of delivering multiple hempSMART™ products can be determined to be part of a single transaction. Since the nature of the entry into and consummation of our sales contracts occurs concurrently, there are no changes or modifications to the terms of the sales contracts that would modify the enforceable rights and performance obligations of the parties, and/or materially alter the timing of our receipt of revenue from our sales contracts.

Identifying the Performance Obligations in Our Sales Contracts.

In analyzing our sales contracts, our policy is to identify the distinct performance obligations in a sales contract arrangement. In determining our performance obligations under our sales contracts, we consider that the terms and conditions of sales are explicitly outlined in our sales contracts, and are so distinct and identifiable within the context of each sales contract, and so are not integrated with other goods, or constitute a modification or customization of other goods in our contracts, or are highly dependent or highly integrated with other goods in our sales contracts. Thus, our performance obligations are singularly related to our promise to provide the hempSMART™ products upon receipt of payment. We offer an assurance warranty on our hempSMART™ products that allows a customer to return any hempSMART™ products within thirty days if not satisfied for any reason. Assurance warranties are not identifiable performance obligations, since they are electable at the whim of the customer for any reason. However, we do account for returns of purchase prices if made.

Determination of the Price in Our Sales Contracts.

The transaction prices in our sales contract is the amount of consideration we expect to be entitled to for transferring promised hempSMART™ products. The consideration amount is fixed and not variable. The transaction price is allocated to the identified performance obligations in the contract. These allocated amounts are recognized as revenue when or as the performance obligations are fulfilled, which is concurrently upon receipt of payment. There are no future options for a contract when considering and determining the transaction price. We exclude amounts third parties will eventually collect, such as sales tax, when determining the transaction price. Since the timing between receiving consideration and transferring goods or services is immediate, our sales contracts do not have significant financing components, i.e., recognizing revenue at the amount that reflects the cash payment that the customer would have made at the time the goods or services were transferred to them (cash selling price), rather than significantly before or after the goods or services are provided.

Allocation of the Transaction Price of Our Sales Contracts.

Our sales contracts are not considered multi-element arrangements which require the fulfillment of multiple performance obligations. Rather, our sales contracts include one performance obligation in each contract. As such, from the outset, we allocate the total consideration to each performance obligation based on the fixed and determinable standalone selling price, which we believe is an accurate representation of what the price is in each transaction.

Recognition of Revenue when the Performance Obligation is Satisfied.

A performance obligation is satisfied when or as control of the good or service is transferred to the customer. The standard defines control as “the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.” (ASC 606-10-20). For performance obligations that are fulfilled at a point in time, revenue is recognized at the fulfillment of the performance obligation. As noted above, our single performance obligation sales contracts are singularly related to our promises to provide the hempSMART™ products to the customer upon receipt of payment, which occurs concurrently and when completed, allows us under our revenue recognition policy to realize revenue.

Product Sales

Revenue from product sales, including delivery fees, is recognized when (i) an order is placed by the customer; (ii) the price is fixed and determinable when the order is placed; (iii) the customer is required to and concurrently pays for the product upon order; and, (iv) the product is shipped. The evaluation of our recognition of revenue after the adoption of FASB ASC 606 did not include any judgments or changes to judgments that affected our reporting of revenues, since our product sales, both pre and post adoption of FASB ASC 606, were evaluated using the same standards as noted above, reflecting revenue recognition upon order, payment and shipment, which all occurs concurrently when the order is placed and paid for by the customer, and the product is shipped. Further, given the facts that (i) our customers exercise discretion in determining the timing of when they place their product order; and, (ii) the price negotiated in our product sales is fixed and determinable at the time the customer places the order, and there is no delay in shipment, we are of the opinion that our product sales do not indicate or involve any significant customer financing that would materially change the amount of revenue recognized under the sales transaction, or would otherwise contain a significant financing component for us or the customer under FASB ASC Topic 606.

Consulting Services

We also offer professional services for financial accounting, bookkeeping or real property management consulting services based on consulting agreements. As of the date of this filing, we have not entered into any contracts for any financial accounting, bookkeeping and/or real property management consulting services that have generated reportable revenues as of the year ended 2019 or the three and nine months ended September 30, 2020. We intend and expect these arrangements to be entered into on an hourly fixed fee basis.

For hourly based fixed fee service contracts, we intend to utilize and rely upon the proportional performance method, which recognizes revenue as services are performed. Under this method, in order to determine the amount of revenue to be recognized, we will calculate the amount of completed work in comparison to the total services to be provided under the arrangement or deliverable. We will only recognize revenues as we incur and charge billable hours. Because our hourly fees for services are fixed and determinable and are only earned and recognized as revenue upon actual performance, we are of the opinion that such arrangements are not an indicator of a vendor or customer based significant financing, that would materially change the amount of revenue we recognize under the contract or would otherwise contain a significant financing component under FASB ASC Topic 606.

The Company determined that upon adoption of ASC 606 there were no quantitative adjustments converting from ASC 605 to ASC 606 respecting the timing of our revenue recognition because product sales revenue is recognized upon customer order, payment and shipment, which occurs concurrently, and our consulting services offered are fixed and determinable and are only earned and recognized as revenue upon actual performance.

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.

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 September 30, 2020, and December 31, 2019, allowance for doubtful accounts was $0 and $0, respectively.

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.

Net Loss per Common Share, basic and diluted

The Company computes earnings (loss) per share under Accounting Standards Codification subtopic 260-10, Earnings Per Share (“ASC 260-10”). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “treasury stock” and/or “if converted” methods as applicable.

The computation of basic and diluted income (loss) per share as of September 30, 2020 and 2019 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net loss per share are as follows:

	September 30, 2020	September 30, 2019
Convertible notes payable	5,281,668,086	52,346,160
Options to purchase common stock	—	—
Warrants to purchase common stock	292,054,702	3,602,160
Restricted stock units	—	—
Total	5,573,722,788	55,948,320

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.

As a smaller reporting company, the company is subject to provisions of Rule 8-03(b)(3) of Regulation S-X which requires the disclosure of certain financial information for equity investees that constitute 20% of more of the Company’s consolidated net income (loss).

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.

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 September 30, 2020 and December 31, 2019. 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, as 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 $59,752 and $104,411 for the three and nine months ended September 30, 2020 and $159,428 and $550,544 for the three and nine months ended September 30, 2019, 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 September 30, 2020, and 2019, 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.

The following table represents the Company’s hempSMART business, which is its sole operating segment as of September 30, 2020:

hempSMART

STATEMENT OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Revenues	$ 53,195	$ 229,371	$ 217,972	$ 552,761
Cost of Sales	37,170	90,843	110,563	159,860
Gross profit	16,025	**138,528**	107,409	**392,901**
Expenses				
Depreciation expense	1,374	1,696	4,702	5,087
Payroll and related expenses	26,394	—	77,256	
General and admin expenses	55,672	137,146	169,707	1,028,401
Selling and marketing	117,978	262,516	294,231	583,180
Total Expenses	201,418	**401,358**	575,221	**1,616,668**
Net Loss from Operations	**$ (185,393)**	**$ (262,830)**	**$ (467,812)**	**$ (1,223,767)**

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability, on a discounted basis, and a right-of-use asset for substantially all leases, as well as additional disclosures regarding leasing arrangements. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted.

We adopted this standard using a modified retrospective approach on January 1, 2019. The modified retrospective approach includes a number of optional practical expedients relating to the identification and classification of leases that commenced before the adoption date; initial direct costs for leases that commenced before the adoption date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset.

The Company elected the package of practical expedients permitted under ASC 842 allowing it to account for its existing operating lease that commenced before the adoption date as an operating lease under the new guidance without reassessing (i) whether the contract contains a lease; (ii) the classification of the lease; or, (iii) the accounting for indirect costs as defined in ASC 842. The Company negotiated a 2 year extension on its current office lease.

On July 1, 2019, the Company entered into an amendment and extension of its one applicable lease for office space until June 30, 2021. The extension requires the Company to pay monthly rent of $1,308.88 from July 1, 2019 to June 30, 2020; and, $1,348.14 from July 1, 2020 to June 30, 2021. In considering its qualitative disclosure obligations under ASC 842-20-50-3, the Company examined its one lease for office space that has a fixed monthly rent with no variable lease payments. The lease is for an office space with no right of use assets. The lease does not provide for terms and conditions granting residual value guarantees by the Company, or any restrictions or covenants imposed by the lease for dividends or incurring additional financial obligations by the Company. The Company also elected a short-term lease exception policy and an accounting policy to not separate non-lease components from lease components for our facility lease, as we determined our right of use asset to be zero.

Consistent with ASC 842-20-50-4, for the Company's September 30, 2020, quarterly financial statements, the Company calculated its total lease cost based solely on its monthly rent obligation. The Company had no cash flows arising from its lease, no finance lease cost, short term lease cost, or variable lease costs. Our office lease does not produce any sublease income, or any net gain or loss recognized from sale and leaseback transactions. As a result, the Company did not need to segregate amounts between finance and operating leases for cash paid for amounts included in the measurement of lease liabilities, segregated between operating and financing cash flows; supplemental non-cash information on lease liabilities arising from obtaining right-of-use assets; weighted-average calculations for the remaining lease term; or the weighted-average discount rate.

The adoption of this guidance resulted in no significant impact to our results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820).” This standard modifies disclosure requirements related to fair value measurement and is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. The standard also allows for early adoption of any removed or modified disclosures upon issuance while delaying adoption of the additional disclosures until their effective date. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, “Simplifying the Accounting for Income Taxes (Topic 740)”. This standard simplifies the accounting for income taxes. This standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted for all entities. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40)” (“ASU 2020-06”). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The ASU is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU’s amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2020-06 will have on its financial statements.

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 4 – PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2020 and December 31, 2019 is summarized as follows:

	September 30, 2020	December 31, 2019
Computer equipment	$ 15,398	$ 16,358
Furniture and fixtures	5,140	5,140
Subtotal	20,538	21,498
Less accumulated depreciation	(17,510)	(13,986)
Property and equipment, net	$ 3,028	$ 7,512

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 $1,374 and $4,702 for the three and nine months ended September 30, 2020; and $1,696 and $5,087 for the three and nine months ended September 30, 2019, respectively.

NOTE 5 – INVESTMENTS

MoneyTrac

We entered into a stock purchase agreement on March 13, 2017 with MoneyTrac Technology, Inc., a California stock corporation ("MoneyTrac") to purchase a 15% equity position in MoneyTrac. On July 27, 2017, we completed tender of the purchase price of $250,000 pursuant to that stock purchase agreement. On June 12th, 2018, Global Payout, Inc. ("Global") entered into a reverse triangular merger business combination (the "Merger") with MoneyTrac and MTrac Tech Corporation, a Nevada corporation and wholly-owned subsidiary of Global ("Merger Sub"), whereby MoneyTrac was successfully merged into Merger Sub, the surviving corporation of the Merger. Thereafter, the separate existence of MoneyTrac ceased, and all rights, privileges, powers and property of MoneyTrac were assumed by Merger Sub. Additionally, Merger Sub assumed all of the financial obligations and liabilities of MoneyTrac, except minute books and stock records of MoneyTrac insofar as they relate solely to its organization and capitalization, and the rights of MoneyTrac arising out of the executed Merger. Pursuant to the terms of the Merger, Global issued 1,100,000,000 (one billion, one hundred million) shares of its common stock to MoneyTrac as consideration for the acquisition of MoneyTrac. Pursuant to the terms of the Merger, a conversion of issued MoneyTrac stock was completed whereby each one (1) share of MoneyTrac stock, issued and outstanding immediately prior to the effective date of the Merger, was canceled and extinguished and converted automatically into ten (10) shares of Global common stock. As of the effective date of the Merger, all shares of Global Preferred Stock issued prior to the effective date of the Merger were canceled and extinguished without any conversion thereof. We acquired 150,000,000 Global common shares for our purchase price of $250,000, representing ownership of approximately fifteen percent (15%) of the post-Merger issued and outstanding equity of Global. Global's name changed in April, 2020 to Global Trac Solutions, Inc. Global's common stock is traded on the OTC Markets under the symbol "PYSC." We realized $51,748.17 from the sales of all of our Global securities, and as of September 30, 2020, have no remaining shares. We have a cash balance in the amount of $12,500 held in our brokerage account, a receivable resulting from the proceeds of our sale of our Global shares, that we have not collected.

Benihemp

On July 19, 2017, we agreed to lend $50,000 to Convenient Hemp Mart, LLC ("Benihemp") 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 Benihemp, subject to our payment of an additional $50,000, equaling a total purchase price of $100,000. The Company exercised this option on November 20, 2017 and made payment to Benihemp on November 21, 2017. On May 1, 2019, the Company and Benihemp agreed to cancel the Company's 25% interest in Benihemp. Benihemp issued to the Company a credit memo equal to the Company's $100,000 investment. The Company determined that as of December 31, 2019, this credit was impaired and not usable.

Global Hemp Group New Brunswick Joint Venture

On September 5, 2017, we announced our agreement to participate in a joint venture with Global Hemp Group, Inc., a Canadian corporation ("Global Hemp Group"), in a multi-phase industrial hemp project on the Acadian peninsula New Brunswick, Canada. Our participation included providing one-half, or $10,775, of the funding for the phase one work of the multi-phase industrial hemp project. On January 10, 2018, phase one of the project was completed by successfully cultivating industrial hemp during the 2017 growing season for research purposes. The Company's project-related costs incurred according to the Company's interest in the industrial hemp project were $0 and $10,775 for the years ended December 31, 2019 and 2018 respectively and was recorded as other income/expense in the Company's Statement of Operations in the appropriate periods. As of December 31, 2019, and September 30, 2020, the balance of the New Brunswick industrial hemp joint venture investment reported on the balance sheet for the year ended December 31, 2019 was $0 as a result of the investment being deemed fully impaired and the Company withdrawing from the joint venture as of September 30, 2019.

Global Hemp Group Oregon Joint Venture – Scio, OR

On May 8, 2018, the Company, Global Hemp Group, and TTO Enterprises, Ltd., an Oregon corporation ("TTO") entered into a joint venture agreement. The purpose of the joint venture was to develop an Oregon-licensed industrial hemp project to commercialize the cultivation of industrial hemp biomass on a 109-acre parcel of farmland owned by the Company and Global Hemp Group in Scio, Oregon. The joint venture operated through the Oregon corporation Covered Bridges, Ltd. On May 30, 2018, the joint venture purchased TTO's 15% interest in the joint venture for $30,000. The Company and Global Hemp Group then had equal interests as co-owners of the joint venture. The joint venture agreement committed the Company to a cash contribution of $600,000 payable on the following funding schedule: $200,000 upon execution of the joint venture agreement; $238,780 by July 31, 2018; $126,445 by October 31, 2018; and $34,775 by January 31, 2019. The Company performed these payment obligations pursuant to the joint venture agreement.

The 2018 crop of industrial hemp grown on the joint venture's farmland consisted of 33 acres of high-yield CBD industrial hemp biomass grown in an orchard-style cultivation method on our farmland. The 33-acre 2018 harvest produced approximately 37,000 high CBD content industrial hemp plants, yielding a total of 24 tons of wet harvested industrial hemp biomass that resulted in a saleable harvest of 48,000 pounds of cured industrial hemp biomass. The joint venture partners prepared processing samples ranging in size from 100 to 2,000 lbs. for sample offers to licensed industrial hemp handlers and CBD extraction companies. This industrial hemp biomass was processed into a CBD crude oil concentrate with the option to refine it further into CBD isolate, or full spectrum oil, in order to increase its value on the market.

As of December 31, 2019, the combined balance of this joint venture investment and related farmland investment was $0, as the investment was written off as a loss as a result of its failure to generate any cash flow for the Company for the period ended December 31, 2019. The debt obligation of $262,414 related to this joint venture was also written off to $0 as of the year ended December 31, 2019. The debt obligation related to the joint venture for the nine months ended September 30, 2020 was $0.

On September 28, 2020, the Company and GHG entered into a Settlement and Mutual Release Agreement (the "Agreement"), pursuant to which the parties agreed to resolve a dispute among them regarding the joint venture agreement. Under the Agreement, GHG agreed to make a lump sum payment to the Company of $200,000, with $125,000 payable no later than September 30, 2020, and $75,000 payable no later than November 15, 2020, with applicable interest, and to issue GHG common stock to the Company equal in value to $185,000 as of the date of the Agreement, or September 28, 2020, subject to a non-dilutive protection provision, and additionally, to pay the Company $10,000 to cover the Company's legal fees relating to the Agreement by September 30, 2020. In exchange for the settlement consideration, the Company has agreed to relinquish its ownership interest in the joint venture.

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 cannabis industry in Washington State; (ii) utilize Bougainville's high quality cannabis grow operations in the State of Washington, where it claimed to have an ownership interest in real property for use within the legalized cannabis industry; (iii) leverage Bougainville's agreement with a I502 Tier 3 license holder to grow cannabis on the site; 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 cannabis related products and derivatives comprised of management, marketing and various proprietary methodologies directly tailored to the cannabis industry.

Bougainville represented that it had an ownership interest in real property located in Washington State used for growing cannabis, and possessed information primarily related to the management and control of cannabis grow operations as conducted in Washington State that included research, development and know how in the cannabis industry. Bougainville also represented that it had an agreement with a I502 Tier 3 license holder in Washington
State to operate on the land. The Company and Bougainville's agreement provided that funding provided by the Company would go, in part, towards the joint venture's ultimate purchase of the land consisting of a one-acre parcel located in Okanogan County, Washington, for joint venture operations.

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 250,000 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. The amended agreement provided that Bougainville would deed the real property to the joint venture within thirty days of its receipt of payment.

Thereafter, the Company determined that Bougainville had no ownership interest in the property in Washington State, but rather was a party to a purchase agreement for real property that was in breach for non-payment. Bougainville also did not possess an agreement with a Tier 3 I502 license holder to grow Marijuana on the property. Nonetheless, as a result of funding arranged for by the Company, Bougainville and an unrelated third party, Green Ventures Capital Corp., purchased the land. The land is currently pending the payment of delinquent property taxes that would allow for the Okanogan County Assessor conditions to complete the subdivision of the land by the Okanogan County Assessor. However, Bougainville failed to cooperate or communicate with the Company in good faith, and failed to pay the delinquent taxes on the real property that would allow for sub-division and the deeding of the real property to the joint venture.

On August 10, 2018, the Company advised its independent auditor that Bougainville did not cooperate or communicate with the Company regarding its requests for information concerning the audit of Bougainville's receipt and expenditures of funds contributed by the Company in the joint venture agreement. Bougainville had a material obligation to do so under the joint venture agreement. The Company believes that some of the funds it paid to Bougainville were misappropriated and that there was self-dealing with respect to those funds. Additionally, the Company believes that Bougainville misrepresented material facts in the joint venture agreement, as amended, including, but not limited to, Bougainville's representations that: (i) it had an ownership interest in real property that

was to be deeded to the joint venture; (ii) it had an agreement with a Tier 3 # I502 cannabis license holder to grow cannabis on the real property; and, (iii) that clear title to the real property associated with the Tier 3 # I502 license would be deeded to the joint venture thirty days after the Company made its final funding contribution. As a result, on September 20, 2018, the Company filed suit against Bougainville Ventures, Inc., BV-MCOA Management, LLC, Andy Jagpal, Richard Cindric, et al. in Okanogan County Washington Superior Court, case number 18-2- 0045324. The Company's complaint seeks legal and equitable relief for breach of contract, fraud, breach of fiduciary duty, conversion, recession of the joint venture agreement, an accounting, quiet title to real property in the name of the Company, for the appointment of a receiver, the return to treasury of 15 million shares issued to Bougainville, and, for treble damages pursuant to the Consumer Protection Act in Washington State. The registrant has filed a lis pendens on the real property. The case is currently in litigation. The trial is set for January 26-28, 2021.

In connection with the agreement, the Company recorded a cash investment of $1,188,500 to the Joint Venture during 2017. This was comprised of 49.5% ownership of BV-MCOA Management LLC, and was accounted for using the equity method of accounting. The Company recorded an annual impairment in 2017 of $792,500, reflecting the Company's percentage of ownership of the net book value of the investment. During 2018, the Company recorded equity losses of $37,673 and $11,043 for the first and second quarters respectively, and recorded an annual impairment of $285,986 for the year ended December 31, 2018, at which time the Company determined the investment to be fully impaired due to Bougainville's breach of contract, including: (i) its failure to communicate and cooperate regarding the Company's audit; (ii) its misrepresentations concerning its ownership interest in the real property in Okanogan County Washington; (iii) its failure to deed the property to the joint venture within thirty days of payment pursuant to the amended joint venture agreement; and, (iv) its misrepresentation that it possessed an agreement with a Tier 3 license holder to operate on the property.

The Company was able to obtain general loans from St. George Investments LLC, not specific to any of the company's joint ventures. Therefore, accordingly, the impairment of this investment did not create any defaults to the loan agreements and covenants. The loan agreement established the lender's option to convert the loans to common shares of the Company.

<u>GateC Joint Venture</u>

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 dollars ($500,000) within a three (3) month period; and, information establishing brands and systems for the representation of cannabis 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 cannabis industry.

GateC agreed to contribute its management and control services and systems related to cannabis 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 cannabis did not contain a conditional use permit.

On or about November 28, 2017, GateC and the Registrant orally agreed to suspend the Company's funding commitment, pending the finalization of California State regulations governing the growth, cultivation and distribution of cannabis, which were expected to be completed in 2018.

On March 19, 2018, the Company and GateC 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 Agreement.

The Registrant incurred no termination penalties as the result of its entry into the Recession and Mutual Release Agreement.

In 2017, the Company recorded a debt obligation of $1,500,000 to the Joint Venture and a corresponding impairment charge of $1,500,000 during for 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 six months ended June 30, 2018.

Natural Plant Extract ("NPE")

On April 15, 2019, we entered into a joint venture with Natural Plant Extract of California, Inc. ("NPE") to operate a licensed psychoactive cannabis distribution service in California to be named Viva Buds. California legalized psychoactive cannabis for medicinal and recreational use on January 1, 2018. On February 3, 2020, we terminated the NPE joint venture and entered into a Settlement and Release of All Claims Agreement with NPE. In exchange for that universal release, the Company and NPE (i) agreed to reduce the Company's interest in NPE from 20% to 5%; (ii) agreed the Company would pay NPE a total of $85,000 as follows: $35,000 concurrent with the execution of the universal release, and $25,000 no later than the 5th calendar day for each of the two months following execution of Settlement and Release of All Claims Agreement; and, (iii) agreed to retire the balance of our original valuation obligation from the material definitive agreement, representing a shortfall of $56,085.15, in a convertible promissory note, with terms allowing NPE to convert the note into common stock of MCOA at a 50% discount to the closing price of MCOA's common stock as of the maturity date.

Cannabis Global ("CBGL")

On September 30, 2020, the Company entered into a Share Exchange Agreement with Cannabis Global, Inc., a Nevada corporation quoted on OTC Markets Pink ("CBGL") dated September 30, 2020, to acquire the number of shares of CBGL's common stock, par value $0.001, equal in value to $650,000 based on the closing price for the trading day immediately preceding the effective date, in exchange for the number of shares of Company common stock, par value $0.001, equal in value to $650,000 based on the closing price for the trading day immediately preceding the effective date (the "Share Exchange Agreement"). For both parties, the Share Exchange Agreement contains a "true-up" provision requiring the issuance of additional common stock in the event that a decline in the market value of either parties' common stock should cause the aggregate value of the stock acquired pursuant to the Share Exchange Agreement to fall below $650,000.

Complementary to the Share Exchange Agreement, the Company and CBGL entered into a Lock-Up Agreement dated September 30, 2020, providing that the shares of common stock acquired pursuant to the Share Exchange Agreement shall be subject to a lock-up period preventing its sale for a period of 12 months following issuance, and limiting the subsequent sale to aggregate maximum sale value of $20,000 per week, or $80,000 per month.

Brazil and Uruguay Joint Ventures

On October 1, 2020, the Company entered into two Joint Venture Agreements with Marco Guerrero, a director of the Company ("Guerrero") dated September 30, 2020, to form joint venture operations in Brazil and in Uruguay (the "Joint Venture Agreements") to produce, manufacture, market and sell the Company's hempSMART™ products in Latin America, and will also work to develop and sell hempSMART™ products globally. The Joint Venture Agreements contain equal terms for the formation of joint venture entities in Uruguay and Brazil. The Brazilian joint venture will be headquartered in São Paulo, Brazil, and will be named HempSmart Produtos Naturais Ltda. ("HempSmart Brazil"). The Uruguayan joint venture will be headquartered in Montevideo, Uruguay and will be named Hempsmart Uruguay S.A.S. ("HempSmart Uruguay").

Under the Joint Venture Agreements, the Company will acquire a 70% equity interest in both HempSmart Brazil and HempSmart Uruguay. A minority 30% equity interest in both HempSmart Brazil and HempSmart Uruguay will be held by newly formed entities controlled by Guerrero, a director of the Company, who is a successful Brazilian entrepreneur. The Company will provide capital in the amount of $50,000 to both HempSmart Brazil and HempSmart Uruguay under the Joint Venture Agreements, for a total capital outlay obligation of $100,000. It is expected that the proceeds of the initial capital contribution will be used for contracting with third-party manufacturing facilities in Brazil and Uruguay, and related infrastructure and employment of key personnel.

MARIJUANA COMPANY OF AMERICA, INC.
INVESTMENT ROLL-FORWARD
AS OF SEPTEMBER 30, 2020

	INVESTMENTS									SHORT-TERM INVESTMENTS		
	TOTAL INVESTMENTS	**Global Hemp Group**	**Cannabis Global Inc.**	**Benihemp**	**MoneyTrac**	**Bougainville Ventures, Inc.**	**Gate C Research Inc.**	**Natural Plant Extract**	**Vivabuds**	**TOTAL Short-Term Investments**	**Global Hemp Group**	**MoneyTrac**
Beginning balance @12-31-16	$ 0	$ 0		$ 0	$ 0	$ 0	$ 0			$ 0		$ 0
Investments made during 2017	3,049,275	10,775		100,000	250,000	1,188,500	1,500,000			0		0
Quarter 03-31-17 equity method Loss	0									0		
Quarter 06-30-17 equity method Loss	0									0		
Quarter 09-30-17 equity method Loss	(375,000)					(375,000)				0		
Quarter 12-31-17 equity method accounting	313,702					313,702				0		
Impairment of Investment in 2017	(2,292,500)	0				(792,500)	(1,500,000)			0		0
Balances as of 12/31/17	**695,477**	**10,775**	**0**	**100,000**	**250,000**	**334,702**	**0**	**0**	**0**	**0**	**0**	**0**
Investments made during 2018	986,654	986,654								0		
Quarter 03-31-18 equity method Loss	(37,673)					(37,673)				0		
Quarter 06-30-18 equity method Loss	(11,043)					(11,043)				0		
Quarter 09-30-18 equity method Loss	(10,422)			(10,422)						0		
Quarter 12-31-18 equity method Loss	(31,721)	(31,721)		0						0		

Moneytrac investment reclassified to Short-Term investments	(250,000)				(250,000)					250,000		250,000
Unrealized gains on trading securities - 2018	0									560,000		560,000
Impairment of investment in 2018	(933,195)	(557,631)		(89,578)		(285,986)				0		
Balance @12-31-18	**$ 408,077**	**$ 408,077**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 810,000**	**$ 0**	**$ 810,000**
Investments made during quarter ended 03-31-19	129,040	129,040										
Quarter 03-31-19 equity method Loss	(59,541)	(59,541)										
Unrealized gains on trading securities - quarter ended 03-31-19										(135,000)		$ (135,000)
Balance @03-31-19	**$ 477,576**	**$ 477,576**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 675,000**	**$ 0**	**$ 675,000**
Investments made during quarter ended 06-30-19	$ 3,157,234	$ 83,646						$ 3,000,000	$ 73,588			
Quarter 06-30-19 equity method Income (Loss)	$ (171,284)	$(141,870)						$ (6,291)	$ (23,123)			
Unrealized gains on trading securities - quarter ended 06-30-19	$ 0									(150,000)		$ (150,000)
Balance @06-30-19	**$ 3,463,526**	**$ 419,352**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 2,993,709**	**$ 50,465**	**$ 525,000**	**$ 0**	**$ 525,000**
Investments made during quarter ended 09-30-19	$ 186,263								$ 186,263			
Quarter 09-30-19 equity method Income (Loss)	$ 122,863	$ 262,789						$ (94,987)	$ (44,939)			

Sale of trading securities during quarter ended 09-30-19										$ (41,667)		$ (41,667)
Unrealized gains on trading securities - quarter ended 09-30-19	$ 0									(362,625)		$ (362,625)
Balance @09-30-19	**$ 3,772,652**	**$ 682,141**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 2,898,722**	**$ 191,789**	**$ 120,708**	**$ 0**	**$ 120,708**
Investments made during quarter ended 12-31-19	$ 392,226	$ 262,414							$ 129,812			
Quarter 12-31-19 equity method Income (Loss)	$ (178,164)	$ (75,220)						$ (23,865)	$ (79,079)			
Reversal of Equity method Loss for 2019	$ 272,285							$ 125,143	$ 147,142			
Impairment of investment in 2019	$ (3,175,420)	$(869,335)						$(2,306,085)	$ 0			
Loss on disposition of investment	$ (389,664)								$ (389,664)			
Sale of trading securities during quarter ended 12-31-19	$ 0									$ (17,760)		$ (17,760)
Unrealized gains on trading securities - quarter ended 12-31-19	$ 0									(75,545)		$ (75,545)
Balance @12-31-19	**$ 693,915**	**$ (0)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 693,915**	**$ 0**	**$ 27,403**	**$ 0**	**$ 27,403**
Equity Loss for Quarter ended 03-31-20	126,845	126,845										
Recognize Joint venture liabilities per JV agreement @03-31-20	394,848	394,848										
Impairment of Equity Loss for Quarter ended 03-31-20	(521,692)	(521,692)										

Unrealized gains on trading securities - quarter ended 03-31-19										(13,945)		$ (13,945)
Balance @03-31-20	**$ 693,915**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 693,915**	**$ 0**	**$ 13,458**	**$ 0**	**$ 13,458**
Equity Loss for Quarter ended 06-30-20	(7,048)	(7,048)										
Impairment of Equity Loss for Quarter ended 06-30-20	7,048	7,048										
Sales of trading securities - quarter ended 06-30-20										(13,458)		$ (13,458)
Balance @06-30-20	**$ 693,915**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 693,915**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Global Hemp Group trading securities issued	650,000		$ 650,000							$ 185,000	$185,000	
Investment in Cannabis Global	0											
Balance @09-30-20	**$ 1,343,915**	**$ 0**	**$ 650,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 693,915**	**$ 0**	**$ 185,000**	**$185,000**	**$ 0**

Loan Payable

	TOTAL JV Debt	Global Hemp Group	Benihemp	MoneyTrac	Bougainville Ventures, Inc.	Gate C Research Inc.	Natural Plant Extract	Robert L. Hymers III	Vivabuds	General Operating Expense
Beginning balance @12-31-16	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0				$ 0
Quarter 03-31-17 loan borrowings	1,500,000					1,500,000				
Quarter 06-30-17 loan activity										
Quarter 09-30-17 loan borrowings	725,000				725,000					
Quarter 12-31-17 loan repayments	(330,445)				(330,445)					
General operational expense	172,856									172,856
Balances as of 12/31/17 (a)	**2,067,411**	**0**	**0**	**0**	**394,555**	**1,500,000**	**0**	**0**	**0**	**172,856**
Quarter 03-31-18 loan borrowings (payments)	376,472	447,430								(70,958)
Quarter 06-30-18 cancellation of JV debt obligation	(1,500,000)					(1,500,000)				
Quarter 06-30-18 loan repayments	(101,898)									(101,898)
Quarter 09-30-18 loan activity	0									
Quarter 12-31-18 loan borrowings	580,425	580,425								
Balance @12-31-18 (b)	**1,422,410**	**1,027,855**	**0**	**0**	**394,555**	**0**	**0**	**0**	**0**	**0**
Quarter 03-31-19 loan borrowings	649,575	649,575								
Quarter 03-31-19 debt conversion to equity	(407,192)	(407,192)								
Balance @03-31-19 (c)	**1,664,793**	**1,270,238**	**0**	**0**	**394,555**	**0**	**0**	**0**	**0**	**0**
Quarter 03-31-19 loan borrowings	3,836,220	$ 161,220					$ 2,000,000		$ 0	$ 1,675,000
Quarter 03-31-19 debt conversion to equity	(1,572,971)	($ 161,220)					($ 349,650)			($1,062,101)
Balance @06-30-19 (d)	**3,928,042**	**1,270,238**	**0**	**0**	**394,555**	**0**	**1,650,350**	**0**	**0**	**612,899**
Quarter 09-30-19 loan borrowings	582,000									$ 582,000
Quarter 09-30-19 debt conversion to equity	(187,615)									$ (187,615)
Balance @09-30-19 (e)	**4,322,427**	**1,270,238**	**0**	**0**	**394,555**	**0**	**1,650,350**	**0**	**0**	**1,007,284**
Quarter 12-31-19 loan borrowings	2,989,378	$ 262,414					$ 596,784	$ 4,221		$ 2,125,959
Impairment of investment in 2019	(4,083,349)	$ (1,532,652)			$ (394,555)		$ (2,156,142)			
Loss on settlement of debt in 2019	50,093						$ 50,093			
Adjustment to reclassify amount to accrued liabilities	(85,000)						$ (85,000)			
Balance @12-31-19 (f)	**$ 3,193,548**	**$ (0)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 56,085**	**$ 4,221**	**$ 0**	**$ 3,133,243**
Quarter 03-31-20 loan borrowings	$ 441,638									$ 441,638
Quarter 03-31-20 debt conversion to equity	$ (619,000)									$ (619,000)
Recognize Joint venture liabilities per JV agreement @03-31-20	$ 394,848	$ 394,848								
Quarter 03-31-20 Debt Discount adjustments	$ 24,138							$ 24,138		
Balance @03-31-20 (g)	**$ 3,435,172**	**$ 394,848**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 56,085**	**$ 28,359**	**$ 0**	**$ 2,955,881**
Quarter 06-30-20 loan borrowings, net	$ 65,091							$ 65,091		
Quarter 06-30-20 debt conversion to equity	$ (727,118)									$ (727,118)

Quarter 06-30-20 reclass of liability	$ 83,647	$ 83,647								
Quarter 06-30-20 Debt Discount adjustments	$ 405,746							$ (27,715)		$ 433,461
Balance @06-30-20 (h)	**$ 3,262,538**	**$ 478,495**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 56,085**	**$ 65,735**	**$ 0**	**$ 2,662,224**
Quarter 09-30-20 debt conversion to equity	$ (606,472)						$ (56,085)	$ (65,735)		$ (484,652)
Debt Settlement during Q3 2020	$ (474,495)	$ (474,495)								
Balance @09-30-20 (i)	**$ 2,181,571**	**$ 4,000**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ (0)**	**$ 0**	**$ 0**	**$ 2,177,572**

	09-30-20	06-30-20	03-31-20	12-31-19	09-30-19	06-30-19	03-31-19	12-31-18	12-31-17
This includes balances for:	**Note (i)**	**Note (h)**	**Note (g)**	**Note (f)**	**Note (e)**	**Note (d)**	**Note (c)**	**Note (b)**	**Note (a)**
- Debt obligation of JV	0	478,494	394,848	0	1,633,872	1,778,872	128,522	289,742	1,500,000
- Convertible NP, net of discount	2,181,571	2,784,044	3,040,324	3,193,548	2,688,555	2,149,170	1,536,271	1,132,668	394,555
- Long term debt	0	0	0	0	0	0	0	0	172,856
Total Debt balance	**2,181,571**	**3,262,538**	**3,435,172**	**3,193,548**	**4,322,427**	**3,928,042**	**1,664,793**	**1,422,410**	**2,067,411**

Concerning our investment loans for general operation for the quarter ended September 30, 2020, the Company accounted these transactions as an investment and a liability - “debt obligation of Joint Venture”. 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.

NOTE 6 – NOTES PAYABLE, RELATED PARTY

As of September 30, 2020, and December 31, 2019, 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. The balance due to Notes Payable Related Party as of September 30, 2020 and December 31, 2019 was $40,000 and $40,000 respectively. These notes are payable to the estate of Charles Larsen, who passed away on May 15, 2020.

NOTE 7 – CONVERTIBLE NOTES PAYABLE

During the nine months ended September 30, 2020, the Company issued an aggregate of 1,491,109,401 shares of its common stock in settlement of the issued convertible notes payable and accrued interest.

For the nine months ended September 30, 2020 and September 30, 2019, the Company recorded amortization of debt discounts of $1,373,575 and $2,172,936, respectively, as a charge to interest expense.

Convertible notes payable as of September 30, 2020 and December 31, 2019 was comprised of the following:

Lender		2020 (Unaudited)		2019 (Audited)
Convertible note payable - Power Up Lending Group	$	73,000	$	294,000
Convertible note payable - Crown Bridge Partners	$	117,040	$	110,000
Convertible note payable - Odyssey Funding LLC	$	—	$	250,000
Convertible note payable - Paladin Advisors LLC	$	—	$	75,000
Convertible note payable - GS Capital Partners LLC	$	143,500	$	173,000
Convertible note payable - Natural Plant Extract	$	—	$	56,085
Convertible note payable - Robert L. Hymers III	$	205,803	$	96,553
Convertible note payable - St. George	$	1,977,208	$	2,947,890
Total	$	2,516,551	$	4,002,528
Less debt discounts	$	(334,980)	$	(808,980)
Net	$	2,181,571	$	3,193,548
Less current portion	$	(2,181,571)	$	(3,193,548)
Long term portion	$	—	$	—

Convertible notes payable-Power Up Lending

From July 1 through September 12, 2019, the Company issued four convertible promissory notes in the aggregate principal amount of $294,000 to Power Up Lending Group Ltd. ("Power Up"). The promissory notes bear interest at 10% per annum, are due one year from the respective issuance date and include an original issuance discount in the aggregate of $12,000. Interest on the notes accrues from the issuance date, but interest will not become payable until the notes become payable. The notes are convertible at any time at a conversion rate equal to 61% of the market price of the Company's common stock, defined as the lowest trading price during the 15-trading-day period prior to the conversion date. Upon the issuance of these convertible notes, the Company determined that the features associated with the embedded conversion option embedded in the debentures should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions. As of the funding date of each note, the Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $169,202 is being amortized to interest expense over the respective terms of the notes.

The Company has the right to prepay the notes for an amount ranging from 125% - 140% multiplied by the outstanding balance (all principal and accrued interest) depending on the prepayment period (ranging from 1 to 180 days following the issuance date). The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note.

As of September 30, 2020, and December 31, 2019, the Company owed an aggregate of $73,000 and, $294,000 of principal, respectively on these convertible promissory notes. As of September 30, 2020, the Company owed $1,825 of accrued interest.

Convertible notes payable-Crown Bridge Partners

From October 1 through December 31, 2019, the Company issued convertible promissory notes in the aggregate principal amount of $225,000 to Crown Bridge Partners LLC ("Crown Bridge"). The promissory notes bear interest at 10% per annum, are due one year from the respective issuance date and include an original issuance discount ("OID") in aggregate of $22,500. Interest accrues from the issuance date, but interest shall not become payable until the notes becomes payable. The notes are convertible at any time at a conversion rate equal to 60% of the market price of the Company's common stock, defined as the lowest trading price during the 15-trading-day period prior to the conversion date. Upon the issuance of these convertible notes, the Company determined that the features associated with the embedded conversion option embedded in the debentures should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion transactions. As of the funding date of each note, the Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $88,674 is being amortized to interest expense over the respective terms of the notes. The Company also issued a total of 519,230 warrants with an initial exercise price of $0.26, with reset provisions based on issuances of common stock subsequent to the issuance date. Due to the reset provision, the conversion option of these warrants is also accounted for as a derivative liability. See Note 10.

The Company has the right to prepay the notes for an amount ranging from 125% - 140% multiplied by the outstanding balance (all principal and accrued interest) depending on the prepayment period (ranging from 1 to 180 days following the issuance date). The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note.

As of September 30, 2020, and December 31, 2019, the Company owed an aggregate of $117,040 and, $110,000 of principal, respectively on these convertible promissory notes. As of September 30, 2020, the Company owed $1,607 of accrued interest.

Convertible notes payable-Odyssey Funding LLC

On October 30, 2019, the Company issued convertible promissory notes in the aggregate principal amount of $250,000 to Odyssey Funding LLC ("Odyssey"). The promissory notes bear interest at 12% per annum, are due one year from the respective issuance date and include an original issuance discount in an aggregate of $12,500. Interest accrues from the issuance date, but interest does not become payable until the notes becomes payable. The notes are convertible at any time at a conversion rate equal to 55% the average of the two lowest trading prices of the Company's common stock as quoted on the National Quotations Bureau OTC market or exchange where the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future, for the twenty prior trading days to the conversion date.

As of the funding date of each note, the Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $207,650 is being amortized to interest expense over the respective terms of the notes. As of September 30, 2020, and December 31, 2019, the Company owed principal of $0 and $250,000. As of September 30, 2020, the Company owed $0 in accrued interest.

Convertible notes payable - Paladin Advisors LLC

On October 23, 2019, the Company issued convertible promissory notes in the aggregate principal amount of $75,000 to Paladin Advisors, LLC ("Paladin"). The promissory notes bear interest at 8% per annum and are due six months from the respective issuance date of each note along with accrued and unpaid interest. Principal and interest is payable on the date six months from the date of issuance of the note. Pursuant to the notes, Paladin has the option to convert all or any portion of the unpaid principal amount of the notes, plus accrued interest, into shares of the Company's common stock at a conversion price equal to a 45% discount to the lowest closing bid of the previous 10 day trading period prior to the conversion.

The aggregate debt discount of $46,721 is being amortized to interest expense over the respective terms of the notes. As of September 30, 2020, and December 31, 2019, the Company owed an aggregate of $0 and $75,000 of principal. As of September 30, 2020, the Company owed $0 in accrued interest.

Convertible notes payable-GS Capital Partners LLC

On December 19, 2019, the Company issued convertible promissory notes in the aggregate principal amount of $173,000 to GS Capital Partners LLC ("GS Capital"). The promissory notes bear interest at 10% per annum, are due one year from the respective issuance date, and include an original issuance discount in an aggregate of $15,000.

Pursuant to the notes, GS Capital is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of the notes into shares of the Company's common stock at a per-share conversion price equal to 62% of the lowest trading price of the Company's common stock as reported on the National Quotations Bureau OTC Marketplace exchange on which the Company's shares are quoted, or any exchange upon which the Company's common stock may be traded in the future, for the twenty trading days prior to the conversion.

As of the funding date of each note, the Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $166,193 is being amortized to interest expense over the respective terms of the notes. As of September 30, 2020, and December 31, 2019, the Company owed principal of $143,500 and $173,000 respectively. As of September 30, 2020, the Company owed $1,593 in accrued interest.

Convertible notes payable-St George Investments

On November 1, 2017, the Company issued a secured convertible promissory note in the amount of $601,420 to St. George Investments LLC ("St George"). The promissory note bears interest at 10% compounded daily, was due upon maturity on September 10, 2018 and includes an original issue discount of $59,220. The promissory note was funded on November 11, 2017 for $542,200, net of the original issue discount and transaction costs. As of September 30, 2019, the Company owed $417,890 of principal and $38,378 of accrued interest on this convertible promissory note. As of September 30, 2019, this note was in default, but the lender has not enforced the default interest rate. On December 20, 2017, the Company issued a secured convertible promissory note in aggregate of $1,655,000 to St George Investments LLC ("St George"). The promissory note bears interest at 10% compounded daily, was due upon maturity on October 27, 2018 and includes an original issue discount of $155,000. In addition, the Company agreed to pay $5,000 for legal, accounting and other transaction costs of the lender. The promissory note was funded in nine tranches of $300,000; $200,000; $200,000; $400,000; $75,000; $150,000; $85,000; $120,000 and $70,000, resulting in aggregate net proceeds of $1,500,000. The Company received aggregate net proceeds of $1,200,000 and $300,000 during the years ended December 31, 2018 and 2017, respectively. As an investment incentive, the Company issued 1,100,000 five-year warrants, exercisable at $2.40 per share, with certain reset provisions. As of June 30, 2020, the warrants had an exercise price of $0.0085 for 5,274,146 total warrants.

The promissory notes are convertible, at any time at the lender's option, at $2.40 per share. However, in the event the Company's market capitalization (as defined) falls below $30,000,000, the conversion rate pursuant to the promissory notes will be 60% of the 3 lowest closing trade prices from the 20 trading days immediately preceding the date of conversion. In addition, the promissory notes include 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.

On November 5, 2018, $250,000 of principal and accrued interest was assigned to John Fife as an individual with all the terms and conditions of the original note issued to St George. On March 21, 2019, $150,959 of principal and $4,963 of accrued interest along with $160,454 of derivative liabilities valued as of the respective conversion date were converted into 394,460 shares of common stock.

During the nine months ended September 30, 2020, $550,000 of principal, $122,694 of accrued interest and $441,394 of derivative liabilities valued as of the respective conversion dates were converted into 1,710,897 shares of common stock, resulting in a gain on debt settlement of $21,586. As of September 30, 2020, the Company owed $0 of principal and $0 of accrued interest on this convertible promissory note. Although this note was in default until it was repaid, the lender did not enforce the default interest rate.

On August 28, 2018, the Company issued a secured convertible promissory note in the amount of $1,128,518 (including overfunding of $23,518) to St. George Investments LLC ("St. George"). The promissory note bears interest at 10% compounded daily, was due upon maturity on June 30, 2019, and includes an original issue discount of $100,000. In addition, the Company agreed to pay $5,000 for legal, accounting and other transaction costs of the lender. During the year ended December 31, 2018, the Company received aggregate net proceeds of $825,000. During the nine months ended September 30, 2020, an additional $218,518 was funded under this note resulting in net proceeds of $198,518.

As an investment incentive to St. George, the Company issued to St. George 750,000 five-year warrants, exercisable at $2.40 per share, with certain reset provisions. The aggregate fair value of the issued warrants was $1,588,493. The face value of the debt was then allocated, on a relative fair value basis, between the debt and the warrants. The portion allocated to warrants has been added to the debt discount with a resulting increase in additional paid-in capital. As of the funding date of each tranche of this note, the Company determined the fair value of the embedded derivative associated with the convertibility of this note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. As of the aggregate debt discount of $1,114,698 is being amortized to interest expense over the respective term of each tranche. As of June 30, 2020, the warrants had an exercise price of $0.0085 for 3,750,000 total warrants.

The promissory notes are convertible, at any time at St. George's option, at $2.40 per share. However, in the event the Company's market capitalization falls below $30,000,000, the conversion rate will be 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 notes include 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 15% prepayment premium and is secured by a trust deed of certain assets of the Company.

During the nine months ended September 30, 2020, $1,000,859 of principal and $840,299 of derivative liabilities valued as of the respective conversion dates were converted into 4,475,543 shares of common stock, resulting in a loss on debt settlement of $612,034. As of September 30, 2019, the Company owed $828,518 of principal and $28,138 of accrued interest on this convertible promissory note. As of September 30, 2019, this note was in default, but the lender has not enforced the default interest rate.

On January 29, 2019, the Company issued a secured convertible promissory note in the amount of $2,205,000 to St. George Investments LLC ("St. George"). The promissory note bears interest at 10% compounded daily, is due upon maturity on December 5, 2019, and includes an original issue discount of $200,000. In addition, the Company agreed to pay $5,000 for legal, accounting and other transaction costs of the lender. During the nine months ended September 30, 2020, the promissory note was funded in eight tranches totaling $1,406,482, resulting in aggregate net proceeds of $1,276,482. As an investment incentive to St. George, the Company issued to St. George 1,500,000 5-year warrants, exercisable at $2.40 per share, with certain reset provisions. As of September 30, 2020, the warrants had an exercise price of $0.0085 for 7,500,000 total warrants. The aggregate fair value of the issued warrants was $999,838. The face value of the debt was then allocated, on a relative fair value basis, between the debt and the warrants. The portion allocated to warrants has been added to the debt discount with a resulting increase in additional paid-in capital. As of the funding date of each tranche of this note, the Company determined the fair value of the embedded derivative associated with the convertibility of this note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense.

The promissory notes are convertible, at any time at the lender's option, at $2.40 per share. However, in the event the Company's market capitalization (as defined) falls below $30,000,000, the conversion rate will be 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 15% prepayment premium and is secured by a trust deed of certain assets of the Company.

On March 25, 2019, the Company issued a secured convertible promissory note in the amount of $580,000 to St. George Investments LLC ("St. George"). The promissory note bears interest at 10% compounded daily, is due upon maturity on January 24, 2020 and includes an original issue discount of $75,000. In addition, the Company agreed to pay $5,000 for legal, accounting and other transaction costs of the lender. During the nine months ended September 30, 2019, the promissory note was funded in the amount of $580,000 resulting in net proceeds of $500,000. As an investment incentive, the Company issued 375,000 five-year warrants, exercisable at $2.40 per share, with certain reset provisions. As of September 30, 2020, the warrants had an exercise price of $0.0085 for 1,875,000 total warrants. The aggregate fair value of the issued warrants was $258,701. The face value of the debt was then allocated, on a relative fair value basis, between the debt and the warrants. The portion allocated to warrants has been added to the debt discount with a resulting increase in additional paid-in capital. As of the funding date of this note, the Company determined the fair value of the embedded derivative associated with the convertibility of this note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $483,966 is being amortized to interest expense over the term of the note.

The promissory notes are convertible, at any time at St. George's option, at $2.40 per share. However, in the event the Company's market capitalization (as defined) falls below $30,000,000, the conversion rate will be 60% of the 3 lowest closing trade prices from the 20 trading days immediately preceding the date of conversion, subject to additional adjustments. 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 15% prepayment premium and is secured by a trust deed of certain assets of the Company. As of September 30, 2020, and December 31, 2019, the Company owed principal of $1,977,208 and $ 2,947,890 respectively. As of September 30, 2020, the Company owed $391,986 of accrued interest.

Convertible notes payable - Robert L. Hymers III

On December 23, 2019, the Company issued convertible promissory notes in the aggregate principal amount of $96,552.70 to Robert L. Hymers III ("Hymers") in satisfaction of funds owed to Mr. Hymers from his consulting contract with the Company for past services rendered and completed. The promissory notes bear interest at 10% per annum, and are due six months from the respective issuance date of the note along with accrued and unpaid interest. Principal and interest are payable to Hymers six months after the date of issuance. Hymers has the option to convert all or any portion of the unpaid principal amount of the note, plus accrued interest, into shares of the Company's common stock. The conversion price will be equal to a 50% discount to the lowest closing bid of the previous 15 day trading period. The aggregate debt discount of $92,332 is being amortized to interest expense over the respective terms of the notes. As of September 30, 2020, and December 31, 2019, the Company owed an aggregate of $ 205,803 and $96,553 of principal respectively. As of September 30, 2020, the Company owed $422 in accrued interest.

NOTE 8 – DERIVATIVE LIABILITIES

As described in Note 7, 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. See Note 10 for further details.

NOTE 9 – STOCKHOLDERS' DEFICIT

Preferred stock

The Company is authorized to issue 50,000,000 shares of $0.001 par value preferred stock as of September 30, 2020 and December 31, 2019. As of September 30, 2020, and December 31, 2019, the Company 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. On November 9, 2020, the Company issued 2,000,000 shares of its Class B Preferred Common Stock to Jesus Quintero. The Class B Preferred Stock carries a voting preference of One Thousand (1,000) times that number of votes on all matters submitted to the shareholders that is equal to the number of shares of Common Stock (rounded to the nearest whole number), at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of such shareholders is affected. The issuance constitutes a change of control of the Company, as the voting preference of the issued Class B Preferred Stock provides Mr. Quintero with the right to control a majority of the votes of shareholders eligible to cast votes on any matter brought before the stockholders.

On October 28, 2019, Donald Steinberg, Charles Larsen and the Company agreed, in exchange for a mutual release of all claims, to cancel and return to treasury Messrs. Steinberg and Larsen's respective 5,000,000 shares of Preferred Class A common stock. The Board of Directors subsequently issued pro rata, 10 million Class A Preferred shares of common stock to directors Robert Coale, Edward Manolos and Jesus Quintero. On May 20, 2020, Robert Coale resigned his position as a director. As part of a severance agreement, Mr. Coale returned to treasury 3,333,333 shares of Class A Preferred Shares. On July 10, 2020, the Company issued 3,333,333 Class A Preferred Shares to Jesus M. Quintero.

On July 18, 2019, the Company designated Class B Preferred shares in the amount of 5,000,000 shares authorized, par value $0.001 per share.As of September 30, 2020, and December 31, 2018, the Company has 0 shares of Class B Preferred shares issued and outstanding. Holders of Series B Preferred stock shall have one thousand times that number of votes on all matters submitted to the shareholders that is equal to the number of shares of common stock, at the record date for the determination of the shareholders entitled to vote such matters.

Common stock

The Company is authorized to issue 5,000,000,000 shares of $0.001 par value common stock. As of September 30, 2020, and December 31, 2019, the Company had 1,913,880,887 and 77,958,081 shares issued and outstanding, respectively. All references to our common stock in this filing reflect a 1:60 reverse stock split effective September 3, 2019.

During the nine months ended September 30, 2020, the Company issued an aggregate of 156,444,047 shares of its common stock for services rendered with an estimated fair value of $665,767.

During the nine months ended September 30, 2020, the Company issued an aggregate of 21,384,103 shares of its common stock, in settlement of outstanding related party notes payable, for a total aggregate value of $50,613.

During the nine months ended September 30, 2020, the Company issued 1,469,725,298 shares of its common stock in settlement of convertible notes payable, accrued interest of $2,635,647.

During the nine months ended September 30, 2020, the Company issued 51,054,214 shares of its common stock in exchange for exercise of warrants on a cashless basis with an aggregate value of $427,500.

During the nine months ended September 30, 2020, the Company sold an aggregate of 127,012,847 shares of its common stock for net proceeds of $153,686. On November 9, 2020, the Company issued 2,000,000 shares of its Class B Preferred Common Stock to Jesus Quintero. The Class B Preferred Stock carries a voting preference of One Thousand (1,000) times that number of votes on all matters submitted to the shareholders that is equal to the number of shares of Common Stock (rounded to the nearest whole number), at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of such shareholders is affected. The issuance constitutes a change of control of the Company, as the voting preference of the issued Class B Preferred Stock provides Mr. Quintero with the right to control a majority of the votes of shareholders eligible to cast votes on any matter brought before the stockholders.

Warrants

The following table presents information related to warrants at September 30, 2020:

Warrants Outstanding		**Warrants Exercisable**	
Exercise Price	**Number of Options**	**Weighted Average Remaining Life In Years**	**Exercisable Number of Options**
$.01-1.00	61,111	2.18	61,111
$1.01-2.00	41,891	1.86	41,891
$2.01-3.00	3,499,146	3.99	3,499,146
	3,602,148		3,602,148

NOTE 10 — 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.

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 September 30, 2020, and December 31, 2019, 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 7. 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 September 30, 2020, and December 31, 2019, the Company did not have any derivative instruments that were designated as hedges.

The derivative liability as of September 30, 2020 in the amount of $3,426,888, has 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 two years ended September 30, 2020:

		Debt Derivative
Balance, December 31, 2019	$	5,693,071
Initial fair value of debt derivative at note issuance		1,308,157
Mark-to-market at September 30, 2020		7,001,228
Transfers out of Level 3 upon conversion or payoff of notes payable		(3,886,971)
Net loss in fair value included in earnings related to derivative liabilities during the nine months ended September 30, 2020	$	312,631
Balance, September 30, 2020	$	3,426,888

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 September 30, 2020, 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 11 — RELATED PARTY TRANSACTIONS

The Company's current officers and stockholders advanced funds to the Company for travel related and working capital purposes. As of September 30, 2020, and December 31, 2019, there were no related party advances outstanding.

As of September 30, 2020, and December 31, 2019, accrued compensation due officers and executives was accrued compensation was $125,738 and $4,875, respectively.

During the nine months ended September 30, 2020, the Company issued an aggregate of 21,384,103 shares of its common stock in settlement of outstanding related party notes payable of $50,613.

NOTE 12 – SUBSEQUENT EVENTS

Share Exchange Agreement with Cannabis Global

On September 30, 2020, the Company entered into a Share Exchange Agreement with Cannabis Global, Inc., a Nevada corporation quoted on OTC Markets Pink ("CBGL") dated September 30, 2020, to acquire the number of shares of CBGL's common stock, par value $0.001, equal in value to $650,000 based on the closing price for the trading day immediately preceding the effective date, in exchange for the number of shares of Company common stock, par value $0.001, equal in value to $650,000 based on the closing price for the trading day immediately preceding the effective date (the "Share Exchange Agreement"). For both parties, the Share Exchange Agreement contains a "true-up" provision requiring the issuance of additional common stock in the event that a decline in the market value of either parties' common stock should cause the aggregate value of the stock acquired pursuant to the Share Exchange Agreement to fall below $650,000.

Complementary to the Share Exchange Agreement, the Company and CBGL entered into a Lock-Up Agreement dated September 30, 2020, providing that the shares of common stock acquired pursuant to the Share Exchange Agreement shall be subject to a lock-up period preventing its sale for a period of 12 months following issuance, and limiting the subsequent sale to aggregate maximum sale value of $20,000 per week, or $80,000 per month.

Brazil and Uruguay Joint Ventures

On October 1, 2020, the Company entered into two Joint Venture Agreements with Marco Guerrero, a director of the Company ("Guerrero") dated September 30, 2020, to form joint venture operations in Brazil and in Uruguay (the "Joint Venture Agreements") to produce, manufacture, market and sell the Company's hempSMART™ products in Latin America, and will also work to develop and sell hempSMART™ products globally. The Joint Venture Agreements contain equal terms for the formation of joint venture entities in Uruguay and Brazil. The Brazilian joint venture will be headquartered in São Paulo, Brazil, and will be named HempSmart Produtos Naturais Ltda. ("HempSmart Brazil"). The Uruguayan joint venture will be headquartered in Montevideo, Uruguay and will be named Hempsmart Uruguay S.A.S. ("HempSmart Uruguay").

Under the Joint Venture Agreements, the Company will acquire a 70% equity interest in both HempSmart Brazil and HempSmart Uruguay. A minority 30% equity interest in both HempSmart Brazil and HempSmart Uruguay will be held by newly formed entities controlled by Guerrero, a director of the Company, who is a successful Brazilian entrepreneur. The Company will provide capital in the amount of $50,000 to both HempSmart Brazil and HempSmart Uruguay under the Joint Venture Agreements, for a total capital outlay obligation of $100,000. It is expected that the proceeds of the initial capital contribution will be used for contracting with third-party manufacturing facilities in Brazil and Uruguay, and related infrastructure and employment of key personnel.

On November 9, 2020, the Company issued 2,000,000 shares of its Class B Preferred Common Stock to Jesus Quintero. The Class B Preferred Stock carries a voting preference of One Thousand (1,000) times that number of votes on all matters submitted to the shareholders that is equal to the number of shares of Common Stock (rounded to the nearest whole number), at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of such shareholders is affected. The issuance constitutes a change of control of the Company, as the voting preference of the issued Class B Preferred Stock provides Mr. Quintero with the right to control a majority of the votes of shareholders eligible to cast votes on any matter brought before the stockholders.

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 tier Exchange under the symbol "MCOA". We are based in Escondido, California. Our business plan and operation focuses 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; (6) new and improved methods of hemp CBD extraction omitting or eliminating the delta-9 tetrahydrocannabinol "THC" molecule.

hempSMART,™ Inc.

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.

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 September 30, 2020 Compared to Three Months Ended September 30, 2019

Revenues

Total revenues for the three months ended September 30, 2020 and 2019, were $53,195 and $229,371, respectively, a decrease of $176,176. This decrease continues to be attributed to the Company's restructuring of its sales team and new sales programs since the 1st quarter 2020 as well as the effects of the slowing general market demand due to the COVID-19 pandemic during the third quarter ended September 30, 2020. In addition, the Company's continued changes to the sales strategy implemented includes rebranding of hempSMART products. However, the Company continues to make progress with its sales program as it continues to promote and support its affiliate marketing sales program and direct sales through its website.

During the third quarter ended September 30, 2020 the Company released a new industrial hemp based hempSMART Drink Mix product.

The following table identifies a comparison of our sales of products during the three months ended September 30, 2020 and 2019, respectively:

For the three months ended September 30, 2020 and 2019

	2020	2019	
Body Lotion	$ 679	$ 7,299	
Brain Capsules	4,610	20,569	
Industrial hemp Drink	563	0	**New Product in 2020**
Drops	25,541	96,885	
Face Moisturizer	1,606	8,848	
Pain Capsules	2,714	9,840	
Pain Cream	14,911	63,449	
Pet Drops	2,571	22,481	
TOTALS	**$ 53,195**	**$ 229,371**	

Related Party Sales

Related party sales contributed $3,262 and $4,015 to the revenues for the three months ended September 30, 2020 and 2019, respectively. Related party sales are comprised of sales of our hempSMART products to our directors, officers, employees, and sales team members. No related party sales were for services. All sales made at listed retail prices and were for cash considerations.

Cost of Sales

Cost of sales primarily consist of inventory cost and overhead, manufacturing, packaging, warehousing, shipping, and direct labor costs directly attributable to our hempSMART products. For the three months ended September 30, 2020 and 2019, our total costs of sales were $37,170 and $90,843, respectively. The high costs reflect product discounts and cost incentive on products sold due to the COVID-19 pandemic.

Gross Profit

For the three months ended September 30, 2020 and 2019, gross profit was $16,025 and $138,528, respectively. This decrease was primarily attributed to new pricing and promotions associated with the company's continued sales restructuring and strategies from 1st quarter 2020, along with the effects of the COVID-19 pandemic during the three months ended September 30, 2020. As a result, the gross margins were 30.1% and 60.4% for the three months ended September 30, 2020 and 2019, respectively. However, the Company will continue to market its products aggressively as it continues to support its affiliate sales program in the near future.

Selling and marketing expenses

For the three months ended September 30, 2020 and 2019, selling and marketing expenses was $125,942 and $376,342, respectively. This decrease of $250,400 is due primarily to the effects of the Company's restructuring of its sales team and new sales strategies during the three months ended September 30, 2020, as well as the discontinuation of the VivaBuds delivery business at the end of 2019. This include elimination of redundant expenses of our sales operations in the United Kingdom, reduction in media costs, reduction in sample product costs and reduced overhead pertaining to the VivaBuds joint venture. These reductions were implemented to reduce overhead as the Company aggressively works towards more cost effective strategies to sell its hempSMART's products.

Payroll and related expenses

For the three months ended September 30, 2020 and 2019, payroll and related expenses were $62,000 and $90,000, respectively. This decrease of $28,000 is attributed to the current CEO's compensation being reduced compared to the prior CEO's higher salary in 2019, marginally offset by new hires as of the third quarter ended September 30, 2020 versus $0 during the same period in 2019.

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. For the three months ended September 30, 2020 and 2019, stock-based compensation was $123,000 and $0, respectively. This increase of $123,000 is due to shares issued to the Company's new officers, directors and vendors to pay compensation due to the Company's low cash positions during the three months ended September 30, 2020.

General and administrative expenses

Other general and administrative expenses increased to $294,921 for the three months ended September 30, 2020 compared to $295,113 for the three months ended September 30, 2019. General and administrative expenses include research and development, building rent, utilities, legal fees, office supplies, subscriptions, and office equipment. The increase of $79,798 was mainly attributed to issuance of the Company's shares to consultants for services provided to the Company. The shares were issued to pay compensation due to the Company's low cash positions during the three months ended September 30, 2020.

Gain/Loss on change in fair value of derivative liabilities

During 2020 and 2019, 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 losses of $1,454,903 and $1,668,112 change in fair value of derivative liabilities for the three months ended September 30, 2020 and 2019, respectively.

Loss on equity investment

During the three months ended September 30, 2020 and 2019, we adjusted the carrying value of our investment for our pro rata share of loss and gain on equity investments of $240,198 and $122,864, respectively.

Gain and loss on settlement of debt

During the three months ended September 30, 2020 and 2019, the Company realized a gain and a loss on settlement of debt of $383,440 and $612,034, respectively.

Interest Expense

Interest expense during the three months ended September 30, 2020 was $688,090 compared to $1,559,720 for the three months ended September 30, 2019. Interest expense primarily consists of interest incurred on our convertible and other debt. The debt discounts amortization incurred during the three months ended September 30, 2020 and 2019 was $429,227 and $864,386, respectively. In addition, we incurred a non-cash interest of $0 and $444,585 non-cash interest in connection with convertible notes for the three months ended September 30, 2020 and 2019, respectively.

Net Loss

The Company's net loss for the three months ended September 30, 2020 and 2019 was $1,872,271 and $6,226,622, respectively, a decrease of $4,354,351. The net loss of $1,872,271 for the three months ended September 30, 2020, represents 3,520% of total revenues for the period. The net loss of $6,226,622 for the three months ended September 30, 2019 represents 2,715% of the total revenues for the period.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Total Revenues - Total revenues were $217,972 for the nine months ended September 30, 2019 as compared to $552,761 for the nine months ended September 30, 2019, a decrease of $334,789. Although the reported revenues for each period also reflect the Company's initial steps towards marketing and selling its hempSMART™ products, th e decrease in total revenues of hempSMART™ products was due to the volume of sales being impacted by COVID-19 pandemic. However, management plans to expand its marketing and selling efforts for the remainder of 2020 and expects revenues to increase during the coming months.

The following table identifies our product offerings and the revenues related to these products for the nine months ended September 30, 2020 and 2019, respectively:

For the nine months ended September 30, 2020 and 2019

	2020	2019	
Body Lotion	$ 3,131	$ 7,294	
Brain Capsules	24,284	55,564	
Drink	2,615	0	**New Product in 2020**
Drops	111,673	223,154	
Face Moisturizer	8,915	29,486	
Pain Capsules	6,360	37,612	
Pain Cream	46,817	151,596	
Pet Drops	14,177	48,055	
TOTALS	**$ 217,972**	**$ 552,761**	

Related Party Sales

Related party sales contributed $11,565 and $12,363 to the revenues for the nine months ended September 30, 2020 and 2019, respectively. Related party sales are comprised of sales of our hempSMART products to our directors, officers, employees, and sales team members. No related party sales were for services. All sales made at listed retail prices and were for cash considerations.

Cost of Sales

Cost of sales primarily consist of inventory cost and overhead, manufacturing, packaging, warehousing, shipping, and direct labor costs directly attributable to our hempSMART products. For the nine months ended September 30, 2020 and 2019, our total costs of sales were $110,563 and $159,859, respectively. The cumulative high costs for the nine months ended September 30, 2020 reflects product discounts and cost incentive on products sold due to the COVID-19 pandemic.

Gross Profit

For the nine months ended September 30, 2020 and 2019, gross profit was $107,409 and $392,902, respectively. This decrease was primarily attributed to new pricing and promotions associated with the company's continued sales restructuring and strategies during 2020, along with the effects of the COVID-19 pandemic during the nine months ended September 30, 2020. As a result, the gross margins were 49.3% and 71.1% for the nine months ended September 30, 2020 and 2019, respectively. However, the Company will continue to market its products aggressively as it continues to support its affiliate sales program in the near future.

Selling and marketing expenses

For the nine months ended September 30, 2020 and 2019, selling and marketing expenses was $326,608 and $1,462,104, respectively. This decrease of $1,135,496 is due primarily to the effects of the Company's restructuring of its sales team and new sales strategies during the nine months ended September 30, 2020. This include reduction of over $460,000 of redundant expenses of our sales operations in the United Kingdom, over $432,000 in reductions in media costs, $105,000 decrease in commissions due to sales levels for the nine months ended September 30, 2020 and a $60,663 reduction in sample product costs during the nine months of 2020. These reductions were implemented to streamline expenses as the company aggressively works towards more cost-effective strategies to improve the sale of its hempSMART's products.

Payroll and related expenses

For the nine months ended September 30, 2020 and 2019, payroll and related expenses was $258,842 and $310,000, respectively. This decrease of $51,158 is attributed to the elimination of redundant positions within the Company during the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019.

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. For the nine months ended September 30, 2020, stock-based compensation was $665,767 and $100,350, respectively. This increase of $485,427 is due to shares issued to the Company officers, directors and vendors due to the Company's low cash positions during the nine months ended September 30, 2020.

General and administrative expenses

Other general and administrative expenses decreased to $710,094 for the nine months ended September 30, 2020 compared to $1,353,757 for the nine months ended September 30, 2019. General and administrative expenses include research and development, building rent, utilities, legal fees, office supplies, subscriptions, and office equipment. The decrease of $563,673 is attributed cost saving measures to eliminate redundancy such as a reduction of approximately $ 88,000 in bank fees due to less wire transfers fees incurred during the nine months ended September 30, 2020; also a decrease of approximately $396,000 in Consulting fees during the nine months ended September 30, 2020 as the company utilized internal resources instead of outside services and a reduction in our Board of Director fees by $56,000 during the nine months ended September 30, 2020 versus the nine months ended September 30, 2019. These costs were higher during the nine months ended September 30, 2019.

Loss on change in fair value of derivative liabilities

During 2020 and 2019, 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 losses of $312,631 and $2,148,262 change in fair value of derivative liabilities for the nine months ended September 30, 2020 and 2019, respectively.

Loss on equity investment

During the nine months ended September 30, 2020 and 2019, we adjusted the carry value of our investment for our pro rata share of a gain and a loss for our equity investment of $106,305 and $107,961, respectively.

Gain and loss on settlement of debt

During the nine months ended September 30, 2020 and 2019, the company realized a gain and loss on settlement of debt of $386,930 and $612,034, respectively. This was related to the payoff of a settlement agreements made in the ordinary course of its business during the nine months ended September 30, 2020 and 2019.

Interest Expense

Interest expense during the nine months ended September 30, 2020 was $2,460,185 as compared to $3,001,972 for the nine months ended September 30, 2019. Interest expense primarily consists of interest incurred on our convertible and other debt. The debt discounts amortization incurred during the nine months ended September 30, 2020 and 2019 was $1,458,158 and $2,172,936, respectively. In addition, we incurred a non-cash interest of $0 and $1,886,837 non-cash interest in connection with convertible notes for the nine months ended September 30, 2020 and 2019, respectively.

Net Loss

The Company's net loss for the nine months ended September 30, 2020 and 2019 was $4,177,391 and $10,878,622, respectively, a decrease of $6,701,231. The net loss of $4,177,391 for the nine months ended September 30, 2020, represents 1,916 % of total revenues for the period. The net loss of $10,878,622 for the nine months ended September 30, 2019 represents 1,968% of the total revenues for the period.

Liquidity and Capital Resources – The Company has generated a net loss from continuing operations for the nine months ended September 30, 2020 of $4,177,391 and used $1,262,358 cash for operations. As of September 30, 2020, the Company had total assets of $2,013,287, which included Short-term investments of $130,060, Accounts receivable of $8,563, Inventory of $145,523, Prepaid insurance of $66,131, an Investment receivable of $54,940, Notes receivable of $75,000, Other current assets of $22,508, which represents advance payments, Long-term investments of $1,343,915, Right-to-use-assets of $11,642 and a Security deposit of $2,500.

During the nine months ended September 30, 2020 and 2019, 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 $876,302 for the nine months ended September 30, 2020, as compared to $2,257,000 for the nine months ended September 30, 2019. During the nine months ended September 30, 2019, we entered into several separate financing arrangements with St. George Investments, LLC, a Utah limited liability company. 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 nine months ended September 30, 2020, the Company used cash in operating activities of $1,262,358. For the nine months ended September 30, 2019, the Company used cash in operating activities of $1,884,004. This decrease is due primarily to loss for the period which was offset by stock-based compensation and continued implementation of our business plans, operations, management, personnel and professional services.

Investing Activities - During the nine months ended September 30, 2020, cash provided from investing activities was $123,759 which consisted of payments of $1,271 related to equipment purchases and proceeds from investment in joint venture of $125,000. During the nine months ended September 30, 2019, we spent $687,752, primarily on equipment purchases of $2,703 and investments of $685,049.

Financing Activities - During the nine months ended September 30, 2020 the Company had cash provided from financing of $1,076,342 consisting of funds from the issuance of notes payable of $876,302, proceeds from the sale of common stock of $153,685, proceeds from the sale of trading securities of $10,854 and proceeds from a government loan due to COVID-19 of $35,500. For the nine months ended September 30, 2019 the Company received proceeds of $2,257,000 from the issuance of notes 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 2020 and 2019 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 during the remainder of 2020 and beyond as it develops its affiliate marketing program and other direct sales and marketing programs. The Company has stockholders' deficiencies at September 30, 2020 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 September 30, 2020, and December 31, 2019,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.

Recent Government Decriminalization and Legalization of Hemp

On December 20, 2018, President Donald J. Trump signed into law the Agriculture Improvement Act of 2018, otherwise known as the "Farm Bill." Prior to its passage, hemp, a member of the cannabis family, and hemp derived CBD, were classified as Schedule 1 controlled substances, and so illegal under the Controlled Substances Act, 21 U.S.C. § 811 (hereafter referred to as the "CSA").

With the passage of the Farm Bill, hemp cultivation is now broadly permitted. The Farm Bill explicitly allows the transfer of hemp-derived products across state lines for commercial or other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law.

Under Section 10113 of the Farm Bill, hemp cannot contain more than 0.3 percent THC, the chemical compound found in cannabis that produces the psychoactive "high" associated with cannabis. Any cannabis plant that contains more than 0.3 percent THC would be considered non-hemp cannabis—or marijuana—illegal under the CSA.

Additionally, there will be significant, shared state-federal regulatory power over hemp cultivation and production. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the United States Department of Agriculture (hereafter referred to as the "USDA"). A state's plan to license and regulate hemp can only commence once the Secretary of USDA approves that state's plan. In states opting not to devise a hemp regulatory program, USDA will construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. This system of shared regulatory programming is similar to options states had in other policy areas such as health insurance marketplaces under Affordable Care Act, or workplace safety plans under Occupational Health and Safety Act—both of which had federally-run systems for states opting not to set up their own systems.

The Farm Bill outlines actions that are considered violations of federal hemp law (including such activities as cultivating without a license or producing cannabis with more than 0.3 percent THC). The Farm Bill details possible punishments for such violations, pathways for violators to become compliant, and even which activities qualify as felonies under the law, such as repeated offenses.

One of the goals of the previous 2014 Farm Bill was to generate and protect research into hemp. The 2018 Farm Bill continues this effort. Section 7605 re-extends the protections for hemp research and the conditions under which such research can and should be conducted.

Further, section 7501 of the Farm Bill extends hemp research by including hemp under the Critical Agricultural Materials Act. This provision recognizes the importance, diversity, and opportunity of the plant and the products that can be derived from it, but also recognizes that there is a still a lot to learn about hemp and its products from commercial and market perspectives.

We currently operate two divisions within the regulated hemp industry: (i) the development, manufacturing, marketing and sale of our hempSMART™ consumer products that include non-psychoactive industrial hemp-based CBD as an ingredient; and, (ii) professional financial consulting and property management services.

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).

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 is responsible for establishing and maintaining adequate disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely and reliable financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

As of the quarter ended September 30, 2020, our principal executive officer and principal financial officer completed an assessment of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e), to determine the existence of material weaknesses or significant deficiencies under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the registrant's financial reporting.

Based on our evaluation, we concluded that because of the material weaknesses in our internal control over financial reporting, our disclosure controls and procedures were not effective as of September 30, 2020.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 20, 2018, the Company filed suit against Bougainville Ventures, Inc., BV-MCOA Management, LLC, Andy Jagpal, Richard Cindric, et al. in Okanogan County Washington Superior Court, case number 18-2- 0045324.

The Company previously entered into a joint venture agreement with Bougainville Ventures, Inc. on March 16, 2017, as amended on November 6, 2017.

The Company and Bougainville originally agreed to a joint venture with the goal of participating in the legalized cannabis business in Washington State. The parties intended to organize and operate a cannabis growth and cultivation business on land owned by Bougainville in Oroville, Washington. The Company agreed to finance the joint venture with a cash payment of $800,000. The Company also issued Bougainville 15 million shares of its common stock. Bougainville represented that it would provide the real property for the joint venture, computer controlled greenhouses and agricultural facilities and, as landlord, oversight of the operations of a cannabis licensee holding a I-502 cannabis license. Bougainville represented that the property was I-502 compliant, and that Bougainville had a lease payment arrangement with an I-502 license holder to operate on the land. Bougainville agreed to vend clear title to the real property associated with the I502 licensee to the joint venture within 30 days of the final payment by the registrant. Despite the Company complying with its full financial obligations, Bougainville did not and has not transferred the real property to the joint venture. The Company determined that Bougainville did not own the real property; misappropriated funds paid into the joint venture for its own purposes; and, did not possess an agreement with a licensed I-502 operator.

The Company's complaint seeks legal and equitable relief for breach of contract, fraud, breach of fiduciary duty, conversion, recession of the joint venture agreement, an accounting, quiet title to real property in the name of the registrant, for the appointment of a receiver, the return to treasury of 15 million shares issued to Bougainville, and, for treble damages pursuant to the Consumer Protection Act in Washington State. The registrant has filed a lis pendens on the real property. The case is currently in litigation. Trial is set for January 26-28, 2021.

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

COVID-19 may impact our business.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the COVID-19 include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19, and actions taken to mitigate it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which we operate. While it is unknown how long these conditions will last and what the complete financial effect will be to the Company, COVID-19 has had an adverse effect on our business. While we are taking diligent steps to mitigate disruptions to our business, we are unable to predict the extent or nature of these impacts, at this time, to our future financial condition and results of operations.

The Farm Bill recently passed, and undeveloped shared state-federal regulations over hemp cultivation and production may impact our business.

The Farm Bill was signed into law on December 20, 2018. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of USDA. A state's plan to license and regulate hemp can only commence once the Secretary of USDA approves that state's plan. In states opting not to devise a hemp regulatory program, USDA will need to construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. The details and scopes of each state's plans are not fully known at this time and may contain varying regulations that may impact our business. Even if a state creates a plan in conjunction with its governor and chief law enforcement officer, the Secretary of the USDA must approve it. There can be no guarantee that any state plan will be approved. Review times may be extensive. There may be amendments and the ultimate plans, if approved by states and the USDA, may materially limit our business depending upon the scope of the regulations

Laws and regulations affecting our industry to be developed under the Farm Bill are in development.

As a result of the Farm Bill's recent passage, laws and regulations affecting the hemp industry will evolve which could detrimentally affect our operations. Local, state and federal hemp laws and regulations may be 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.

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 September 30, 2020 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 2021 and beyond as it develops its business model. The Company has stockholders' deficiencies at December 31, 2019 and 2018 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.

Laws and regulations affecting our industry are constantly changing:

The constant evolution of laws and regulations affecting the cannabis and hemp industries could detrimentally affect our operations. 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 hemp. We believe that as hemp has become more accepted, the stigma associated with it will diminish and as a result consumer demand will continue to grow. While we believe that the market and opportunity in the hemp space continues to grow, we cannot predict the future growth rate and size of the market. Any negative outlook on the hemp 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™ sales are developing 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.

We have minimal directors and officer's insurance coverage in our industry which 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 have directors and officer's insurance to protect our directors, officers and the company against possible third-party claims, with minimal coverage, This is due to the significant lack availability of such policies in the cannabis industry at reasonably competitive prices. 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.

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 interferes with our businesses model from deducting ordinary and necessary business expenses. Since the Company entered the cannabis delivery business Viva Buds, 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 September 30, 2020, there were 1,913,880,887 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

The following sales of unregistered securities were completed by virtue of convertible notes issued by the Company. The issuances were made in reliance on the exemption from registration provided by Section 4.2. Each beneficial note holder was an "accredited investor" and/or "sophisticated investor" pursuant to Section 501(a)(b) of the Securities Act, who provided the Company with representations, warranties and information concerning their respective qualifications as a "sophisticated investor" and/or "accredited investor." The Company provided and made available to each note holder full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. The note holders acquired the restricted common stock for their own account, for investment purposes and not with a view to public resale or distribution thereof.

Power Up Lending Group

On July 7, 2020, the Company issued 10,416,667 shares of common stock to Power Up Lending Group.

On July 8, 2020, the Company issued 8,333,333 shares of common stock to Power Up Lending Group.

On July 9, 2020, the Company issued 6,913,043 shares of common stock to Power Up Lending Group.

On August 4, 2020, the Company issued 25,510,204 shares of common stock to Power Up Lending Group.

On August 5, 2020, the Company issued 25,510,204 shares of common stock to Power Up Lending Group.

On August 6, 2020, the Company issued 34,673,913 shares of common stock to Power Up Lending Group.

On September 8, 2020, the Company issued 31,645,570 shares of common stock to Power Up Lending Group.

On September 9, 2020, the Company issued 18,860,759 shares of common stock to Power Up LendingGroup.

GS Capital Partners

On July 8, 2020, the Company issued 9,714,032 shares of common stock to GS Capital Partners.

On July 20, 2020, the Company issued 21,959,447 shares of common stock to GS Capital Partners.

On July 27, 2020, the Company issued 21,030,617 shares of common stock to GS Capital Partners.

On August 10, 2020, the Company issued 30,876,821 shares of common stock to GS Capital Partners.

On August 11, 2020, the Company issued 23,081,373 shares of common stock to GS Capital Partners.

On August 12, 2020, the Company issued 44,694,444 shares of common stock to GS Capital Partners.

On August 20, 2020, the Company issued 19,313,512 shares of common stock to GS Capital Partners.

GW Holdings Group, LLC

On July 24, 2020, the Company issued 8,216,696 shares of common stock to GW Holdings Group, LLC.

On July 29, 2020, the Company issued 19,128,449 shares of common stock to GW Holdings Group, LLC.

On July 24, 2020, the Company issued 8,216,696 shares of common stock to GW Holdings Group, LLC.

On August 10, 2020, the Company issued 27,747,553 shares of common stock to GW Holdings Group, LLC.

BHP Capital

On July 23, 2020, the Company issued 12,250,733 shares of common stock to BHP Capital.

On July 28, 2020, the Company issued 17,504,341 shares of common stock to BHP Capital.

Jefferson Capital

On July 28, 2020, the Company issued 15,036,231 shares of common stock to Jefferson Capital.

On August 4, 2020, the Company issued 22,501,222 shares of common stock to Jefferson Capital.

LG Capital Funding, LLC

On September 9, 2020, the Company issued 72,811,566 shares of common stock to LG Capital Funding, LLC.

St. George Investments, LLC

On July 2, 2020, the Company issued 43,994,720 shares of common stock to St. George Investments, LLC.

On July 28, 2020, the Company issued 57,603,687 shares of common stock to St. George Investments, LLC.

On August 6, 2020, the Company issued 85,227,273 shares of common stock to St. George Investments, LLC.

On August 11, 2020, the Company issued 99,132,590 shares of common stock to St. George Investments, LLC.

On September 1, 2020, the Company issued 129,870,130 shares of common stock to St. George Investments, LLC.

Crown Bridge Partners

On July 30, 2020, the Company issued 7,500,000 shares of common stock to Crown Bridge Partners.

On August 10, 2020, the Company issued 12,500,000 shares of common stock to Crown Bridge Partners.

On August 11, 2020, the Company issued 15,000,000 shares of common stock to Crown Bridge Partners.

On August 12, 2020, the Company issued 18,793,103 shares of common stock to Crown Bridge Partners.

On September 2, 2020, the Company issued 12,500,000 shares of common stock to Crown Bridge Partners.

On September 22, 2020, the Company issued 15,000,000 shares of common stock to Crown Bridge Partners.

On September 22, 2020, the Company issued 17,000,000 shares of common stock to Crown Bridge Partners.

On September 30, 2020, the Company issued 15,000,000 shares of common stock to Crown Bridge Partners.

Natural Plant Extract

On August 5, 2020, the Company issued 46,666,667 shares of common stock to Natural Plant Extract.

On August 25, 2020, the Company issued 36,930,591 shares of common stock to Natural Plant Extract.

Nellcote Capital, LLC

On August 25, 2020, the Company issued 17,025,641 shares of common stock to Nellcote Capital, LLC.

Robert L. Hymers, III

On July 15, 2020, the Company issued 25,000,000 shares of common stock to Robert L. Hymers, III.

On July 24, 2020, the Company issued 16,702,305 shares of common stock to Robert L. Hymers, III.

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:

Exhibit Number	Exhibit Description	
3.1	Articles of Incorporation (1)	Incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-12g filed on May 23, 2017
3.2	By-laws (1)	Incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-12g filed on May 23, 2017
10.1	Global Hemp Group, Inc. Joint Venture Agreement(1)	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 19, 2018
10.2	Lease Extension; July 1, 2019 (1)	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q filed on November 19, 2019
31*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32**	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
101.INS*	XBRL Instance Document.	
101.SCH*	XBRL Taxonomy Extension Schema.	
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.	
101.LAB*	XBRL Taxonomy Extension Labels Linkbase.	
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.	
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.	

* 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: November 16, 2020

MARIJUANA COMPANY OF AMERICA, INC.

By: /s/ Jesus Quintero
Jesus Quintero
Principal Executive Officer

By: /s/ Jesus Quintero
Jesus Quintero
Principal Accounting Officer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE & CHIEF FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, Jesus M. Quintero, certify that:

1. I have reviewed this report on Form 10-Q of Marijuana Company of America, Inc., for the fiscal quarter ended September 30, 2020;

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

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

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

Date: November 16, 2020

/s/ *Jesus M. Quintero*
Jesus M. Quintero
Chief Executive Officer
& Chief Financial 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 September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jesus M. Quintero, Chief Executive Officer & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that, to the best of my knowledge and belief:

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.

Date: November 16, 2020

/s/ *Jesus M. Quintero*
Jesus M. Quintero
Chief Executive Officer &
Chief Financial 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