

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A- 2

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number 000-27039

MARIJUANA COMPANY OF AMERICA, INC.
(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of
incorporation or organization)

98-1246221
(I.R.S. Employer
Identification No.)

1340 West Valley Parkway, Ste. 205
Escondido, California
(Address of principal executive offices)

92029
(Zip Code)

(888) 777-4362
(Registrant's telephone number, including area code)

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

None
(Title of each class)

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

Common Stock, \$0.001 Par Value
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

The aggregate market value of the common stock held by non-affiliates, based upon the average bid and asked price of common stock, as of the last business day of the registrant's most recently completed fiscal year was \$51,993,133.

As of April 15, 2019, 2,689,790,776 shares of common stock were outstanding. As of December 31, 2018, 2,561,238,082 shares of common stock were outstanding.

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PART I.

ITEM 1. BUSINESS

This annual report on Form 10-K (including, but not limited to, the following disclosures regarding our Business) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this annual report on Form 10-K. Additionally, statements concerning future matters such as the development of new products, enhancements or technologies, sales levels, expense levels and other statements regarding matters that are not historical are forward-looking statements.

Forward-looking statements in this annual report on Form 10-K reflect our good faith judgment based on facts and factors currently known to us. Forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report on Form 10-K. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this annual report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made in this annual report on Form 10-K, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Company Background – Business Overview

We were incorporated in the State of Utah on October 4, 1985, under the name of 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. From 2009 to 2014, we operated primarily in the mining exploration business. In 2015, we left the mining business and began an internet-based marketing business focused on offerings from our “Majestic Menu” food service items offered to the hospitality and food service industry via an on-line internet site, where individuals could purchase retail direct from food distributors via credit cards and commercial accounts.

On September 4, 2015, Donald Steinberg and Charles Larsen purchased 400,000,000 shares of restricted common stock and 10,000,000 shares of the Preferred Class A stock from the Company’s President, Cornelia Volino, in exchange for \$105,000.00. On September 9, 2015, Donald Steinberg was appointed Chairman of the Board, Chief Executive Officer and Secretary of the Company. Mr. Larsen was appointed to the Board of Directors. The former officers and directors of the Company resigned concurrent with the new appointments. By virtue of Messrs. Steinberg and Larsen’s stock purchase and appointment to the Company’s Board of Directors, a purchase or sale of a significant amount of assets not in the ordinary course of business and a corresponding change of control occurred. The Company reported the change of control in its September 30, 2015 quarterly report filed with the OTC Markets. Thereafter, the Company’s business plans and operations changed to focus on cannabis and legalized hemp more fully discussed in this filing. The Company changed its name to Marijuana Company of America, Inc. and trading symbol on December 1, 2015.

Marijuana Company of America Inc. and subsidiaries is a publicly listed company quoted on OTC Markets OTCQB Tier under the symbol “MCOA”. We are based in Escondido, California. Our business develops, manufactures, markets and sells non-psychoactive industrial hemp, and hemp-derived consumer products containing cannabinoids (hereafter referred to as “CBD”), with a THC content of less than 0.03%. 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 species of industrial hemp derived CBD, and the possible health benefits thereof; and, (6) new and improved methods of hemp CBD extraction omitting or eliminating the delta-9 THC molecule. As part of our hemp related business, we entered into joint ventures to develop and grow, cultivate and harvest hemp in Scio, Oregon and are joint venture partners in a hemp research and development project in New Brunswick, Canada.

Principal Products and their Markets

hempSMART™

Our consumer products containing hemp and CBD are sold through our wholly owned subsidiary H Smart, Inc. under the brand name hempSMART™. We market and sell our hempSMART™ products directly through our web site, and through our affiliate marketing program, where qualified sales affiliates use a secure multi-level-marketing sales software program that facilitates order placement over the internet via a web site, and accounts for affiliate orders and sales; calculates referral benefits apportionable to specific sales associates and calculates and accounts for loyalty and rewards benefits for returning customers. We also retained a full-service marketing company that uses a multi-channel transactional marketing campaign focused on digital advertising, infographics, content marketing, customer incentives and acquisition, a broad social media presence, as well as search engine marketing and optimization that includes comprehensive research and analytics and order fulfillment in order to boost direct sales.

Our current hempSMART™ wellness products offerings include the following:

- **hempSMART Brain™** a proprietary patented and formulated personal care consumer product encapsulated with enriched non-psychoactive industrial hemp derived CBD. This encapsulation is combined with other high quality, proprietary natural ingredients to compliment CBD to support brain wellness.
- **hempSMART Pain™** capsules formulated with 10mg of Full Spectrum, non-psychoactive CBD per serving, derived from industrial hemp, which along with a proprietary blend of other natural ingredients, delivers an all-natural formulation for the temporary relief of minor discomfort associated with physical activity.
- **hempSMART Pain Cream™** each container formulated with 300mg of full spectrum non-psychoactive CBD derived from industrial hemp. The newly developed product contains a synergistic combination of natural botanicals and full spectrum hemp extract featuring CBD, CBG and a broad range of terpenes. The Company's proprietary blend of Ayurvedic herbs along with Menthol, Cayenne Pepper Extract, Rosemary Oil, Aloe Gel, White Willow Bark, Arnica, Wintergreen Extract and Tea Tree Oil, provides an immediate cooling and soothing sensation. This topical wellness consumer product is formulated to help reduce minor discomfort and promote muscle relaxation on areas that it is applied.
- **hempSMART Drops™** full Spectrum Hemp CBD Oil Tincture Drops, available in 250mg and 500mg bottles, enriched with non-psychoactive industrial hemp derived CBD, and available in four different flavors: lemon, mint, orange and strawberry that is free of the THC isolate.
- **hempSMART Pet Drops™** for cats and dogs, formulated with 250mg of full spectrum non-psychoactive CBD derived from industrial hemp. This new specially formulated product contains naturally occurring CBD derived from hemp seed oil, full spectrum hemp extract, fractionated coconut oil, and a rich bacon flavor.
- **hempSMART Face™** a nourishing facial moisturizer combines full spectrum CBD from hemp, with a unique blend of Ayurvedic herbs and botanicals. Designed to refresh, replenish and restore the skin providing long lasting hydration and balance.

Consulting Services

We also provide financial accounting and property management services for companies associated with the cannabis industry in all stages of development. Our services include the following:

- **Financial Accounting and Bookkeeping.** Our business accounting services provide financial accounting, bookkeeping and reporting protocols in order to allow licensed cannabis and/or hemp operators, in those states where cannabis has been legalized for medicinal and/or recreational use, to report collect, verify and state effective financial records and disclosure. We provide a comprehensive accounting strategy based on best accounting practices. We understand the challenges and complexities of financial accounting in the regulated commercial cannabis market and we have the expertise to help client businesses report their financial operations consistent with GAAP. As of the date of this filing, we have not offered any consulting, bookkeeping or financial accounting consulting services that have generated reportable revenues as of 2017 and 2018.
- **Property Management Consulting.** Our property management consulting services consist of providing planning, budgeting, acquisition, accounting and management services to licensed cannabis and/or hemp operators in those states where cannabis and/or hemp has been legalized for medicinal and/or recreational use, and who are searching for appropriate real property to conduct operations. As of the date of this filing, we have not offered any real property management consulting services that have generated reportable revenues as of 2017 and 2018.

Joint Ventures and Investments

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

- **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 15 million shares of the Company's restricted common stock. The Company completed its payments pursuant to the amended agreement on November 7, 2017, and on November 9, 2017, issued to Bougainville 15 million shares of restricted common stock. 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 to sub-divide the property, so that the appropriate portion could be deeded to the joint venture. Although Bougainville represented it would pay the delinquent taxes, it has not. To date, the property has not been deeded to the joint venture.

To clarify the respective contributions and roles of the parties, the Company also offered to enter into good faith negotiations to revise and restate the joint venture agreement with Bougainville. The Company diligently attempted to communicate with Bougainville in good faith to accomplish a revised and restated joint venture agreement, and efforts towards satisfying the 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.

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.

- **GateC Joint Venture:** 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.

- **MoneyTrac Technology, Inc.:** MoneyTrac Technology, Inc. is a developer of an integrated and streamlined electronic payment processing system containing E-Wallet and mobile applications, that allows for the management and processing of prepaid cards, debit cards, and credit card payments. We entered into a stock purchase agreement with MoneyTrac on March 13, 2017 to purchase a 15% equity position in MoneyTrac. On July 27, 2017 we completed tender of the purchase price of \$250,000. MoneyTrac's business and banking software solutions offer firms the ability to deposit funds directly into a "MoneyTrac Merchant Wallet," created and controlled by the firm, from which the firm can manage and provide inventory management, payroll processing, and audit tracking; and, the creation of "Customer Wallets," by anyone who wants to engage in cashless transactions, by loading money into their "MoneyTrac Customer Wallet" from a bank account or through a MoneyTrac kiosk, which also accepts debit and credit card transactions. MoneyTrac's kiosks are marketed to businesses that wish to offer cashless transactions to its customers, who can choose to either have funds loaded directly into their "Customer Wallet" or onto a pre-paid debit card. MoneyTrac's system provides for a secure, managed and auditable record of cashless transactions that is designed to be marketed to firms who want an alternative payment and management method for transacting business, including those firms in the legalized cannabis business in those states where cannabis has been legalized for recreational and/or medicinal use. On June 12th, 2018 Global Payout, Inc. ("Global", "Parent") entered into a Reverse Triangular Merger (the "Merger") with MoneyTrac Technology, Inc. ("MoneyTrac") a California Corporation and MTrac Tech Corporation ("Merger Sub") a Nevada corporation and wholly-owned subsidiary of Global Payout, Inc. whereby MoneyTrac Technology was successfully merged into MTrac Tech, the surviving corporation of the merger, and thereafter the separate existence of MoneyTrac ceased and all rights, privileges, powers and property, including, without limitation, all rights, privileges, franchise, patents, trademarks, licenses, registrations, bank accounts, contracts, patents, copyrights, and other assets of every kind and description of MoneyTrac were assumed by Merger Sub. Additionally, Merger Sub assumed all of the 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 Agreement. 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 purchase 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.

- **Convenient Hemp Mart, LLC;** Convenient Hemp Mart, LLC is a Wyoming limited liability company whose business plan includes the development, manufacture and sale of consumer products containing CBD that are intended for marketing and sales at convenience stores, gas stations and markets. On July 19, 2017, we agreed to lend fifty thousand dollars (\$50,000) to Convenient based on a promissory note. The note provided that in lieu of receiving repayment, we could elect to exercise a right to convert the loaned amount into a payment towards the purchase of a 25% interest in Convenient, subject to our payment of an additional fifty thousand dollars [\$50,000] equaling a total purchase price of \$100,000. The Company exercised this option on November 20, 2017 and made payment to Convenient on November 21, 2017. Convenient developed a line of consumer products containing industrial hemp derived CBD with no traceable THC content. The product line includes tinctures that combine industrial hemp-derived CBD with hemp seed oil, coconut oil and other essential natural oils; a muscle cream product that combines industrial hemp-derived CBD with natural oils; a hand lotion that combines industrial hemp derived CBD with lavender oils; and a line of pet treats that combine industrial hemp-derived CBD with natural oils.
- **Global Hemp Group, Inc. Joint Venture;** On September 5, 2017, we announced our agreement to participate in a joint venture with Global Hemp Group Inc., a Canadian corporation, in a multi-phase industrial hemp project on the Acadian peninsula of New Brunswick, Canada. The joint venture's goal is to develop a "Hemp Agro-Industrial Zone", a concept that promotes and engages farmers, processors and manufacturers to collaboratively produce and process 100% of the hemp plant into a number of wholesale materials that can be manufactured into healthy and sustainable products. The "HAIZ" will be surrounded by hemp production thereby minimizing the cost of expensive transportation to distant processing facilities. The "Hemp Agro-Industrial Zone" has a goal of producing social and environmental benefits to the communities where they operate. These zones are envisioned to prospectively create jobs for farmers, foster rural development, provide the opportunity to develop more sustainable products of superior quality and help support Global Hemp Group's commitment to creating a carbon free economy. The first phase of the project involved lab testing in support of the trials. The Collège Communautaire du Nouveau Brunswick (CCNB) in Bathurst, New Brunswick ("CCNB") intends to assist Global Hemp Group in research on its ongoing industrial hemp trials in the region, and to perform laboratory tests in support of these trials. These tests will provide information to validate agronomic and key yield data in preparation of a large-scale industrial development project that will involve processing of the full plant: grain, straw, flowers and leaves, scheduled to begin in 2018. The results of these tests will also be used in discussions with farmers of the region to refine a hemp-based farming model, and to mobilize additional farmers for the next growing season. Our participation included providing one-half, or \$10,775 of the funding for the phase one work. On January 10, 2018, phase-one was completed by successfully cultivating industrial hemp during the 2017 growing season for research purposes. The objective of phase one was to re-introduce hemp into the area and ensure that it could be productive under New Brunswick growing conditions prior to significantly increasing cultivation acreage and building a hemp processing facility in the region, in future phases of the project. As a result of our participation in the joint venture, we will share in the ownership of research and development of hemp and CBD related studies produced by the New Brunswick Project, and, in the event Canadian laws governing the growing, harvesting, manufacturing and production of products containing hemp and CBD change (as expected, but not guaranteed) in 2018, we would benefit from possible preferred pricing and terms for the purchase of hemp and CBD that would enable us to further conduct its business and research and development into hemp and CBD products. Our New Brunswick joint venture with Global Hemp Group, Inc. is a related party transaction insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and was a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.
- **Global Hemp Group Joint Venture/Scio Oregon Hemp Project;** On May 8, 2018, the Company, Global Hemp Group, Inc., a Canadian corporation, and TTO Enterprises, Ltd., an Oregon corporation entered into a Joint Venture Agreement. The purpose of the joint venture is to develop a project to commercialize the cultivation of industrial hemp on a 109 acre parcel of real property owned by the Company and Global Hemp Group in Scio, Oregon, and operating under the Oregon corporation Covered Bridges, Ltd. The joint venture is in the development stage. 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, Inc. now have an equal 50-50 interest in the joint venture. The joint venture agreement commits 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 has complied with its payments. The 2018 crop of hemp grown on the joint venture's real property consisted of 33 acres of high yielding CBD hemp grown in an orchard style cultivation on the property. The 2018 harvest consisted of approximately 37,000 high yielding CBD hemp plants producing 24 tons of biomass that produced 48,000 pounds of dried biomass. The joint venture partners prepared processing samples ranging in size from 100 lbs to 2,000 lbs. for sample offers to extraction companies. The biomass is being processed into CBD crude oil with the option to refine it further into isolate, or full spectrum oil, in order to increase its value on the market. Results from the current extraction test batches are expected to be received by mid-April 2019 and will serve as a basis for the final terms of the sale of the biomass by the Partners. Our joint venture with Global Hemp Group regarding the Scio Oregon project is a related party transaction insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

The following table indicates the amount of impairments recorded by the Company quarter to quarter for investment activity quarter to quarter related to its joint venture investments:

INVESTMENTS

SHORT-TERM INVESTMENTS

	INVESTMENTS				SHORT-TERM INVESTMENTS			
	TOTAL	Global Hemp			Bougainville	Gate C		
	INVESTMENTS	Group	Benihemp	MoneyTrac	Ventues, Inc.	Research Inc.	Short-Term Investments	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 Loss	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	100,000	250,000	334,702	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	<u>\$ 408,077</u>	<u>\$ 408,077</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 810,000</u>
							<u>\$ 810,000</u>

The following table indicates the amount of debt the Company recorded quarter to quarter as a result of its joint venture investments:

	Loan Payable						
	TOTAL	Global Hemp Group	Benihemp	MoneyTrac	Bougainville Ventues, Inc.	Gate C Research Inc.	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)	<u>2,067,411</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>394,555</u>	<u>1,500,000</u>	<u>172,856</u>
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)	<u>\$ 1,422,410</u>	<u>\$ 1,027,855</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,555</u>	<u>\$ 0</u>	<u>\$ 0</u>
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	<u>\$ 1,664,793</u>	<u>\$ 1,270,238</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,555</u>	<u>\$ 0</u>	<u>\$ 0</u>
This includes balances for:							
			03-31-19	12-31-18	12-31-17		
			Note (c)	Note (b)	Note (a)		
- Debt obligation of JV			128,522	289,742	1,500,000		
- Convertible NP, net of discount			1,536,271	1,132,668	394,555		
- Longterm debt			0	0	172,856		
Total Debt balance			<u>1,664,793</u>	<u>1,422,410</u>	<u>2,067,411</u>		

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 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. THC refers to 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—under federal law and would thus face no legal protection under this new legislation and would be an illegal Schedule 1 drug 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 still a lot to learn about hemp and its products from commercial and market perspectives.

We currently operate two divisions within the regulated cannabis 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

Sales and Marketing

We market and sell our services and products throughout the United States in states that have implemented regulated cannabis programs as well as Canada. We intend to expand our offerings as additional countries, states and jurisdictions adopt state-regulated or federal programs. 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.

On March 21, 2019, our wholly owned subsidiary, hempSMART, Ltd., a corporation organized in the United Kingdom, officially launched the sales efforts for the Company’s industrial hemp CBD formulated hempSMART™ products in the United Kingdom. We retained Mr. Ian Harvey as our Global Sales Director. Our sales efforts in the UK and EU will be accomplished through our affiliate marketing program.

Research and Development

Our research and development activity for the fiscal year ended December 31, 2018 was primarily focused on formulations of our various hempSMART™ products. Our research and development costs were \$1,500. We expect to conduct additional research and development as the Company expands its hempSMART™ line of products.

Significant Customers

Sales of our hempSMART™ products, both directly by us and through our affiliate marketing sales program, have yet to produce material revenues, and so our operations have not resulted in reportable significant customers. Company has recently launched a wholesale marketing model, which went fully operational, may result in a concentration of sales coming from one customer.

Intellectual Property

On February 12, 2019, the U. S. Patent Office issued patent number 10,201,553 for the Company's hempSMART™ Brain product. On October 3, 2016, H Smart, Inc. filed a trademark application with the U.S. Patent and Trademark Office for the tradename hempSMART™, Application No. 87/531,833. The trademark has not yet been registered, and the application is pending.

Competition

Our competitors include professional services firms dedicated to the regulated hemp industry, as well as sellers of hemp-based CBD products. We compete in markets where cannabis and/or hemp has been legalized and regulated, which includes various states within the United States and Canada. We expect that the quantity and composition of our competitive environment will continue to evolve as the industry matures. Additionally, increased competition is possible to the extent that new states and geographies enter the marketplace as a result of continued enactment of regulatory and legislative changes that de-criminalize and regulate cannabis and hemp products, such as and including the 2018 Farm Bill. We believe that by being well established in the industry, our experience, and our continued expansion of service and product offerings in new and existing locations, are factors that mitigate the risk associated with operating in a developing competitive environment. Additionally, the contemporaneous growth of the industry as a whole will result in new customers entering the marketplace, thereby further mitigating the impact of competition on our expected operations and results.

Employees

As of December 31, 2018, we had 16 full-time employees and independent contractors, most of whom are U.S. based, primarily in California at our Escondido headquarters. None of our U.S employees are represented by a labor union.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and our business before purchasing our securities. Our business, operating results and financial condition could be seriously harmed as a result of the occurrence of any of the following risks. You could lose all or part of your investment due to any of these risks. You should invest in our common stock only if you can afford to lose your entire investment.

Risks Related to Our Business

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 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, there will be a constant evolution of laws and regulations affecting the hemp industry 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.

Risk of government action.

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

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

We launched our first hempSMART™ product, hempSMART Brain™, in November 2016. Since then, we have introduced a number of other consumer products, including hempSMART Pain™, hempSMART™ Full Spectrum Pet Drops™, and hempSMART™ Full Spectrum Drops™. As we continue to conduct the research and development and release of other hempSMART™ products and continue to pursue our business interests in Convenient Hemp Mart, LLC, MoneyTrac Technology, Inc., and our joint ventures with Global Hemp Group, Inc. in Scio, Oregon and New Brunswick, Canada, we anticipate increases in our operating expenses, without realizing significant revenues from operations. Within the next 12 months, these increases in expenses will be attributed to the cost of (i) administration and start-up costs, (ii) research and development, (iii) advertising and website development, (iv) legal and accounting fees at various stages of operation, (v) joint venture activities, (vi) creating and maintaining distribution and supply chain channels. Our joint ventures with Global Hemp Group are related party transactions insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

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

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 and hemp-derived CBD. We believe that as hemp and hemp-derived CBD becomes more accepted as a result of the passage of the Farm Bill, the stigma associated with hemp and CBD 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 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 Farm Bill established that hemp containing less than .03% THC was no longer a Schedule 1 drug under the CSA. Previously, the U.S. Food and Drug Administration (“FDA”) did not approve hemp or CBD derived from hemp as a safe and effective drug for any indication. The FDA considered hemp and hemp-derived CBD as illegal Schedule 1 drugs. Further, the FDA has concluded that products containing hemp or CBD derived from 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, as a result of the passage of the Farm Bill, at some indeterminate future time, the FDA may choose to change its position concerning products containing hemp, or CBD derived from 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 hemp; regulations covering the physical facilities where hemp is grown; and possible testing to determine efficacy and safety of hemp derived CBD. In this hypothetical event, our 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 hemp 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.

Laws governing our access to banking services are uncertain and are in a state of flux.

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. These provisions created barriers to our banking operations. With the passage of the Farm Bill, we expect that the banking industry will be more open to doing business with compliant hemp businesses. Currently, the U.S. Congress is considering the Secure and Fair Enforcement Banking Act sponsored by Reps. Ed Perlmutter (D-CO) Denny Heck (D-WA), Steve Stivers (R-OH) and Warren Davidson (R-OH) filed in March, 2019 designed to protect banks that service the marijuana industry from being penalized by federal regulators. The act currently has 138 cosponsors—more than a quarter of the House. However, this may take time and may not result in a more open banking climate. We expect that banks will be more open to serving cannabis and hemp businesses, but there is no guarantee – even with the passage of the Farm Bill.

Banking regulations in our business are costly and time consuming.

In assessing the prospective risk of providing services to a hemp-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; (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 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 are service providers to companies in the cannabis 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 less desirable to consumers or obsolete. There can be no assurance that we will be able to successfully compete against these other entities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be unable to fully capture the expected value from our Scio, Oregon and New Brunswick joint ventures with Global Hemp Group, Inc.

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

Our joint ventures Global Hemp Group, Inc. rely significantly upon the activities of Global Hemp Group, Inc. in Oregon and Canada. These joint ventures are subject to conformity with Oregon and Canadian law. We will not be directly involved with the operations, and will rely upon Global Hemp Group' personnel, business acumen, experience and involvement to insure compliance with the parameters of the research project and its compliance with applicable law.

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

Our two ongoing joint ventures with Global Hemp Group are related party transactions insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

There could be unidentified risks involved with an investment in our securities.

The foregoing risk factors are not a complete list or explanation of the risks involved with an investment in the securities. Additional risks will likely be experienced that are not presently foreseen by the Company. Prospective investors must not construe this the information provided herein as constituting investment, legal, tax or other professional advice. Before making any decision to invest in our securities, you should read this entire prospectus and consult with your own investment, legal, tax and other professional advisors. An investment in our securities is suitable only for investors who can assume the financial risks of an investment in the Company for an indefinite period of time and who can afford to lose their entire investment. The Company makes no representations or warranties of any kind with respect to the likelihood of the success or the business of the Company, the value of our securities, any financial returns that may be generated or any tax benefits or consequences that may result from an investment in the Company.

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.

It is unknown whether the passage of the Farm Bill will provide us trademark protection for our hempSMART™ brand and products.

We have applied for a trademark for our hempSMART™ brand name. Before passage of the Farm Bill, we were uncertain that we could obtain patent or trademark protection for our products. Because hemp derived CBD was considered an illegal Schedule 1 drug under federal law. With the passage of the Farm Bill, we may be able to overcome these uncertainties, since hemp containing less than .03% THC is no longer a Schedule 1 drug under the CSA. However, we cannot guarantee more favorable treatment and the failure to obtain trademark protection may materially impact our brand establishment, sales 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 party's 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. In addition, severe weather, including drought and hail, can destroy a hemp crop, which could result in our having no hemp to harvest, process and sell. 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.

Our hempSMART™ sales in the UK may be subject to unforeseeable regulation that may have a material impact on our efforts to sell our hempSMART™ products in the UK.

Currently, the UK regulates wellness products containing CBD through its Medicines and Healthcare products Regulatory Agency (“MHRA”). Pursuant to the MHRA, only wellness products containing less than 0.2% THC may be sold in the UK. Our latest laboratory results from testing the THC content of our hempSMART™ products containing CBD derived from industrial hemp show that our products approach 0% THC. While we are confident that our hempSMART™ products are compliant with regulations in the UK, these regulations may change unforeseeably, and any such changes may have a material effect on our ability to market and sell our hempSMART™ products in the UK.

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 April 12, 2019, there were 2,689,790,776 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 from our recently filed Form S-1 registration statement with K&J Funds, LLC. 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.

Our variably priced convertible notes may result in dilution.

As a result of our having entered into variably priced convertible promissory notes with Chicago Ventures Partners, that also include cashless warrants, we may be required to issue additional shares of our common stock which will cause dilution. As a result, such issuances will reduce the value of existing investors’ shares and their proportional ownership of our company.

Trading in our common stock on the OTCQB Exchange has been subject to wide fluctuations.

Our common stock is currently quoted for public trading on the OTCQB Market Tier. Our common stock was previously traded on the OTC Markets Pink 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.

There could be unidentified risks involved with an investment in our securities.

The foregoing risk factors are not a complete list or explanation of the risks involved with an investment in the securities. Additional risks will likely be experienced that are not presently foreseen by the Company. Prospective investors must not construe this the information provided herein as constituting investment, legal, tax or other professional advice. Before making any decision to invest in our securities, you should read this entire prospectus and consult with your own investment, legal, tax and other professional advisors. An investment in our securities is suitable only for investors who can assume the financial risks of an investment in the Company for an indefinite period of time and who can afford to lose their entire investment. The Company makes no representations or warranties of any kind with respect to the likelihood of the success or the business of the Company, the value of our securities, any financial returns that may be generated or any tax benefits or consequences that may result from an investment in the Company.

K&J will pay less than the then-prevailing market price for our common stock.

Our common stock to be sold to K&J pursuant to the Form S-1 we filed December 27, 2018, and the associated Investment Agreement dated December 20, 2018, will be purchased at a price equal to eighty-eight percent (88%) of the lowest daily VWAP during a pricing period beginning five trading days after a put notice. K&J has a financial incentive to sell our common stock immediately upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If K&J sells the shares, the price of our common stock could decrease. If our stock price decreases, K&J may have a further incentive to sell the shares of our common stock that it holds. These sales may have a further impact on our stock price. As of the date of this filing, the SEC has not granted effectiveness to our registration statement.

We are registering on Form S-1 the resale of a maximum of 500,000,000 shares of common stock, all of which may be issued to K&J under the Equity Line; The resale of such shares by K&J could depress the market price of our common stock.

We are registering the resale of a maximum of 500,000,000 shares of common stock under the S-1 registration statement filed on December 27, 2018. Assuming the SEC grants the S-1 effectiveness, the sale of these shares into the public market by K&J could depress the market price of our common stock. As of April 12, 2019, there were 2,689,790,776 shares of our common stock issued and outstanding. In total, we may issue up to 500,000,000 shares (estimated using last reported sale price of our common stock on the OTC Markets on December 20, 2018 of \$0.02 per share) to K&J pursuant to the Equity Line, meaning that we may be obligated to file one or more registration statements covering the remaining allowable shares not covered by the registration statement. The sale of those additional shares into the public market by K&J could further depress the market price of our common stock. As of the date of this filing, the SEC has not granted effectiveness to our registration statement.

K&J Will Pay less than the then-prevailing Market Price for Our Common Stock under the Equity Line.

The common stock to be issued to K&J pursuant to the Form S-1 and associated Investment Agreement will be purchased at a 12% discount to the volume weighted average price of our common stock during the ten consecutive trading day period beginning on the trading day immediately following the date of delivery of a put notice by us to K&J, subject to certain exceptions. Therefore, K&J has a financial incentive to sell our common stock upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If K&J sells the shares, the price of our common stock could decrease. As of the date of this filing, the SEC has not granted effectiveness to our registration statement.

We May Not Be Able to Access Sufficient Funds under the Equity Line When Needed.

Our ability to put shares to K&J and obtain funds under the Equity Line is limited by the terms and conditions in the Investment Agreement, including restrictions on when we may exercise our put rights, restrictions on the amount we may put to K&J at any one time, which is determined in part by the trading volume of our common stock, and a limitation on our ability to put shares to K&J to the extent that it would cause K&J to beneficially own more than 4.99% of our outstanding shares. In addition, we do not expect the Equity Line to satisfy all of our funding needs, even if we are able and choose to take full advantage of the Equity Line.

Certain restrictions on the extent of puts and the delivery of advance notices may have little, if any, effect on the adverse impact of our issuance of shares in connection with the investment agreement with K&J, and as such, K&J may sell a large number of shares, resulting in substantial dilution to the value of shares held by existing stockholders.

K&J has agreed, subject to certain exceptions listed in the investment agreement with K&J, to refrain from holding a number of shares which would result in K&J or its affiliates owning more than 4.99% of the then-outstanding shares of our common stock at any one time. These restrictions, however, do not prevent K&J from selling shares of our common stock received in connection with a put, and then receiving additional shares of our common stock in connection with a subsequent put. In this way, K&J could sell more than 4.99% of the outstanding common stock in a relatively short time frame while never holding more than 4.99% at one time.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Inapplicable as we are not a large accelerated filer, as defined in Rule 12b-2 of the Exchange Act, or a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

ITEM 2. PROPERTIES

We maintain a lease for our principal office located at 1340 West Valley Parkway #205, Escondido, CA 92029. Our lease is for a two-year term and we pay a monthly rent of \$1,974.

ITEM 3. 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.

Background. 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 15 million shares of the Company's restricted common stock. The Company completed its payments pursuant to the amended agreement on November 7, 2017, and on November 9, 2017, issued to Bougainville 15 million shares of restricted common stock. 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 to sub-divide the property, so that the appropriate portion could be deeded to the joint venture. Although Bougainville represented it would pay the delinquent taxes, it has not. To date, the property has not been deeded to the joint venture.

To clarify the respective contributions and roles of the parties, the Company also offered to enter into good faith negotiations to revise and restate the joint venture agreement with Bougainville. The Company diligently attempted to communicate with Bougainville in good faith to accomplish a revised and restated joint venture agreement, and efforts towards satisfying the 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.

Company Determines to File Suit. 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. No trial date has been set.

Settled Legal Proceedings

- On June 25, 2018, DTTTO Funding filed a complaint against the Company for breach of contract related to the Company's April 20, 2017 convertible promissory note in which DTTTO lent the Company \$111,111. Principal and interest in the note were, at the election of DTTTO, convertible into common shares of the Company. On November 30, 2017, DTTTO notified the Company of an election to convert a portion of the note to common shares, but the Company failed to process the conversion. The Company failed to repay principal and interest otherwise due on the maturity date of April 20, 2018. DTTTO's action sought damages against the Company including principal, default interest, liquidated damages, attorney fees and costs in an amount with an alleged present cash value of \$1,787,981.10.

The Company filed an answer to the complaint. Thereafter, the Company entered into settlement negotiations with DTTO. In its review of the complaint, the Company determined (i) it had no money to pay damages under the note including principal, interest, liquidated damages, penalties and costs; (ii) it could not fund its litigation related expenses in Texas; (iii) it may be exposed to potential additional attorney fees and costs in the event the Company loses the litigated case; (iv) there was a benefit to obtaining a quick resolution of the litigated case; and, (v) litigating the case would require a significant commitment of personal time and costs for the Company's affiliates, directors and officers, taking them away from the business of the Company. The Company's negotiations led to a proposed stipulation for settlement, a court order and joint motion for entry of judgment based on the negotiated settlement. The Company reviewed the terms and determined the total number of shares issuable under the proposed stipulation were reasonable in light of the above noted reasons. The Company, in an exercise of prudent business judgment, determined that entry into the stipulated judgment was reasonable and in the best interests of the shareholders, because settlement would terminate the litigation, allowing the Company to avoid accrual of additional damages under the note recoverable by Plaintiff including interest, liquidated damages, penalties and costs; and, entry into the proposed Stipulation will also end the Company's obligations to pay for its own legal counsel fees and related litigation fees, which it could afford. On September 4, 2018, after noticed motion, Judge Sam A. Lindsay granted the joint motion and adopted the stipulation to settle the case as the order of the Court. As a result, pursuant to Section 3(a)(10) and the Court's order, the Company issued 57,676,810 common stock shares in settlement of the litigation with prejudice for at a total value of \$1,701,466 and thus eliminating the contingent liability.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

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

Our common stock trades on OTC Markets OTCQB Market Tier under the ticker symbol "MCOA". As of December 31, 2018, there were 371 holders of record of our common stock. The following table sets forth, for the periods indicated, the high and low closing sales prices of our common stock:

	High	Low
2018		
Quarter Ended December 31	\$ 0.0351	\$ 0.0115
Quarter Ended September 30	\$ 0.0425	\$ 0.0261
Quarter Ended June 30	\$ 0.0487	\$ 0.0259
Quarter Ended March 31	\$ 0.0646	\$ 0.0242
2017		
Quarter Ended December 31	\$ 0.0687	\$ 0.0221
Quarter Ended September 30	\$ 0.0489	\$ 0.0195
Quarter Ended June 30	\$ 0.057	\$ 0.0181
Quarter Ended March 31	\$ 0.1104	\$ 0.0442

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our common stock. Instead, we currently anticipate that we will retain all of our future earnings, if any, to fund the operation and expansion of our business and to use as working capital and for other general corporate purposes. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

UNREGISTERED SALES OF EQUITY SECURITIES

The following information represents securities sold by the Company as of December 31, 2018 which were not registered under the Securities Act, and were not previously reported in a Quarterly Report on Form 10-Q, or in a Current Report on Form 8-K (17 CFR 249.308). Included are sales of reacquired securities, as well as new issues, securities issued in exchange for property, services, or other securities, and new securities resulting from the modification of outstanding securities.

On August 31, 2018, the Company issued two hundred and fifty thousand common shares to Jesus Quintero in exchange for services as Chief Financial Officer. The issuance to Mr. Quintero was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Quintero 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Quintero full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Quintero acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On October 2, 2018, the Company issued one million, five hundred thousand common shares to Casey Eberhart in exchange for services. The issuance to Mr. Eberhart was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Eberhart 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Eberhart full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Eberhart acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

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

On October 30, 2018, the Company issued one million common shares to Trevor Muehlfelder for services. The issuance to Mr. Muehlfelder was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Muehlfelder 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Muehlfelder full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Muehlfelder acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

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

On November 19, 2018, the Company issued one million common shares to Lauren Regier for services. The issuance to Ms. Regier was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Ms. Regier 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 her qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Ms. Regier full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Ms. Regier acquired the restricted common stock for her own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On November 27, 2018, the Company issued five hundred thousand shares to Ian Harvey for services. The issuance to Mr. Harvey was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Harvey 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Harvey full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Harvey acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On December 18, 2018, the Company issued three million common shares to Sam Rosenberg for services. The issuance to Mr. Rosenberg was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Rosenberg 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Rosenberg full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Rosenberg acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On December 18, 2018, the Company issued two million shares to Trevor Muehlfelder for services. The issuance to Mr. Muehlfelder was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Muehlfelder 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Muehlfelder full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Muehlfelder acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On December 18, 2018, the Company issued one million common shares to Vanessa Hunter for services. The issuance to Ms. Hunter was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Ms. Hunter 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 her qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Ms. Hunter full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Ms. Hunter acquired the restricted common stock for her own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On December 27, 2018, the Company issued ten million common shares to Robert L. Hymers III in exchange for consulting services. The issuance to Mr. Hymers was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Hymers 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 its qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Hymers full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Hymers acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On January 9, 2019, the Company issued five million common shares to Caren Glasser for services. The issuance to Ms. Glasser was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Ms. Glasser 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 her qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Ms. Glasser full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Ms. Glasser acquired the restricted common stock for her own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On February 28, 2019, the Company issued five hundred thousand common shares to Ian Harvey for services. The issuance to Mr. Harvey was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Harvey 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Harvey full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Harvey acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act.

Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

On March 29, 2019, the Company issued five hundred thousand common shares to Casey Eberhart for services. The issuance to Mr. Eberhart was made in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and Rule 506 of Regulation D promulgated thereunder, with respect to the issuance of the restricted stock. Mr. Eberhart 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 his qualifications as a “sophisticated investor” and/or “accredited investor.” The Company provided and made available to Mr. Eberhart full information regarding its business and operations. There was no general solicitation in connection with the offer or sale of the restricted securities. Mr. Eberhart acquired the restricted common stock for his own account, for investment purposes and not with a view to public resale or distribution thereof within the meaning of the Securities Act. The restricted shares cannot be sold unless pursuant to an effective registration statement by the Company, or by an exemption from registration requirements of Section 5 of the Securities Act—the existence of any such exemption subject to legal review and approval by the Company.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

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

The statements contained in this report that are not statements of historical fact, including without limitation, statements containing the words “believes,” “expects,” “anticipates” and similar words, constitute forward-looking statements that are subject to a number of risks and uncertainties. From time to time we may make other forward-looking statements. Investors are cautioned that such forward-looking statements are subject to an inherent risk that actual results may materially differ as a result of many factors, including the risks discussed from time to time in this report, including the risks described under “Risk Factors” in any filings we have made with the SEC.

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, net lease intangibles, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

Background

Marijuana Company of America, Inc. and subsidiaries is a publicly listed company quoted on OTC Markets OTCQB Market Tier under the symbol “MCOA”. We are a Smaller Reporting Company based in Escondido, California. 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 cannabinoids (“CBD”) and the possible health benefits thereof; and, (6) new and improved methods of hemp cannabinoid extraction omitting or eliminating the delta-9 tetrahydrocannabinol “THC” molecule.

We also develop, manufacture and sell, through our wholly owned subsidiary H Smart, Inc., 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 a 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.

We also provide financial accounting, bookkeeping, services, real property management, and reporting protocols in order to allow licensed cannabis and/or hemp operators, in those states where cannabis has been legalized for medicinal and/or recreational use, to report collect, verify and state effective financial records and disclosure. We provide a comprehensive accounting strategy based on best accounting practices. As of the date of this filing, we have not offered any financial accounting, bookkeeping or real property management consulting services that have generated reportable revenues as of 2017 and 2018.

We also make selected diversified investments in other related new start-up businesses in the legalized cannabis and hemp industry. Currently, we have made investments in startup ventures, including: Bougainville Ventures, Inc., GateC Research, Inc., MoneyTrac Technology, Inc., Convenient Hemp Mart, LLC, and two joint ventures with Global Hemp Group, Inc. (See Item 1, Business; Principal Products and their Markets; Joint Ventures and Investments). Our two joint ventures with Global Hemp Group are related party transactions insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

We were incorporated in the State of Utah on October 4, 1985, under the name of 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. From 2009 to 2014 we operated primarily in the mining exploration business. In 2015, we left the mining business and began an internet-based marketing business focused on offerings from our "Majestic Menu" food service items offered to the hospitality and food service industry via an on-line internet site, where individuals could purchase retail direct from food distributors via credit cards and commercial accounts.

On September 4, 2015, Donald Steinberg and Charles Larsen purchased 400,000,000 shares of restricted common stock and 10,000,000 shares of the Preferred Class A stock from the Company's President, Cornelia Volino, in exchange for \$105,000.00. On September 9, 2015, Donald Steinberg was appointed Chairman of the Board, Chief Executive Officer and Secretary of the Company. Mr. Larsen was appointed to the Board of Directors. The former officers and directors of the Company resigned concurrent with the new appointments. By virtue of Messrs. Steinberg and Larsen's stock purchase and appointment to the Company's Board of Directors, a purchase or sale of a significant amount of assets not in the ordinary course of business and a corresponding change of control occurred. The Company reported the change of control in its September 30, 2015 quarterly report filed with the OTC Markets. Thereafter, the Company's business plans and operations changed to focus on legalized cannabis and hemp more fully discussed in this filing. The Company changed its name and trading symbol on December 1, 2015.

Results of Operations

Year ended December 31, 2018 compared to year ended December 31, 2017

The following table presents our operating results for the year ended December 31, 2018 compared to December 31, 2017:

MARIJUANA COMPANY OF AMERICA, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
AUDITED

	Year Ended December 31,	
	2018	2017
REVENUES:		
Sales	\$ 240,452	\$ 26,830
Related party Sales	11,683	0
Total Revenues	252,135	26,830
Cost of sales	81,250	14,294
Gross Profit	170,885	12,536
 OPERATING EXPENSES:		
Selling, general and administrative expenses	3,980,493	21,272,758
Depreciation	5,341	2,576
Total operating expenses	3,985,834	21,275,334
Net loss from operations	(3,814,949)	(21,262,798)
 OTHER INCOME (EXPENSES):		
Interest expense, net	(6,828,939)	(5,842,802)
Legal Settlement Expense	(1,682,870)	—
Impairment of Joint Ventures	(933,195)	(2,292,500)
Loss on equity investments	(90,859)	(61,298)
(Loss) gain on change in fair value of derivative liabilities	1,443,249	(4,329,743)
(Loss) on debt modification	(1,343,161)	—
Cancellation of debt	1,500,000	—
Unrealized gain on trading securities	560,000	—
Gain on settlement of debt	94,933	347,221
Total other income (expense)	(7,280,842)	(12,179,122)
Net loss before income taxes	(11,095,791)	(33,441,920)
Income taxes (benefit)	—	—
NET INCOME (LOSS)	\$ (11,095,791)	\$ (33,441,920)
Loss per common share, basic and diluted	\$ (0.005)	\$ (0.017)
Weighted average number of common shares outstanding, basic and diluted	2,275,482,194	1,929,424,081

See the accompanying notes to these audited consolidated financial statements

The following is a tabular breakdown of expenses related to Selling, General and Administrative Expenses:

MARIJUANA COMPANY OF AMERICA, INC.
VARIANCE ANALYSIS OF G&A EXPENSES
2018 vs 2017

G&A Expense acct	2018	2017	Variance
Stock Based Compensation ⁽¹⁾	1,052,425	18,108,832	(17,056,407)
Officer's Compensation	698,675	1,248,000	(549,325)
Marketing/Media	584,008	49,839	534,169
Consulting fees	368,185	1,133,109	(764,925)
Legal expense	226,205	317,703	(91,498)
Investor Relations	220,205	109,799	110,406
Admin Compensation	216,595	0	216,595
Independent contractor	104,223	90,750	13,473
Advertising and Promotion	70,970	77,552	(6,582)
UK Contract Compensation	65,259	0	65,259
Audit Fee	38,384	16,000	22,384
Board of Director Fees	34,500	0	34,500
Bank Service Charges	25,971	3,999	21,972
Accounting	23,077	0	23,077
Rent Expense	21,986	10,827	11,159
Special Events	14,177	0	14,177
Office Supplies	13,433	0	13,433
Software	12,294	0	12,294
Marketing Compensation	11,600	0	11,600
Wholesale Commissions	11,558	0	11,558
Fees/Licensing	2,003	29,473	(27,470)
All other expenses, net	164,761	76,874	87,887
Total G & A expenses	3,980,493	21,272,758	(17,292,264)

Our administrative compensation costs increased from \$0 to \$216,595 in 2017 to 2018 respectively, this increase was due to our hiring additional employees and the administrative expansion of our corporate offices. Marketing/Media increased from \$49,839 in 2017 to \$584,008 in 2018, an increase of \$534,169. This increase is due to our product marketing expansion, media costs related to the development and production of a television commercial, and establishing and expanding our marketing/media efforts in the UK. Our costs for investor relations increased from \$109,799 in 2017 to \$220,205 in 2018. This was due to increased costs related to Network Newswire for consulting on our press releases and publicity. We had material reductions in our costs associated with stock based compensation from \$18,108,832 in 2017 to \$1,052,425 in 2018. This reduction was the result of a lower price for our common stock in 2018, which led to a decrease in expense for stock issuances for services in 2018, as well as fewer stock awards issued during 2018. The company had several in the development stage in 2017 and thus issued stock to incentivize its contractors and employees to develop operations, which were fully operational in 2018. We also had a material reductions in our officer's compensation and consulting fees, from \$1,248,000 in 2017 to \$698,675 in 2018, and \$1,133,109 in 2017 to \$368,185 in 2018 respectively. These decreases were due to our lack of cash in 2017 to compensate our officers and consultants. We had an increase in Board of Directors fees of \$34,500 in 2018 compared to \$0 in 2017. This increase was due to appointing and paying our new independent directors in 2018. Overall, our general and administrative costs from 2017 to 2018 were reduced from \$21,272,758 to \$3,980,493, respectively.

(1) The \$(17,056,407) reduction in stock based compensation in 2018, as compared to 2017, resulted from our issuance of an aggregate amount of \$17,397,500 director and officer bonuses for 2017, compared to a corresponding issuance of \$422,000 for 2018. Our 2017 stock based bonus compensation, as compared to 2018, for officers and directors were:

Officer and Director	2017	2018
Donald Steinberg	6,439,000	0
Charles Larsen	6,439,000	0
Robert L. Hymers, III	4,519,500	422,000

The 2017 stock compensation bonuses were issued by the Board of Directors pursuant to our Equity Incentive Plan and executive contracts with our directors and officers. Pursuant to our Equity Incentive Plan, which was implemented in 2017, the Company has discretion to make stock awards to its affiliates for past services, in lieu of bonus or other cash compensation, for directors' compensation or for any other valid purpose. At December 31, 2017, we reviewed the performance of our affiliates, and in making the 2017 awards, determined the awards justified because our affiliates:

1. Worked successfully to complete a two-year PCAOB audit of our books and records in advance of, and as a prerequisite to, our filing of Form 10-12g with the Commission;
2. Successfully negotiated the the conversion of \$131,110 in outstanding debt into restricted common stock, which increased our solvency and strengthened our capital structure;
3. Successfully negotiated for our acquisition of cash and other assets in the amount of \$240,085;
4. Successfully conducted a private placement of our restricted common stock during 2016 and 2017 which generated \$574,500 in operating capital for the Company;
5. Provided loans to the Company during 2015 and 2016 in the aggregate amount of \$93,142, and chose to convert the debt into restricted common stock, increasing the equity of the Company and reducing the debt at the personal expense of the Officers and directors;
6. Successfully transitioned our Company from a development stage company to a revenue producing company;
7. Successfully developed, managed and supervised the development of our first hempSMART™ product, hempSMART™ Brain;
8. Implemented a new multi-level marketing backend system to support the distribution and marketing of the hempSMART™ brand;
9. Successfully negotiating the settlement of 45.5 million shares that were issued prior to the Company changing its business model to Marijuana Company of America without entering litigation. Settling outside of court protected the Company from potential costly litigation. The cancellation of these shares and their corresponding return to treasury helped to decrease the potential chance of dilution to the Company's stock holders;
10. Did not receive any cash compensation from their employment contracts from inception.

Our Equity Plan issuances to affiliates as of December 31, 2018 decreased by 16,975,500. This was due to the Company emerging from being a development stage company to a revenue producing company, and was operational and paying fixed salaries.

The balance of our in stock based compensation in 2018, as compared to 2017 was for consulting services as follows:

Consultant Name	2017 Stock-Based Compensation	2018 Stock-Based Compensation	Variance	Nature of Consulting Services Provided
PYP Enterprises	89,500	30,000	(59,500)	Marketing services; strategic advisory board; operations management hempSMART™
David Cook	189,500	175,000	(14,500)	hempSMART™ Product development; hempSMART™ Brain
Ronald Ryan	189,500	175,000	(14,500)	Management support services for Bougainville joint venture
Robert Peak and Robert Cronin	242,832	0	(242,832)	Business consulting; multi-level marketing.
Caren Glasser	0	60,900	60,900	Business consulting operations for hempSMART™
Casey Eberhart	0	64,895	64,895	Consultant for multi-level marketing.
Paula Vetter	0	9,905	9,905	Medical advisory specialist for hempSMART™
Lauren Regler	0	10,000	10,000	Web Site design and maintenance.
John Justin-Davis	0	19,950	19,950	Medical Advisory Board services.
Jesus Quintero	0	8,675	8,675	CFO contract engagement.
Ian Harvey	0	500	500	International business consulting and marketing services.
Vanessa Hunter	0	1,000	1,000	Marketing design consulting services.
Sam Rosenberg	0	72,600	72,600	Inventory management.
Trevor Muehlfelder	0	2,000	2,000	Operations consulting.

The objective outcomes resulting from the consulting services are summarized as follows:

- The adoption and implementation of our business plans from 2016 through 2018 required professional consulting services allowing us to develop and implement our multi-level marketing and sales business plan. This involved vetting and selecting appropriate multi-level marketing ecommerce and marketing technology solutions, developing strategies to market our multi-level marketing sales and vetting and working with solutions providers in the programming, designing and administration of multi-level marketing sales platforms. Our business consulting and marketing personnel, including Mr. Muehlfelder, Ms. Hunter, Mr. Rosenberg, Ms. Regler, Mr. Eberhart, PYP Enterprises, Ms. Glasser and Messrs. Peak and Cronin all consulted to identify multi-level service providers in sales, marketing and accounting; vet those providers and consult with us to select and implement the various ecommerce sales, accounting and product delivery methodologies.
- In order to implement our business plans regarding hempSMART,™ we needed to develop products,marketing strategies, and select appropriate manufacturers and distribution services. Mr. Cook provided product development services in conjunction with services provided by our advisory board members, Ms. Vetter and Mr. Justin-Davis, and the marketing design consultation services of Ms. Hunter, Ms. Regler, Ms. Glasser and PYP Enterprises, and the inventory management consulting of Mr. Rosenberg.
- Mr. Ronald Ryan provided us with management consulting services surrounding our initial investigation and consideration of the Bougainville joint venture project. Mr. Ryan provided us with due diligence investigation into the opportunity and advised us concerning possible operations in Washington state.
- Our issuance of 8,675 shares to Mr. Jesus Quintero was required by contract whereby Mr. Quintero became our Chief Financial Officer.

We anticipate continuing to reduce our dependence on stock based compensation in the future. However, given our present cash position, and because of possible increased operational costs including overhead, product manufacturing and development, and related costs, we may, to the extent necessary, utilize stock based compensation in the future to compensate key product development, operations and sales and marketing personnel.

Revenues

Total revenues for the year ended December 31, 2018 and December 31, 2017, were \$252,135 and \$26,830, respectively, an increase of \$225,305. This increase is attributable to the developing market for sales of our hempSMART™ products and the addition of several new products. The increase in our total revenues of hempSMART™ products was due to the volume of sales, and not as the result of price increases, and reflect sales based on our efforts at implementing our affiliate marketing sales program and direct sales through our website.

During 2018 the Company released three new industrial hemp based hempSMART™ products: (i) hempSMART™ Pain, a cream formulated with industrial hemp based CBD and natural ingredients containing a broad range of active terpenes and organic botanicals; (ii) hempSMART™ Face, a cream formulated with industrial hemp based CBD, Ayurvedic herbs and botanicals that contain Omega 3,6,7 and 9, along with naturally occurring ceramides; and, (iii) hempSMART™ Pet Drops, an oil formulated with CBD from industrial hemp seed oil, combined with a natural bacon flavor.

The following table identifies our new product offerings in 2018, and the revenues produced from sales of our products in 2018 and 2017 respectively:

	2018		2017		
Pain Cream	\$	111,291	\$	—	New Product for 2018
Pain Capsules	\$	18,469	\$	13,808	
Face Moisturizers	\$	56,129	\$	—	New Product for 2018
Drops	\$	25,238	\$	6,173	
Pet Drops	\$	32,770	\$	—	New Product for 2018
Brain Capsules	\$	8,238	\$	6,849	
Total	\$	252,135	\$	26,830	

Our investments in Bougainville Ventures, Inc., GateC Technologies, Inc., MoneyTrac Technology, Inc., Convenient Hemp Mart, LLC, and our two joint ventures with Global Hemp Group, Inc. have not generated any revenues for the period ending December 31, 2018. Our two ongoing joint ventures with Global Hemp Group, Inc. are each a related party transaction insofar as Global Hemp Group's director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer, Donald Steinberg, is a shareholder in Global Hemp Group.

Related Party Sales

Related party sales contributed \$11,683 and \$0 to our revenue for 2018 and 2017 respectively. Related party sales are comprised of sales of our hempSMART™ products to our directors, officers, and sales team members. No related party sales were for services. All sales were made at listed retail prices and were for cash consideration.

Costs of Sales

Costs of sales primarily consist of inventory costs and overhead, manufacturing, packaging, warehousing, shipping and direct labor costs directly attributable to our hempSMART™ products. For the year ended December 31, 2018 and December 31, 2017, our total costs of sales were \$81,250 and \$14,294, respectively. The increase was primarily due to increased operating expenses related to overhead, sales, travel and related to the initiation and development of the increased sales activity for our hempSMART™ products.

Gross Profit

For the year ended December 31, 2018 and December 31, 2017, gross profit was \$170,885 and \$12,536, respectively. This increase was primarily due to the growth in our hempSMART™ product sales, as our sales developed through direct sales efforts and through the implementation and development of our affiliate sales program. As a percentage of total revenues, gross profit was 67.8% and 46.7% for the years ended December 31, 2018 and December 31, 2017, respectively.

Operating Losses

For the year ended December 31, 2018, operating expenses were \$3,985,834 or 1580.8% of total revenues, as compared to \$21,275,334 or 79,296.8% of total revenues for the year ended December 31, 2017. This decrease of \$17,289,500 was due to a decrease in selling, general and administrative costs of \$17,292,265. Such operating losses reflect developmental and other administrative costs for 2018 and 2017. We expect to incur losses in the near future until profitability is achieved, which is not certain. Our operations are subject to numerous risks associated with establishing any new business, including unforeseen expenses, delays and complications. There can be no assurance that we will achieve or sustain profitable operations. This decrease was primarily related to the Company issuing less stock-based compensation for consulting services.

The Company has incurred net losses from operations of \$3,814,949 and \$21,262,798 for the years ended December 31, 2018 and 2017, respectively.

Other Income (Expense)

Other income (expense) for the years ended December 31, 2018 and December 31, 2017 included expense of \$7,280,842 and \$12,179,122 respectively. This reduction was primarily due to a gain on change of fair value of derivative liabilities of \$1,443,249 as of December 31, 2018 as compared to a loss of \$4,329,743 as of December 31, 2017; a decrease of \$5,772,992; a decrease in expense related to the impairment of joint ventures of \$1,359,305 as the impairment loss for joint ventures decreased to \$933,195 for the year ended December 31, 2018 as compared to \$2,292,500 for the year ended December 31, 2017; an increase in cancellation of debt income of \$1,500,000 for the year ended December 31, 2018 as compared to \$0 for the year ended December 31, 2017. The Company also had a \$1,343,161 and a \$0 loss on modification of debt for the years ended December 31, 2018 and 2017, respectively.

Income Tax Expense (Benefit)

We did not have any income tax expense or benefit for the years ended December 31, 2018 and December 31, 2017, respectively.

Net Income (Loss)

As a result of the factors discussed above, net losses for the year ended December 31, 2018 and December 31, 2017 were \$11,095,791 and \$33,441,920 respectively. For December 31, 2018 and December 31, 2017, these net losses represented a 4,401% and 124,643.8% of total revenues for the respective periods.

Legal Settlement Expense

On June 25, 2018, DTTTO Funding filed a complaint against the Company for breach of contract related to the Company's April 20, 2017 convertible promissory note in which DTTTO lent the Company \$111,111. Principal and interest in the note were, at the election of DTTTO, convertible into common shares of the Company. On November 30, 2017, DTTTO notified the Company of an election to convert a portion of the note to common shares, but the Company failed to process the conversion. The Company failed to repay principal and interest otherwise due on the maturity date of April 20, 2018. DTTTO's action sought damages against the Company including principal, default interest, liquidated damages, attorney fees and costs in an amount with an alleged present cash value of \$1,787,981.10.

The Company filed an answer to the complaint. Thereafter, the Company entered into settlement negotiations with DTTTO. In its review of the complaint, the Company determined (i) it had no money to pay damages under the note including principal, interest, liquidated damages, penalties and costs; (ii) it could not fund its litigation related expenses in Texas; (iii) it may be exposed to potential additional attorney fees and costs in the event the Company loses the litigated case; (iv) there was a benefit to obtaining a quick resolution of the litigated case; and, (v) litigating the case would require a significant commitment of personal time and costs for the Company's affiliates, directors and officers, taking them away from the business of the Company. The Company's negotiations led to a proposed stipulation for settlement, a court order and joint motion for entry of judgment based on the negotiated settlement. The Company reviewed the terms and determined the total number of shares issuable under the proposed stipulation were reasonable in light of the above noted reasons. The Company, in an exercise of prudent business judgment, determined that entry into the stipulated judgment was reasonable and in the best interests of the shareholders, because settlement would terminate the litigation, allowing the Company to avoid accrual of additional damages under the note recoverable by Plaintiff including interest, liquidated damages, penalties and costs; and, entry into the proposed Stipulation will also end the Company's obligations to pay for its own legal counsel fees and related litigation fees, which it could afford. On September 4, 2018, after noticed motion, Judge Sam A. Lindsay granted the joint motion and adopted the stipulation to settle the case as the order of the Court. As a result, pursuant to Section 3(a)(10) and the Court's order, the Company issued 57,676,810 common stock shares in settlement of the litigation with prejudice for at a total value of \$1,701,466 and thus eliminating the contingent liability.

Liquidity and Capital Resources

As of December 31, 2018, and December 31, 2017, our operating activities produced negative cash and cash equivalents of \$2,385,349 and \$895,743, respectively. Our primary internal sources of liquidity were provided by an increase in proceeds from the issuance of note payables of \$2,541,470 for December 31, 2018, as compared to \$1,576,500 for December 31, 2017, and a decrease in proceeds from the sale of note payables to a related party of \$218,846 for December 31, 2018 as compared to \$513,507 for December 31, 2017, and an increase in proceeds from sales of our common stock of \$421,237 for December 31, 2018, as compared to \$85,000 for the year ending December 31, 2017. We have during the period ended December 31, 2018, relied upon external financing arrangements to fund our operations. During the year ended December 31, 2018, we entered into several separate financing arrangements with St. George Investments, LLC, a Utah limited liability company, in which we borrowed an aggregate of \$2,541,470, the principal of which is convertible into shares of our common stock (see Note 8, Convertible Note Payable). Our ability to rely upon external financing arrangements to fund operations is not certain, and this may limit our ability to secure future funding from external sources without changes in terms requested by counterparties, changes in the valuation of collateral, and associated risk, each of which is reasonably likely to result in our liquidity decreasing in a material way. We intend to utilize cash on hand, loans and other forms of financing such as the sale of additional equity and debt securities and other credit facilities to conduct our ongoing business, and to also conduct strategic business development and implementation of our business plans generally.

On April 15, 2019, we entered into a material definitive agreement with Natural Plant Extract of California, Inc. (“NPE”) and filed Form 8-K on April 16, 2019. This agreement provided for our acquisition of twenty percent (equal to 200,000) of NPE’s authorized shares in exchange for our payment of two million dollars and one million dollars’ (\$1,000,000) worth of our unregistered and restricted common stock. Our payment obligations are governed by a stock purchase agreement which requires us to the following payment schedule:

- a. Deposit of \$350,000 within 5 days of the execution of the material definitive agreement;
- b. Deposit of \$250,000 payable within 30 days;
- c. Deposit of \$400,000 within 60 days;
- d. Deposit of \$500,000 within 75 days; and,
- e. Deposit of \$500,000 within 90 days.

Our ability to timely complete our payment commitments is contingent upon our having to raise additional capital, which is not certain. Our ability to access additional funding through external financing arrangements is uncertain, and could possibly include terms and conditions pertaining to the valuation of collateral and associated risk, each of which is reasonably likely to result in our liquidity decreasing in a material way.

We filed a Form S-1 registration for the resale of up to 500,000,000 shares of our common stock to K&J Funds, LLC, a selling stockholder, pursuant to a “put right” under an investment agreement dated December 20, 2018, as amended. The Investment Agreement permits us to “put” up to ten million dollars in shares of our common stock to K&J over a period of up to thirty-six (36) months, or until \$10,000,000 of such shares have been “put.” We will not receive any proceeds from the sale of shares of our common stock by K&J. However, we will receive proceeds from the sale of shares of our common stock pursuant to our exercise of the put right offered by K&J. As of the date of this filing our S-1 registration has not been deemed effective by the Securities and Exchange Commission. There is no guarantee that our S-1 registration will be declared effective and this would significantly impact our ability to complete our plans. We intend, when the S-1 is effective, to use the proceeds from our “puts” under the Investment Agreement to conduct our ongoing operations generally, and specifically regarding our agreement with our agreement with NPE. We also 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. We are not intending to use any off-balance sheet financing arrangements.

Operating Activities

For the year ended December 31, 2018 and 2017, the Company used cash for operating activities of \$2,385,349 and \$895,743, respectively. Operating activities consist of corporate overhead and product development of our hempSMART™ products. Increases are due primarily to increases in executive compensation, professional fees, and product development costs.

Investing Activities

For the years ended December 31, 2018 and December 31, 2017, net cash used in investing activities was \$686,458 and \$1,176,919, respectively. For the year ended December 31, 2018 and 2017, the cash used in investing continued to be attributed to our acquisition of an interest in Convenient Hemp Mart, LLC and MoneyTrac Technology, Inc., the Global Hemp Group Joint Ventures, the Bougainville Ventures, Inc. Joint Venture and the GateC Technologies, Inc. Joint Venture, and the purchase of equipment for operations. We determined that as of December 31, 2018, our investments in the Bougainville Joint Venture, GateC Technologies, Inc. Joint Venture and Convenient Hemp Mart, LLC investment were fully impaired and had no intrinsic value due to the litigation with Bougainville Ventures, Inc. (See Item 3, Legal Proceedings); the recession agreement with GateC Technologies, Inc. (see our Form 8-K filed on March 20, 2018), and our analysis of Convenient Hemp Mart's cash flows, business development, and assets. With regards to each of the Bougainville, GateC and Convenient investments, they had an impact on reported operations for 2018, but are not expected to have an impact upon future operations (see Impairment Table in Item 1 Business Description, Principal Products and Market, Joint Venture Investments). Conversely, our Global Hemp Group Joint Venture in New Brunswick Canada is a research and development project and our joint venture with Global Hemp Group in Scio Oregon contains real property and inventory consisting of hemp biomass that is stored and maintain for sale and is stored in good condition based upon our physical inspection. Further, we own common stock in Global Payout, Inc. as the result of our MoneyTrac investment. Global Payout common stock is traded on the OTC Markets under the trading symbol "GOHE" and has marketable value.

Our two ongoing joint ventures with Global Hemp Group are related party transactions insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

Financing Activities

For the years ended December 31, 2018 and 2017, financing activities were a source of cash of \$3,181,553 and \$2,175,007, respectively. For the years ended December 31, 2018 and 2017, respectively, this was primarily from proceeds of \$2,541,470 and \$1,576,500 from the issuance of notes payable; \$218,846 and \$513,507 of cash from the issuance of notes payable to related parties were received for the years ended December 31, 2018 and 2017, respectively. The Company received sale of common stock of \$421,237 and \$85,000 for the years ended December 31, 2018 and 2017, respectively.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect amounts reported in those statements. We have made our best estimates of certain amounts contained in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. However, application of our accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties, and, as a result, actual results could differ materially from these estimates. Management believes that the estimates, assumptions, and judgments involved in the accounting policies described below have the most significant impact on our consolidated financial statements.

We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes in laws and regulations on a regular basis and update the assumptions and estimates used to prepare our financial statements when we deem it necessary.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are held in operating accounts at a major financial institution.

Inventory

Inventory is primarily comprised of products and equipment to be sold to end-customers. Inventory is valued at cost, based on the specific identification method, unless and until the market value for the inventory is lower than cost, in which case an allowance is established to reduce the valuation to market value. As of December 31, 2018, and December 31, 2017, market values of all of our inventory were greater than cost, and accordingly, no such valuation allowance was recognized.

Deposits

Deposits is comprised of advance payments made to third parties, primarily for inventory for which we have not yet taken title. When we take title to inventory for which deposits are made, the related amount is classified as inventory, then recognized as a cost of revenues upon sale (see "Costs of Revenues" below).

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets is primarily comprised of advance payments made to third parties for independent contractors' services or other general expenses. Prepaid services and general expenses are amortized over the applicable periods which approximate the life of the contract or service period.

Accounts Receivable

Accounts receivable are recorded at the net value of face amount less any allowance for doubtful accounts. On a periodic basis, we evaluate our accounts receivable and, based on a method of specific identification of any accounts receivable for which we deem the net realizable value to be less than the gross amount of accounts receivable recorded, we establish an allowance for doubtful accounts for those balances. In determining our need for an allowance for doubtful accounts, we consider historical experience, analysis of past due amounts, client creditworthiness and any other relevant available information. However, our actual experience may vary from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, we may need to record additional allowances or write-offs in future periods. This risk is mitigated to the extent that we collect retainers from our clients prior to performing significant services.

The allowance for doubtful accounts, if any, is recorded as a reduction in revenue to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client's inability to make required payments on accounts receivables, the provision is recorded in operating expenses. As of December 31, 2018, and December 31, 2017 we had \$0 and \$0 allowance for doubtful accounts, respectively. For December 31, 2018 and December 31, 2017, we recorded bad debt expense of \$1,559 and \$0 respectively.

Property and Equipment, net

Property and Equipment is stated at net book value, cost less depreciation. Maintenance and repairs are expensed as incurred. Depreciation of owned equipment is provided using the straight-line method over the estimated useful lives of the assets, ranging from two to seven years. Depreciation of capitalized construction in progress costs, a component of property and equipment, net, begins once the underlying asset is placed into service and is recognized over the estimated useful life. Property and equipment is reviewed for impairment as discussed below under "Accounting for the Impairment of Long-Lived Assets." We did not capitalize any interest as of December 31, 2018 and as of December 31, 2017.

Accounting for the Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For long-lived assets held for sale, assets are written down to fair value, less cost to sell. Fair value is determined based on discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets. We have not recorded any impairment charges related to long-lived assets during the year ended December 31, 2018, and December 31, 2017.

Beneficial Conversion Feature

If the conversion features of conventional convertible debt provide for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). We record a BCF as a debt discount pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ACF") Topic 470-20 *Debt with Conversion and Other Options*. In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and we amortize the discount to interest expense over the life of the debt using the effective interest method.

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 guidance presents a single five-step model for comprehensive revenue recognition that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Two options are available for implementation of the standard which is either the retrospective approach or cumulative effect adjustment approach. The guidance becomes effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. We determined to implement the cumulative effect adjustment approach to our implementation of FASB ASC Topic 606, with no restatement of the comparative periods presented. We intend to apply this method to any incomplete contracts we determine are subject to FASB ASC Topic 606 prospectively. 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.

In accordance with FASB ASC Topic 606, Revenue Recognition, we will recognize revenue when persuasive evidence of a significant financing component exists in our consulting and product sales contracts. We examine and evaluate when our customers become liable to pay for goods and services; how much consideration is paid as compared to the cash selling price of the goods or services; and, the length of time between our performance and the receipt of payment.

Product Sales

Revenue from product sales, including delivery fees, is recognized when an order has been obtained from the customer, the price is fixed and determinable when the order is placed, the product is shipped, title has transferred and collectability is reasonably assured. Generally, we drop-ship orders to our clients with shipping-point or destination terms. For any shipments with destination terms, the Company defers revenue until delivery to the customer. Given the facts that (1) our customers exercise discretion in determining the timing of when they place their product order; and, (2) the price negotiated in our product sales is fixed and determinable at the time the customer places the order, we are not of the opinion that our product sales 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 provide 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 offered any financial accounting, bookkeeping or real property management consulting services that have generated reportable revenues as of 2017 and 2018. We intend and expect these arrangements to be entered into on an hourly fixed fee basis.

For hourly based fixed fee service contracts, we 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 calculate the amount of completed work in comparison to the total services to be provided under the arrangement or deliverable. We 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.

Occasionally, our fixed-fee hourly engagements are recognized under the completed performance method. Some fixed fee arrangements are for completion of a final deliverable or act which is significant to the arrangement as a whole. These engagements do not generally exceed a one-year term. If the performance is for a final deliverable or act, we recognize revenue under the completed performance method, in which revenue is recognized once the final act or deliverable is performed or delivered for a fixed fee. Losses, if any, on fixed-fee engagements are recognized in the period in which the loss first becomes probable and reasonably estimable. FASB ASC Topic 606 provides a practical expedient to disregard the effects of a financing component if the period between payment and performance is one year or less. As, our fixed fee hourly engagements do not exceed one year, no significant customer-based financing is implicated under FASB ASC Topic 606. During the year ended December 31, 2018, and December 31, 2017, we have incurred no losses from fixed fee engagements that terminate prior to completion. We believe if an engagement terminates prior to completion, we can recover the costs incurred related to the services provided.

We occasionally enter into arrangements for which fixed and determinable revenues are contingent and agreed upon achieving a pre-determined deliverable or future outcome. Any contingent revenue for these arrangements is not recognized until the contingency is resolved and collectability is reasonably assured.

The Company determined that upon adoption of ASC 606 there were no adjustments converting from ASC 605 to ASC 606 because product sales are recorded upon delivery of goods and payment for product.

Costs of Revenues

Our policy is to recognize costs of revenue in the same manner in conjunction with revenue recognition. Cost of revenues include the costs directly attributable to revenue recognition and includes compensation and fees for services, travel and other expenses for services and costs of products and equipment. Selling, general and administrative expenses are charged to expense as incurred.

Advertising and Promotion Costs

Advertising and promotion costs are included as a component of selling and marketing expense and are expensed as incurred. During the year ended December 31, 2018 and December 31, 2017, these costs were \$569,832 and \$77,552, respectively.

Shipping and Handling Costs

For product and equipment sales, shipping and handling costs are included as a component of cost of revenues.

Stock-Based Compensation

Restricted shares are awarded to employees and entitle the grantee to receive shares of restricted common stock at the end of the established vesting period. The fair value of the grant is based on the stock price on the date of grant. We recognize related compensation costs on a straight-line basis over the requisite vesting period of the award, which to date has been one year from the grant date. During the years ended December 31, 2018 and December 31, 2017, stock-based compensation expense for restricted shares was \$1,052,423 and \$19,068,583, respectively. Compensation expense for warrants and options is based on the fair value of the instruments on the grant date, which is determined using the Black-Scholes valuation model and are expensed over the expected term of the awards. During the year ended December 31, 2018 and December 31, 2017, compensation expense for warrants and options was \$0 and \$5,000,000, respectively.

Income Taxes

We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns in accordance with applicable accounting guidance for accounting for income taxes, using currently enacted tax rates in effect for the year in which the differences are expected to reverse. We record a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. For the year ended December 31, 2018 and December 31, 2017, due to cumulative losses, we recorded a valuation allowance against our deferred tax asset that reduced our income tax benefit for the period to zero. As of December 31, 2018, and December 31, 2017, we had no liabilities related to federal or state income taxes and the carrying value of our deferred tax asset was zero.

Loss Contingencies

From time to time the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. On at least a quarterly basis, consistent with ASC 450-20-50-1C, if the Company determines that there is a reasonable possibility that a material loss may have been incurred, or is reasonably estimable, regardless of whether the Company accrued for such a loss (or any portion of that loss), the Company will confer with its legal counsel, consistent with ASC 450. If the material loss is determinable or reasonably estimable, the Company will record it in its accounts and as a liability on the balance sheet. If the Company determines that such an estimate cannot be made, the Company's policy is to disclose a demonstration of its attempt to estimate the loss or range of losses before concluding that an estimate cannot be made, and to disclose it in the notes to the financial statements under Contingent Liabilities.

Net Income (Loss) Per Common Share

We report net income (loss) per common share in accordance with FASB ASC 260, "Earnings per Share". This statement requires dual presentation of basic and diluted earnings with a reconciliation of the numerator and denominator of the earnings per share computations. Basic net income (loss) per share is computed by dividing net income attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period and excludes the effects of any potentially dilutive securities. Diluted net income (loss) per share gives effect to any dilutive potential common stock outstanding during the period. The computation does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on earnings.

Related Party Transactions

We follow FASB ASC subtopic 850-10, "Related Party Transactions", for the identification of related parties and disclosure of related party transactions.

Pursuant to ASC 850-10-20, related parties include: a) affiliates of the Company; b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Material related party transactions are required to be disclosed in the consolidated financial statements, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a) the nature of the relationship(s) involved; b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which statements of operation are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c) the dollar amounts of transactions for each of the periods for which statements of operations are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting Company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Marijuana Company of America, Inc. (Converge Global, Inc.)

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Marijuana Company of America, Inc. and its subsidiaries ("the Company") as of December 31, 2018 and 2017 and the related statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2018 and 2017, and the related notes (collectively referred to as the consolidated financial statements) .. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has an accumulated deficit, recurring losses, and expects continuing future losses, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The firm has served this client since December 2016.

/s/ L&L CPAS, PA
L&L CPAS, PA
Certified Public Accountants
Plantation, FL
The United States of America
April 15, 2019

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
AUDITED

ASSETS	2018	2017
Current assets:		
Cash	\$ 359,577	\$ 249,831
Short term investments	810,000	—
Accounts receivable, net	46,376	4,862
Inventory	186,989	163,720
Other current assets	93,833	—
Total current assets	1,496,775	418,413
Property and equipment, net	12,430	13,568
Other assets:		
Investments	408,077	695,477
Security deposit	2,500	2,500
Total assets	\$ 1,919,782	\$ 1,129,958
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 416,444	\$ 306,561
Accrued compensation	454,316	—
Accrued liabilities	216,946	40,155
Debt obligation of Joint venture	289,742	1,500,000
Notes payable, related party	287,140	542,573
Convertible notes payable, net of debt discount of \$896,180 and \$924,340, respectively	1,132,668	394,555
Warrant liability	—	5,859,635
Derivative liability	2,256,631	1,934,097
Total current liabilities	5,053,887	10,577,576
Long term debt:		
Convertible notes payable, net of debt discount of \$0 and \$308,280, respectively	—	172,856
Derivative liability	—	697,278
Total long term debt	—	870,134
Total liabilities	5,053,887	11,447,710
Stockholders' deficit:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized		
Class A preferred stock, \$0.001 par value, 10,000,000 shares designated, 10,000,000 shares issued and outstanding as of December 31, 2018 and 2017, respectively	10,000	10,000
Common stock, \$0.001 par value; 5,000,000,000 shares authorized; 2,561,238,082 and 2,103,464,006 shares issued and outstanding as of December 31, 2018 and 2017, respectively	2,561,238	2,103,464
Common stock subscriptions	90,000	—
Additional paid in capital	48,188,522	30,456,888
Accumulated deficit	(53,983,895)	(42,888,104)
Total stockholders' deficit	(3,134,105)	(10,317,752)
Total liabilities and stockholders' deficit	\$ 1,919,782	\$ 1,129,958

See the accompanying notes to these audited consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
AUDITED

	Year Ended December 31,	
	2018	2017
REVENUES:		
Sales	\$ 240,452	\$ 26,830
Related party Sales	11,683	0
Total Revenues	252,135	26,830
Cost of sales	81,250	14,294
Gross Profit	170,885	12,536
OPERATING EXPENSES:		
Selling, general and administrative expenses	3,980,493	21,272,758
Depreciation	5,341	2,576
Total operating expenses	3,985,834	21,275,334
Net loss from operations	(3,814,949)	(21,262,798)
OTHER INCOME (EXPENSES):		
Interest expense, net	(6,828,939)	(5,842,802)
Legal Settlement Expense	(1,682,870)	—
Impairment of Joint Ventures	(933,195)	(2,292,500)
Loss on equity investments	(90,859)	(61,298)
(Loss) gain on change in fair value of derivative liabilities	1,443,249	(4,329,743)
(Loss) on debt modification	(1,343,161)	
Cancellation of debt	1,500,000	
Unrealized gain on trading securities	560,000	—
Gain on settlement of debt	94,933	347,221
Total other income (expense)	(7,280,842)	(12,179,122)
Net loss before income taxes	(11,095,791)	(33,441,920)
Income taxes (benefit)	—	—
NET INCOME (LOSS)	\$ (11,095,791)	\$ (33,441,920)
Loss per common share, basic and diluted	\$ (0.005)	\$ (0.017)
Weighted average number of common shares outstanding, basic and diluted	2,275,482,194	1,929,424,081

See the accompanying notes to these audited consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
AUDITED

	Class A Preferred Stock		Common Stock		Common Stock to be issued		Common Stock	Additional Paid In	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Subscriptions	Capital	Deficit	
Balance, December 31, 2016	10,000,000	\$ 10,000	1,620,996,998	\$ 1,620,996			\$ —	\$ 7,685,387	\$ (9,446,184)	\$ (129,801)
Common stock issued for services rendered	—	—	344,033,333	344,033			—	18,724,550	—	19,068,583
Common stock issued in connection with joint venture	—	—	15,000,000	15,000			—	373,500	—	388,500
Common stock issued in settlement of convertible notes payable	—	—	3,000,000	3,000			—	81,000	—	84,000
Common stock issued in settlement of related party notes payable	—	—	62,721,553	62,722			—	553,373	—	616,095
Reclassification of derivative liabilities	—	—	—	—			—	2,201,041	—	2,201,041
Replacement of previously canceled common shares	—	—	20,000,000	20,000			—	(20,000)	—	—
Sale of common stock	—	—	8,166,667	8,167			—	76,833	—	85,000
Common stock issued for accrued officer compensation	—	—	29,545,455	29,546			—	(29,546)	—	—
Stock based compensation	—	—	—	—			—	810,750	—	810,750
Net loss	—	—	—	—			—	—	(33,441,920)	(33,441,920)
Balance, December 31, 2017	10,000,000	\$ 10,000	2,103,464,006	\$ 2,103,464	—	\$ —	\$ —	\$ 30,456,888	\$ (42,888,104)	\$ (10,317,752)
Common stock issued for services rendered	—	—	31,000,794	31,000	—	—	—	687,100	—	718,100
Common stock issued in settlement of convertible notes payable and accrued interest	—	—	147,927,794	147,928	—	—	—	12,205,240	—	12,353,168
Additional paid-in capital due to issuance of convertible debt	—	—	—	—	—	—	—	2,010,426	—	2,010,426
Common stock issued in settlement of related party notes payable and accrued compensation	—	—	80,428,246	80,428	—	—	—	723,851	—	804,279
Common stock issued in exchange for exercise of warrants on a cashless basis	—	—	122,046,796	122,047	—	—	—	(122,047)	—	—
Common stock issued in settlement of legal case	—	—	57,676,810	57,677	—	—	—	1,643,789	—	1,701,466
Sale of common stock	—	—	18,693,636	18,694	—	—	—	133,306	—	152,000
Proceeds from common stock subscriptions	—	—	—	—	—	—	90,000	—	—	90,000
Stock based compensation	—	—	—	—	—	—	—	450,000	—	450,000

Net income	—	—	—	—	—	—	—	—	(11,095,791)	(11,095,791)
Balance,										
December 31,										
2018	<u>10,000,000</u>	<u>\$ 10,000</u>	<u>2,561,238,082</u>	<u>\$ 2,561,238</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 90,000</u>	<u>\$ 48,188,552</u>	<u>\$ (53,983,895)</u>	<u>\$ (3,134,105)</u>

See the accompanying notes to these audited consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AUDITED

	Year ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (11,095,791)	\$ (33,441,920)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,341	2,576
Amortization of debt discount	1,146,549	1,042,999
Non cash interest	6,885,654	1,343,933
Bad debt expense	1,559	—
Value of common stock issued for services	737,305	—
Value of vested options issued for services	(245,001)	—
Impairment of investment in joint venture	933,195	2,292,500
Unrealized gain on trading securities	(560,000)	—
(Gain) Loss on change in fair value of derivative liabilities	(1,443,249)	4,329,743
Fair value of liability warrants issued as inducement fee	—	3,407,900
Stock based compensation	—	19,879,333
Notes payable issued in settlement of accrued compensation and expenses incurred	—	599,390
(Gain) loss on settlement of debt	(1,594,933)	(347,221)
Loss on equity investment	90,859	61,298
Changes in operating assets and liabilities:		
Accounts receivable	(43,073)	4,262
Inventory	(23,269)	(80,245)
Security deposit	—	(2,500)
Accounts payable	394,004	22,419
Accrued liabilities	99,316	—
Loss contingency	1,676,870	—
Accrued compensation	649,316	(10,210)
Net cash used in operating activities	<u>(2,385,349)</u>	<u>(895,743)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(682,255)	(1,160,775)
Purchase of property and equipment	(4,203)	(16,144)
Net cash used in investing activities	<u>(686,458)</u>	<u>(1,176,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	2,541,470	1,576,500
Proceeds from issuance of notes payable, related party	218,846	513,507
Proceeds from sale of common stock	421,237	85,000
Net cash provided by financing activities	<u>3,181,553</u>	<u>2,175,007</u>
Net (decrease) increase in cash	109,746	102,345
Cash-beginning of period	249,831	147,486
Cash-end of period	<u>\$ 359,577</u>	<u>\$ 249,831</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ —</u>	<u>\$ —</u>
Taxes paid	<u>\$ —</u>	<u>\$ —</u>
Non cash financing activities:		
Common stock issued in settlement of related party notes payable	<u>\$ 804,279</u>	<u>\$ 616,095</u>
Common stock issued in settlement of convertible notes payable	<u>\$ 12,166,976</u>	<u>\$ 84,000</u>
Fair value of liability warrants canceled in settlement of debt	<u>\$ —</u>	<u>\$ 279,999</u>
Common stock issued in connection with joint venture	<u>\$ —</u>	<u>\$ 388,500</u>

See the accompanying notes to these audited consolidated financial statements

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the presentation of the accompanying financial statements follows:

Basis and business 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.

On May 23, 2018, the Company formed H Smart, LLC in Washington State. On January 21, 2019, the Company converted this entity into a Washington State corporation named H Smart, Inc.

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

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 quarter ended March 31, 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.

Contracts included in our application of FASB ASC Topic 606, for the quarter ended March 31, 2019, consisted solely of sales of our hempSMART™ products made by our sales associates and by us directly through our web site. Regarding our offered financial accounting, bookkeeping and/or real property management consulting services, to date no contracts have been entered into, and thus no reportable revenues have resulted for the fiscal years ended 2017 and 2018, or for the quarter ended March 31, 2019.

In accordance with FASB ASC Topic 606, Revenue Recognition, we are of the opinion that none of our hempSMART™ product sales or offered consulting service, as each are discussed below, have a significant financing component. Our opinion is based upon the transactional basis for our product sales, with revenue recognized upon customer order, payment and shipment, which occurs concurrently. Our evaluation of the length of time between the customer order, payment and shipping is not a significant financing component, because shipment occurs the same day as the order is placed and payment made by the customer. Our evaluation of our consulting services is based upon recognizing revenue as the services are performed for a determinable price per hour. We 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.

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Product Sales

Revenue from product sales, including delivery fees, is recognized when (1) an order is placed by the customer; (2) the price is fixed and determinable when the order is placed; (3) the customer is required to and concurrently pays for the product upon order; and, (4) 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 (1) our customers exercise discretion in determining the timing of when they place their product order; and, (2) 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 years ended 2017 and 2018 or the quarter ended March 31, 2019. 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 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.

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 December 31, 2018, and 2017, 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 including stock, stock options and restricted stock awards 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 recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. For non-employees, share-based compensation awards are recorded at either the fair value of the services rendered or the fair value of the share-based payments, whichever is more readily determinable. Stock and restricted stock and option awards are based on the closing price of the stock underlying the awards on the grant date. Stock-based compensation expense is recorded by the Company in the same expense classifications in the statements of operations, as if such amounts were paid in cash. As of December 31, 2018, and 2017, the number of outstanding stock options to purchase shares of common stock was 0 and 1,000,000,000 shares, respectively. 0 and 750,000,000 shares were vested as of December 31, 2018 and 2017, respectively.

On February 27, 2019, Charles Larsen and Donald Steinberg agreed to cancel all previously issued stock options to purchase an aggregate of 1,000,000,000 common shares (see Note 15, Subsequent Events).

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 December 31, 2018 and 2017 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:

	2018 ⁽¹⁾	2017
Convertible notes payable	137,219,847	—
Options to purchase common stock ⁽¹⁾	0 ⁽¹⁾	1,000,000,000
Warrants to purchase common stock	110,846,817	—
Total	248,066,664	1,010,000,000

(1) On February 27, 2019, Donald Steinberg and Charles Larsen cancelled previously issued options to purchase an aggregate of 1,000,000,000 shares at an average exercise price of \$0.0005 per share, representing 100% of all previously issued option. (See Subsequent Events, Note 15).

Property and Equipment

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

Investments

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

Derivative Financial Instruments

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

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

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 December 31, 2018 and 2017. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash, accounts payables and short term notes because they are short term in nature.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. The Company charged to operations \$569,832 and \$77,552 for the year ended December 31, 2018 and 2017, respectively, as advertising costs.

Income Taxes

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

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

Segment Information

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

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Recent Accounting Pronouncements

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

Adoption of Accounting Standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASU 2014-09 "Revenue from Contracts with Customers" to supersede previous revenue recognition guidance under current U.S. GAAP. The guidance presents a single five-step model for comprehensive revenue recognition that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Two options are available for implementation of the standard which is either the retrospective approach or cumulative effect adjustment approach. The guidance becomes effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted.

The Company has determined that the adoption of ASU-2014-09 will not have a material impact 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 2 – GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements during year ended December 31, 2018, the Company incurred net losses of \$11,095,791 and used cash in operations of \$2,385,349. 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 2018 and 2017 has been from funds generated from proceeds from the sale of common stock and the issuance of convertible and other debt. The Company has experienced net losses from operations since inception, but expects these conditions to improve in 2018 and beyond as it develops its business model. The Company has stockholders' deficiencies at December 31, 2018 and requires additional financing to fund future operations.

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

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 15,207	\$ 11,004
Furniture and fixtures	5,140	5,140
Subtotal	20,347	16,144
Less accumulated depreciation	(7,917)	(2,576)
Property and equipment, net	\$ 12,430	\$ 13,568

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

Depreciation expense was \$5,341 and \$2,576 for the year ended December 31, 2018 and 2017.

NOTE 4 – INVESTMENTS

MoneyTrac

On March 13, 2017, the Company entered into a stock purchase agreement to acquire up to 15,000,000 common shares of MoneyTrac Technology, Inc., a corporation organized and operating under the laws of the state of California, for a total purchase price of \$250,000 representing approximately 15% ownership at the time of the agreement. As of December 31, 2017, the Company had acquired 15,000,000 common shares for \$250,000 representing approximately 15% ownership. In connection with the investment, Donald Steinberg, the Company’s President and Chief Executive Officer and Director, was appointed as a board member to MoneyTrac.

The Company accounts for its investment in MoneyTrac Technology, Inc. at estimated market fair value using the market price for the publicly traded shares under the ticker symbol “GOHE” as listed on OTC Markets as an indicator of fair market value. As of December 31, 2018, the balance of this investment was \$810,000 and was classified as a short-term investment for the period ended December 31, 2018.

Benihemp

On June 16, 2017, the Company entered into a Loan Agreement (“Agreement”) with Convenient Hemp Mart, LLC (“Benihemp”), a limited liability company formed and operating under the laws of the State of Wyoming. Pursuant to the Agreement, Benihemp executed a promissory note for a principal loan amount of \$50,000, accruing interest at the rate of 4% per annum and payable in one year, subject to one-time six- month repayment extension. The Agreement also provided that the Company shall have the option to waive repayment of the note and pay Benihemp an additional \$50,000 payment in exchange for a 25% membership interest in Benihemp’s limited liability company. As of December 31, 2018, the balance of this investment reported on the balance sheet for the year ended December 31, 2018 was \$0.00 as a result of the investment being deemed fully impaired.

Global Hemp Group Joint Ventures

We currently have two ongoing joint ventures with Global Hemp Group, Inc., a Canadian corporation. Each is a related party transaction in that Global Hemp Group’s director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company. Further, our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group. The two Global Hemp Group joint ventures are discussed together due to the common ownership of the joint venture partners in each project, and the fact that both joint ventures share a common purpose of growing, cultivating and performing research and development of industrial hemp.

New Brunswick Canada

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Global Hemp Group New Brunswick Joint Venture

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On August 31, 2017, we entered into a joint venture with Global Hemp Group Inc., in a multi-phase industrial hemp project on the Acadian peninsula of New Brunswick, Canada. The joint venture's goal is to develop a "Hemp Agro-Industrial Zone," a concept that promotes and engages farmers, processors and manufacturers to collaboratively produce and process 100% of the hemp plant into a number of wholesale materials that can be manufactured into healthy and sustainable products. The "HAIZ" will be surrounded by hemp production thereby minimizing the cost of expensive transportation to distant processing facilities. The "Hemp Agro-Industrial Zone" has a goal of producing social and environmental benefits to the communities where they operate. These zones are envisioned to prospectively create jobs for farmers, foster rural development, provide the opportunity to develop more sustainable products of superior quality and help support Global Hemp Group's commitment to creating a carbon free economy. The first phase of the project involved lab testing in support of the trials. The Collège Communautaire du Nouveau Brunswick (CCNB) in Bathurst, New Brunswick ("CCNB") intends to assist Global Hemp Group in research on its ongoing industrial hemp trials in the region, and to perform laboratory tests in support of these trials. These tests will provide information to validate agronomic and key yield data in preparation of a large-scale industrial development project that will involve processing of the full plant: grain, straw, flowers and leaves. The results of these tests will also be used in discussions with farmers of the region to refine a hemp-based farming model, and to mobilize additional farmers for the next growing season. Our participation included providing one-half, or \$10,775 of the funding for the phase one work. On January 10, 2018, phase-one was completed by successfully cultivating industrial hemp during the 2017 growing season for research purposes. The objective of phase one was to re-introduce hemp into the area, and ensure that it could be productive under New Brunswick growing conditions prior to significantly increasing cultivation acreage and building a hemp processing facility in the region, in future phases of the project. As a result of our participation in the joint venture, we will share in the ownership of research and development of hemp and CBD related studies produced by the New Brunswick Project, and, in the event Canadian laws governing the growing, harvesting, manufacturing and production of products containing hemp and CBD change (as expected, but not guaranteed), we would benefit from possible preferred pricing and terms for the purchase of hemp and CBD that would enable us to further conduct its business and research and development into hemp and CBD products.

The Company's costs incurred by the Company's interest was \$10,775 and \$0 for the years ended December 31, 2018 and 2017 and was recorded as other income/expense in the Company's Statement of Operations in the appropriate periods. As of December 31, 2018, the balance of the New Brunswick JV investment reported on the balance sheet for the year ended December 31, 2018 was \$0.00 as a result of the investment being deemed fully impaired. (See Item 1, Business; Principal Products and their Markets; Joint Ventures and Investments).

Global Hemp Group JV – Scio Oregon

Global Hemp Group Joint Venture/Scio Oregon Hemp Project; On May 8, 2018, the Company, Global Hemp Group, Inc., a Canadian corporation, and TTO Enterprises, Ltd., an Oregon corporation entered into a Joint Venture Agreement. The purpose of the joint venture is to develop a project to commercialize the cultivation of industrial hemp on a 109 acre parcel of real property owned by the Company and Global Hemp Group in Scio, Oregon, and operating under the Oregon corporation Covered Bridges, Ltd. The joint venture is in the development stage. 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, Inc. now have an equal 50-50 interest in the joint venture. The joint venture agreement commits 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 has complied with its payments on schedule.

As of December 31, 2018, the combined balance of the Covered Bridge (SCIO) investment and related 41389 Farm investment was \$408,077 and was classified as a long-term investment for the period ended December 31, 2018. The debt obligation related to this JV was reported as Debt obligation of Joint venture liability with a balance of \$289,742 for the year ended December 31, 2018.

Bougainville Ventures, Inc. Joint Venture

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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 15 million shares of the Company's restricted common stock. The Company completed its payments pursuant to the amended agreement on November 7, 2017, and on November 9, 2017, issued to Bougainville 15 million shares of restricted common stock. 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 to sub-divide the property, so that the appropriate portion could be deeded to the joint venture. Although Bougainville represented it would pay the delinquent taxes, it has not. To date, the property has not been deeded to the joint venture.

To clarify the respective contributions and roles of the parties, the Company also offered to enter into good faith negotiations to revise and restate the joint venture agreement with Bougainville. The Company diligently attempted to communicate with Bougainville in good faith to accomplish a revised and restated joint venture agreement, and efforts towards satisfying the 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.

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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 # 1502 cannabis license holder to grow cannabis on the real property; and, (iii) that clear title to the real property associated with the Tier 3 # 1502 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.

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.

GateC Joint Venture

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.

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The following table indicates the amount of impairments recorded by the Company quarter to quarter for investment activity quarter to quarter related to its joint venture investments:

	INVESTMENTS					SHORT-TERM INVESTMENTS		
	TOTAL INVESTMENTS	Global Hemp Group	Benihemp	MoneyTrac	Bougainville Ventures, Inc.	Gate C Research Inc.	Short-Term Investments	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 Loss	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	100,000	250,000	334,702	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	\$ 810,000
						\$ 810,000

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The following table indicates the amount of debt the Company recorded quarter to quarter as a result of its joint venture investments:

	TOTAL	Loan Payable				Bougainville Ventures, Inc.	Gate C Research Inc.	General Operating Expense
		JV Debt	Global Hemp Group	Benihemp	MoneyTrac			
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)	<u>2,067,411</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>394,555</u>	<u>1,500,000</u>	<u>172,856</u>	
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)	<u>\$ 1,422,410</u>	<u>\$ 1,027,855</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,555</u>	<u>\$ 0</u>	<u>\$ 0</u>	
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	<u>\$ 1,664,793</u>	<u>\$ 1,270,238</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 394,555</u>	<u>\$ 0</u>	<u>\$ 0</u>	
			<u>03-31-19</u>		<u>12-31-18</u>		<u>12-31-17</u>	
This includes balances for:			<u>Note (c)</u>		<u>Note (b)</u>		<u>Note (a)</u>	
- Debt obligation of JV			128,522		289,742		1,500,000	
- Convertible NP, net of discount			1,536,271		1,132,668		394,555	
- Longterm debt			0		0		172,856	
Total Debt balance			<u>1,664,793</u>		<u>1,422,410</u>		<u>2,067,411</u>	

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NOTE 5 – ACCOUNTS PAYABLE

During the years ended December 31, 2018 and 2017, the Company settled outstanding payables with vendors and Joint Venture partners. In connection with the settlement, the Company recorded a gain of \$1,500,000 and \$0 for the years ended December 31, 2018 and 2017, respectively. This was primarily due to the rescission of the GateC Research Joint Venture.

NOTE 6 – NOTES PAYABLE

Purchase agreement CBD Global, Inc.

On July 12, 2016, the Company entered into a payment agreement with CBD Global, Inc. for the supply of raw materials used in the sale of the Company's product for an aggregate amount of \$15,000.

Under the terms of the payment agreement, the Company and the vendor agreed to payments, net 30 days from delivery, 75% cash and 25% of the Company's common stock at a fixed conversion rate of \$0.00335.

In accordance ASC 470-20, Debt ("ASC 470-20"), the Company recognized an embedded beneficial conversion feature present in the note. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. The Company recognized and measured an aggregate of \$3,638 of the proceeds, which is equal to the intrinsic value of the embedded beneficial conversion feature, to additional paid-in capital and a discount against the note. The debt discount attributed to the beneficial conversion feature was charged to current period operations as interest expense.

NOTE 7 – NOTES PAYABLE, RELATED PARTY

As of December 31, 2018, and 2017, the Company's officers and directors have provided advances and incurred expenses on behalf of the Company. The issued notes are unsecured, due on demand and bear 5% interest for 2018 notes and non-interest bearing for 2017 notes.

Convertible promissory notes

On June 30, 2017, the Company issued 5% convertible promissory notes for an aggregate of \$614,347 due June 30, 2018 for consideration of \$585,092, after original interest discount ("OID") of \$29,255; unsecured.

The notes are convertible, at any time, into shares of the Company's common stock at 50% of the lowest reported sales price of the Company's common stock for 15 trading days prior to the request to convert. In addition, the notes contain certain reset provisions should the Company issue subsequent equity linked instruments.

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

At June 30, 2017, the Company determined the aggregate fair value of \$1,317,555 of embedded derivatives. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 449.09%, (3) weighted average risk-free interest rate of 1.24%, (4) expected life of 1.00 years, and (5) estimated fair value of the Company's common stock from \$0.0205 per share.

The determined fair value of the debt derivatives of \$1,317,555 was charged as a debt discount up to the net proceeds of the notes with the remainder of \$732,463 charged to current period operations as non-cash interest expense.

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During the year ended December 31, 2018 and 2017, the Company issued an aggregate of 147,927,794 and 62,721,553 shares of its common stock in settlement of the issued notes payable and accrued interest.

For the years ended December 31, 2018 and 2017, the Company recorded amortization of debt discounts of \$732,463 and \$585,092, respectively, as a charge to interest expense.

NOTE 8 – CONVERTIBLE NOTE PAYABLE

Convertible notes payable are comprised of the following:

	<u>2018</u>	<u>2017</u>
Convertible note payable-DTTO- due April 30, 2018	\$ —	\$ 111,111
Convertible note payable-John Fife – last due October 27, 2018	150,959	—
Convertible notes payable-St George-last due June 30, 2019	<u>1,877,889</u>	<u>1,688,920</u>
Total	2,028,848	1,800,031
Less debt discounts	<u>(896,180)</u>	<u>(1,232,620)</u>
Net	1,132,668	567,411
Less current portion	<u>(1,132,668)</u>	<u>(394,555)</u>
Long term portion	\$ —	\$ 172,856

Convertible note payable-DTTO

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

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

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

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

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

Convertible note payable-Tangiers Global LLC

On July 31, 2017, the Company issued a 10% fixed convertible promissory note for an aggregate of \$250,000 due February 28, 2018. The Company had received net proceeds of \$76,500 under the note. Gross face amount was \$85,000, after additions for pro rate portion of OID and other related costs.

The note is convertible, at any time, into shares of the Company's common stock at \$0.0125 per share. As an investment incentive, the Company issued 10,000,000 5year cashless warrants, exercisable at \$.025.

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At the funding date of the note, the Company determined the aggregate fair value of \$374,100 of embedded derivatives. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 448.42% to 448.47%, (3) weighted average risk-free interest rate of 1.13% to 1.15%, (4) expected life of 0.58 to .59 years, and (5) estimated fair value of the Company's common stock from \$0.0376 per share.

The determined fair value of the debt derivatives of \$374,100 was charged as a debt discount up to the net proceeds of the note with the remainder of \$234,100 charged to operations as non-cash interest expense.

Additionally, date of issuance, the Company determined the aggregate fair value of \$375,000 of the issued warrant. The fair value of the warrant was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 448.47%, (3) weighted average risk-free interest rate of 1.84%, (4) expected life of 5.00 years, and (5) estimated fair value of the Company's common stock from \$0.0375 per share.

The determined fair value of the issued warrant of \$375,000 was charged as an inducement cost and charged to operations as non-cash interest expense.

On October 10, 2017, the Company entered into a "Settlement and Mutual Release of All Claims Agreement" ("Agreement") with Tangiers Global, LLC ("Tangiers") terminating the Company's previously announced material definitive agreement with Tangiers reported on Form 8-K on July 31, 2017. The Agreement terminated an Investment Agreement between the Company and Tangiers, wherein Tangiers previously agreed to invest up to five million dollars (\$5,000,000) to purchase the Company's Common Stock, par value \$0.001 per share, based upon an exemption from registration provided under Section 4(a)(2) of the 1933 Securities Act, and Section 506 of Regulation D promulgated thereunder.

Further, the Agreement, terminated a Registration Rights Agreement entered into between the Company and Tangiers, which was an inducement to Tangiers to execute and deliver the Investment Agreement, whereby the Company agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, and applicable state securities laws, with respect to the shares of Common Stock issuable for Tangiers's investment pursuant to the Investment Agreement.

Further, the Agreement settled two outstanding fixed convertible promissory notes the Company executed in favor of Tangiers: one in the amount of two hundred and fifty thousand dollars (\$250,000.00), of which Tangiers had advanced eighty-five thousand dollars (\$85,000) to the Company, with total principal and interest due in the amount of ninety-three thousand, five hundred dollars (\$93,500); and one in the amount of fifty thousand dollars (\$50,000), with total principal and interest due in the amount of fifty-five thousand dollars (\$55,000). In addition, previously issued warrants to acquire 10,000,000 shares of the Company's common stock were returned and canceled.

The Agreement further provided that in order to affect a prepayment of the fixed convertible promissory note in the amount of two hundred and fifty thousand dollars (\$250,000), the Company agreed to pay a prepayment penalty of eighteen thousand, five hundred dollars (\$18,500), resulting in a total payable on this note in the amount of one hundred and twelve thousand, two hundred dollars (\$112,200).

The Company agreed to settle the notes by paying Tangiers one hundred and sixty-seven thousand, two hundred dollars (\$167,200) and issuing Tangiers three million shares of the Company's restricted common stock. The Company and Tangiers agreed to mutual releases of all claims.

On October 10, 2017, the Company issued 3,000,000 shares of common stock and paid \$167,200 in full settlement of the outstanding Tangiers notes recognizing a gain on settlement of debt of \$342,399. The gain was determined by the fair value of the common shares obligated at the time of settlement of 11,200,000 less the 3,000,000 issued to settle, net with cash paid plus the fair value of the canceled liability warrants.

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Convertible notes payable-St George Investments

Effective July 3, 2017, the Company issued a secured convertible promissory note in aggregate of \$752,500 to St George Investments LLC ("St George"). The promissory note bore interest at 10% per annum, was due upon maturity sixteen months after the purchase price date and included an original issue discount ("OID") of \$67,500. In addition, the Company agreed to pay \$10,000 for legal, accounting and other transaction costs of the lender. The promissory note was funded in five tranches of \$422,500; \$27,500; \$167,200 and \$107,800; net of OID and transaction costs resulting in receiving aggregate net proceeds of \$675,000 under this note. As an investment incentive, the Company issued 33,653,846, 5-year warrants, exercisable at \$.04 with certain reset provisions.

During the year ended December 31, 2018, \$752,500 of principal and \$45,902 of accrued interest along with \$1,624,933 of derivative liabilities valued as of the respective conversion dates were converted into 53,528,363 shares of common stock. Unamortized discounts of \$696,385 were charged to interest expense at the time of conversion.

Forbearance agreement

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

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

Effective November 1, 2017, the Company issued a secured convertible promissory note in aggregate of \$601,420 to St George Investments LLC ("St George"). The promissory note bears interest at 10% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount ("OID") of \$54,220. In addition, the Company agreed to pay \$5,000 for legal, accounting and other transaction costs of the lender. The promissory note was funded on November 11, 2017 of \$542,200; net of OID and transaction costs.

During the year ended December 31, 2018, \$183,531 of principal and \$66,470 of accrued interest along with \$132,708 of derivative liabilities valued as of the respective conversion dates were converted into 27,839,644 shares of common stock.

Effective 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% per annum, is due upon maturity sixteen months after purchase price date and includes an original issue discount ("OID") 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 receiving aggregate net proceeds of \$1,500,000 under this note. The Company had received aggregate net proceeds of \$300,000 during the year ended December 31, 2017 with the remaining tranches received during the year ended December 31, 2018. As an investment incentive, the Company issued 66,000,000 5 year warrants, exercisable at \$.04 with certain reset provisions.

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The promissory notes are convertible, at any time at the lender's option, at \$0.04. However, in the event the Company's market capitalization (as defined) falls below \$30,000,000, the conversion rate is 60% of the 3 lowest closing trade prices due the 20 trading days immediately preceding date of conversion, subject to additional adjustments, as defined. In addition, the promissory note includes certain anti-dilution provisions should the Company subsequently issue any common stock or equivalents at an effective price less than the lender conversion price.

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

At the funding dates of the notes, the Company determined the aggregate fair value of \$2,842,117 of embedded derivatives. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 423.86 to 440.98%, (3) weighted average risk-free interest rate of 1.57% to 2.35%, (4) expected life of .253 to .833 years, and (5) estimated fair value of the Company's common stock from \$0.0275 to \$0.0441 per share.

The determined fair value of the debt derivatives of \$2,842,117 was charged as a debt discount up to the net proceeds of the note with the remainder of \$809 and \$2,412,545 charged to operations as non-cash interest expense.

Additionally, date of issuance, the Company determined the aggregate fair value of \$3,032,900 of the issued warrants. The fair value of the warrants were determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 436.55% to 448.94%, (3) weighted average risk-free interest rate of 1.93% to 2.15%, (4) expected life of 5.00 years, and (5) estimated fair value of the Company's common stock from \$0.0205 to \$0.0355 per share.

The determined fair value of the issued warrants was allocated between the debt instrument and warrants based on their relative fair values. The portion of the proceeds allocated to the warrants has been added to the debt discount, included in additional paid in capital and amortized over the life of the debt.

During the year ended December 31, 2018, \$855,000 of principal along with \$1,223,312 of derivative liabilities valued as of the respective conversion dates were converted into 51,952,093 shares of common stock. Unamortized discounts of \$520,443 were charged to interest expense at the time of conversion.

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. The Company determined the aggregate fair value of the embedded derivatives at \$260,233. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 418.01%, (3) weighted average risk-free interest rate of 2.20%, (4) expected life of .083 years, and (5) estimated fair value of the Company's common stock of \$0.0204 per share. The determined fair value of the debt derivatives was charged as a debt discount up to the net proceeds of the note with the remaining \$10,233 charged to operations as interest expense during the year ended December 31, 2018.

On November 20, 2018, \$99,041 of principal and \$959 of accrued interest along with \$125,625 of derivative liabilities valued as of the respective conversion date were converted into 8,576,329 shares of common stock. Unamortized discounts of \$99,041 were charged to interest expense at the time of conversion.

Effective August 28, 2018, the Company issued a secured convertible promissory note in aggregate of \$1,105,000 to St George Investments LLC ("St George"). The promissory note bears interest at 10% per annum, is due upon maturity ten months after purchase price date and includes an original issue discount ("OID") 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 promissory note was funded in seven tranches of \$60,000; \$71,000; \$15,000; \$75,000; \$200,000; \$200,000; and \$200,000, resulting in receiving aggregate net proceeds of \$825,000 under this note. As an investment incentive, the Company issued 45,000,000 5 year warrants, exercisable at \$.04 with certain reset provisions.

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The promissory note is convertible, at any time at the lender's option, at \$0.04. However, in the event the Company's market capitalization (as defined) falls below \$30,000,000, the conversion rate is 60% of the 3 lowest closing trade prices due the 20 trading days immediately preceding date of conversion, subject to additional adjustments, as defined. In addition, the promissory note includes certain anti-dilution provisions should the Company subsequently issue any common stock or equivalents at an effective price less than the lender conversion price.

The Company has a right to prepayment of the note, subject to a 15% prepayment premium and is secured by a trust deed of certain assets of the Company.

Additionally, at the date of issuance, the Company determined the aggregate fair value of \$1,588,493 of the issued warrants. The fair value of the warrants were determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 422.68%, (3) weighted average risk-free interest rate of 2.75%, (4) expected life of 5.00 years, and (5) estimated fair value of the Company's common stock of \$0.0353 per share.

The determined fair value of the issued warrants was allocated between the debt instrument and warrants based on their relative fair values. The portion of the proceeds allocated to the warrants has been added to the debt discount, included in additional paid in capital and amortized over the life of the debt.

At the funding dates of the notes, the Company determined an aggregate fair value of \$1,716,396 of the embedded derivatives. The fair value of the embedded derivatives was determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 422.68%, (3) weighted average risk-free interest rate of 2.31%, (4) expected life of .833 years, and (5) estimated fair value of the Company's common stock from \$.0353 per share.

The determined fair value of the debt derivatives was charged as a debt discount up to the net proceeds of the note with the remaining \$1,716,396 charged to operations as interest expense during the year ended December 31, 2018.

Summary:

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

At December 31, 2018, the Company determined the aggregate fair values of \$2,256,631 of embedded derivatives. The fair values were determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 112.98% to 113.09%, (3) weighted average risk-free interest rate of 2.44% to 2.56%, (4) expected life of 0.083 to 0.500 years, and (5) estimated fair value of the Company's common stock from \$0.0203 per share.

For the year ended December 31, 2018, the Company recorded a gain on the change in fair value of derivative liabilities of \$1,443,249 and a loss on the change in the fair value of derivative liabilities of \$4,329,743 for the year ended December 31, 2017. For the years ended December 31, 2018 and 2017, the Company recorded amortization of debt discounts of \$1,146,549 and \$1,042,999, respectively, as a charge to interest expense, respectively.

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NOTE 9 – DERIVATIVE LIABILITIES

As described in Notes 7 and 8, the Company issued convertible notes and warrants that contained conversion features and a reset provisions. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date and to fair value as of each subsequent reporting date.

NOTE 10 – STOCKHOLDERS' DEFICIT

Preferred stock

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

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

Common stock

The Company is authorized to issue 5,000,000,000 shares of \$0.001 par value common stock as of December 31, 2018 and 2017. As of December 31, 2018, and 2017, the Company had 2,561,238,082 and 2,103,464,006, respectively, common shares issued and outstanding.

In 2016, the Company issued an aggregate of 91,333,333 shares of its common stock for services rendered with an estimated fair value of \$1,218,879.

In 2016, the Company issued an aggregate of 409,674,303 shares of its common stock in settlement of related party notes payable in aggregate of \$450,642.

In 2016, the Company issued an aggregate of 4,565,860 shares of its common stock in settlement of notes payable and purchase agreements of \$43,750.

In 2016, the Company canceled and returned to treasury an aggregate of 65,500,000 shares of previously issued common stock.

In 2016, the Company sold an aggregate of 69,623,874 shares of its common stock for net proceeds of \$349,500.

In December 2016, the Company's board of directors approved bonuses to the officers of the Company of an aggregate of 25,000,000 shares. As such, the Company recorded stock based compensation of \$2,025,000 based on the fair value at the date of grant.

During the year ended December 31, 2017, the Company issued an aggregate of 344,033,333 shares of its common stock for services rendered with an estimated fair value of \$19,068,583.

During the year ended December 31, 2017, the Company issued an aggregate of 29,545,455 shares of its common stock for prior year officer stock-based compensation accrual.

During the year ended December 31, 2017, the Company issued an aggregate of 20,000,000 shares of its common stock as replacement shares previously canceled in 2016 as part of settlement agreement.

During the year ended December 31, 2017, the Company sold an aggregate of 8,166,667 shares of its common stock for net proceeds of \$85,000.

During the year ended December 31, 2017, the Company issued an aggregate of 62,721,553 shares of its common stock in settlement of \$614,346 related party notes payable and accrued interest.

During the year ended December 31, 2017, the Company issued 3,000,000 shares of its common stock in part settlement of \$140,000 convertible notes payable, accrued interest and penalties.

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During the year ended December 31, 2018, the Company issued an aggregate of 31,000,794 shares of its common stock for services rendered with an estimated fair value of \$718,099.

During the year ended December 31, 2018, the Company sold an aggregate of 18,693,636 shares of its common stock for net proceeds of \$152,000.

During the year ended December 31, 2018, the Company issued an aggregate of 80,428,246 shares of its common stock in settlement of \$804,279 related party notes payable and accrued interest.

During the year ended December 31, 2018, the Company issued 147,927,794 shares of its common stock in part settlement of \$5,466,333 convertible notes payable, accrued interest and penalties.

During the year ended December 31, 2018, the Company issued 57,676,810 shares of its common stock in settlement of a legal case at a cost of \$1,701,466.

During the year ended December 31, 2018, the company issued 122,046,796 shares of its common stock in exchange for exercise of warrants on a cashless basis.

During the year ended December 31, 2018, the company received proceeds from common stock subscriptions for \$90,000.

Options

Option valuation models require the input of highly subjective assumptions. The fair value of stock-based payment awards was estimated using the Binomial Option Pricing Model with a volatility figure derived from using the Company's historical stock prices. Management determined this assumption to be a more accurate indicator of value. The Company accounts for the expected life of options based on the contractual life of options for non-employees. For employees, the Company accounts for the expected life of options in accordance with the "simplified" method, which is used for "plain-vanilla" options, as defined in the accounting standards codification.

The risk-free interest rate was determined from the implied yields of U.S. Treasury zero-coupon bonds with a remaining life consistent with the expected term of the options.

In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. In estimating the Company's forfeiture rate, the Company analyzed its historical forfeiture rate, the remaining lives of unvested options, and the number of vested options as a percentage of total options outstanding. If the Company's actual forfeiture rate is materially different from its estimate, or if the Company reevaluates the forfeiture rate in the future, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

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The following table summarizes the stock option activity for the years ended December 31, 2018 and 2017:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2017	1,000,000,000	\$ 0.005	8.76	\$ 15,400,000
Granted	-			
Forfeitures or expirations	-			
Outstanding at December 31, 2017	1,000,000,000	\$ 0.005	7.76	\$ 15,400,000
Granted	-			
Forfeitures or expirations	-			
Outstanding at December 31, 2018	0 ⁽¹⁾	\$ -	-	-
Exercisable at December 31, 2018	0 ⁽¹⁾	\$ -	-	\$ -

(1) On February 27, 2019, Donald Steinberg and Charles Larsen cancelled previously issued options to purchase an aggregate of 1,000,000,000 shares at an average exercise price of \$0.0005 per share, representing 100% of all previously issued option. (See Subsequent Events, Note 15).

The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on options with an exercise price less than the Company's stock price of \$0.0203 as of December 31, 2018, which would have been received by the option holders had those option holders exercised their options as of that date.

The following table presents information related to stock options at December 31, 2018⁽¹⁾:

Options Outstanding (1)		Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$ -	-	-	-

The stock-based compensation expense related to option grants was \$450,000 and \$600,000 during the year ended December 31, 2018 and 2017, respectively.

(1) On February 27, 2019, Donald Steinberg and Charles Larsen cancelled previously issued options to purchase an aggregate of 1,000,000,000 shares at an average exercise price of \$0.0005 per share, representing 100% of all previously issued option. (See Subsequent Events, Note 15).

Warrants

The following table summarizes the stock warrant activity for the two years ended December 31, 2018:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2017	-	\$ -		\$ -
Granted	109,653,846	0.039	5.00	-
Forfeitures or expirations	(10,000,000)			
Outstanding at December 31, 2017	-			
Granted	50,846,817	0.037	4.67	52,000
Exercised	(39,633,846)	0.040	4.26	
Forfeitures or expirations	-			
Outstanding at December 31, 2018	110,846,817	\$ 0.039	4.18	\$ 52,000
Exercisable at December 31, 2018	110,846,817	\$ 0.039	4.18	\$ 52,000

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The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on warrants with an exercise price less than the Company's stock price of \$0.0203 as of December 31, 2018, which would have been received by the warrant holders had those option holders exercised their warrants as of that date.

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

Warrants Outstanding		Warrants Exercisable		
Exercise Price	Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants	
\$ 0.04	99,653,846	4.18		99,953,846

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

NOTE 11 — 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.

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

The Company recognizes its derivative liabilities as level 3 and values its derivatives using the methods discussed in note 6. While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The primary assumptions that would significantly affect the fair values using the methods discussed in Notes 4 and 5 are that of volatility and market price of the underlying common stock of the Company.

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

The combined derivative and warrant liability as of December 31, 2018 and 2017, in the amounts of \$2,256,631 and \$7,793,732, respectively, have a level 3 classification.

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

	Warrant Liability	Debt Derivative
Balance, January 1, 2017	\$ —	\$ —
Initial fair value of debt derivative at note issuance	—	3,383,913
Initial fair value of warrant liability at issuance	3,407,900	
Mark-to-market at December 31, 2017	2,731,734	1,073,729
Transfers out of Level 3 upon conversion or payoff of notes payable	(279,999)	(1,826,267)
Balance, December 31, 2017	\$ 5,859,635	\$ 2,631,375
Total (gains) losses		
Initial fair value of debt derivative at note issuance	—	4,403,740
Mark-to-market at December 31, 2018:	—	(1,333,636)
Transfers out of Level 3 upon conversion or payoff of notes payable or cancellation of warrant	(5,859,635)	(3,368,855)
Balance, December 31, 2018	\$ —	\$ 2,332,624
Net gain for the period included in earnings relating to the liabilities held during the period ended December 31, 2018	\$ —	\$ 1,333,636

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 December 31, 2018, the Company's stock price increased significantly from initial valuations. As the stock price increases for each of the related derivative instruments, the value to the holder of the instrument generally increases. Stock price is one of the significant unobservable inputs used in the fair value measurement of each of the Company's derivative instruments.

As described in Notes 7 and 8, 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.

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NOTE 12 — RELATED PARTY TRANSACTIONS

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

As of December 31, 2018, and 2017, accrued compensation due officers and executives included as accrued compensation was \$454,316 and \$0, respectively.

In 2017 and 2016, the Company issued for accrued compensation and subsequently converted to common stock an aggregate of \$195,000 and \$357,500 notes payable.

In 2016, the Company issued for incurred expenses and subsequently converted to common stock an aggregate of \$93,142 convertible notes payable. In connection with the settlement, the Company incurred a \$59,272 loss on settlement of debt

At December 31, 2018 and 2017, there were an aggregate of \$287,140 and \$542,573, respectively, notes payable due to officers. The notes are at 5% per annum and non-interest bearing, respectively, and are due on demand.

On August 31, 2017, the Company entered into a joint venture agreement with Global Hemp Group, Inc., a Canadian corporation. Global Hemp Group, Inc. is a related party insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company. Further, our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

On May 8, 2018, the Company entered into a joint venture with Global Hemp Group, Inc., a Canadian corporation, and TTO Enterprises, Ltd., an Oregon corporation. The purpose of the joint venture is to develop a project to commercialize the cultivation of industrial hemp on a 109 acre parcel of real property owned by the Company and Global Hemp Group in Scio, Oregon, and operating under the Oregon corporation Covered Bridges, Ltd. The joint venture is in the development stage. On May 30, 2018, the joint venture purchased TTO's 15% interest in the joint venture for \$30,000. Global Hemp Group, Inc. is a related party insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company. Further, our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

For the years ended December 31, 2018 and 2017, the Company had sales to related parties of \$11,683 and \$0, respectively.

NOTE 13 — COMMITMENTS AND CONTINGENCIES

Employment contracts

Effective January 1, 2016, the Company entered into employment contracts with Donald Steinberg (Chief Executive Officer), Charles Larsen (Director), respectively. Effective September 1, 2018, engaged Jesus Quintero (Chief Financial Officer) for annual compensation of \$36,000. The contracts are for a one year term with automatic renewal. For each fiscal year, the officers are eligible to receive an annual bonus based on the sole and absolute discretion of the board of directors. In addition, during the employment term, the officers are eligible to participate in the Marijuana Company of America, Inc. Equity Incentive Plan, as determined by the board of board of directors and any fringe benefits and perquisites consistent with the practices of the Company and to the extent the Company provides similar benefits or perquisites (or both) to similarly situated executives of the Company during employment term.

The employment contracts can be terminated by either the Company or the officer at any time for any reason with at least a 30-day notice. Should termination occur by the Company without cause and subject to certain limitations (as defined); the officer is entitled to one year base pay and target bonus for the year in which termination occurs, as a lump sum payment 30 days following termination. In addition, subject to the Marijuana Company of America, Inc. Equity Incentive Plan or any successor Plan, all previously granted and outstanding equity based compensation awards shall become fully vested and exercisable for their remaining terms (subject to limitations).

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Operating lease

On June 16, 2017, the Company entered into a lease agreement, whereby the Company leased for office space in Escondido, California, commencing July 1, 2017 and expiring on June 30, 2019 at a base monthly lease rate of \$1,974 per month.

Future minimum lease payments under these three agreements are as follows:

Year Ending December 31,

2018	\$	21,986
2019		11,843
	\$	33,829

Litigation

The Company is subject at times to other legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its financial position, results of operations or liquidity.

On June 25, 2018, DTTTO Funding filed a complaint against the Company for breach of contract related to the Company's April 20, 2017 convertible promissory note in which DTTTO lent the Company \$111,111. Principal and interest in the note were, at the election of DTTTO, convertible into common shares of the Company. On November 30, 2017, DTTTO notified the Company of an election to convert a portion of the note to common shares, but the Company failed to process the conversion. The Company failed to repay principal and interest otherwise due on the maturity date of April 20, 2018. DTTTO's action sought damages against the Company including principal, default interest, liquidated damages, attorney fees and costs in an amount with an alleged present cash value of \$1,787,981.10.

The Company filed an answer to the complaint. Thereafter, the Company entered into settlement negotiations with DTTTO. In its review of the complaint, the Company determined (i) it had no money to pay damages under the note including principal, interest, liquidated damages, penalties and costs; (ii) it could not fund its litigation related expenses in Texas; (iii) it may be exposed to potential additional attorney fees and costs in the event the Company loses the litigated case; (iv) there was a benefit to obtaining a quick resolution of the litigated case; and, (v) litigating the case would require a significant commitment of personal time and costs for the Company's affiliates, directors and officers, taking them away from the business of the Company. The Company's negotiations led to a proposed stipulation for settlement, a court order and joint motion for entry of judgment based on the negotiated settlement. The Company reviewed the terms and determined the total number of shares issuable under the proposed stipulation were reasonable in light of the above noted reasons. The Company, in an exercise of prudent business judgment, determined that entry into the stipulated judgment was reasonable and in the best interests of the shareholders, because settlement would terminate the litigation, allowing the Company to avoid accrual of additional damages under the note recoverable by Plaintiff including interest, liquidated damages, penalties and costs; and, entry into the proposed Stipulation will also end the Company's obligations to pay for its own legal counsel fees and related litigation fees, which it could afford. On September 4, 2018, after noticed motion, Judge Sam A. Lindsay granted the joint motion and adopted the stipulation to settle the case as the order of the Court. As a result, pursuant to Section 3(a)(10) and the Court's order, the Company issued 57,676,810 common stock shares in settlement of the litigation with prejudice for at a total value of \$1,701,466 and thus eliminating the contingent liability.

MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES
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DECEMBER 31, 2018

NOTE 14 – INCOME TAXES

At December 31, 2018, the Company has available for federal income tax purposes a net operating loss carry forward of approximately \$53,983,895, expiring in the year 2038, that may be used to offset future taxable income, but could be limited under Section 382. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits will not be realized. Due to possible significant changes in the Company's ownership, the future use of its existing net operating losses may be limited. All or portion of the remaining valuation allowance may be reduced in future years based on an assessment of earnings sufficient to fully utilize these potential tax benefits.

We have adopted the provisions of ASC 740-10-25, which provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10-25 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities.

Tax position that meet the more likely than not threshold is then measured using a probability weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company had no tax positions relating to open income tax returns that were considered to be uncertain. We file income tax returns in the U.S. and in the state of California and Utah with varying statutes of limitations.

The Company is required to file income tax returns in the U.S. Federal jurisdiction and in California. The Company is no longer subject to income tax examinations by tax authorities for tax years ending before December 31, 2013.

The Company's deferred taxes as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Non-Current deferred tax asset:		
Net operating loss carry-forwards	\$ 53,983,895	\$ 41,560,772
Valuation allowance	(53,983,895)	(41,560,772)
Net non-current deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

NOTE 15 – SUBSEQUENT EVENTS

On February 27, 2019, Charles Larsen resigned as a director of the Company.

On February 27, 2019, Donald Steinberg and Charles Larsen canceled all 1,000,000,000 stock options previously issued to them by the Company, representing 100% of all previously issued options..

Natural Plant Extract of California, Inc.

In early March, 2018, our consultant, Mr. Robert Hymers, a minority owner of Natural Plant Extract of California, Inc. ("NPE") informally communicated with our affiliates concerning the possible business opportunities between us and NPE. As informal discussions continued, the general terms and scope of a non-binding letter of intent were discussed between us and NPE. On March 18, 2019, our board reviewed, authorized and executed a resolution approving the entry into a non-binding letter of intent with NPE. The letter of intent only set forward a framework for due diligence between us and NPE. The letter of intent was not an offer or material commitment by us, and was completely contingent upon us and NPE entering into a separate formal material definitive agreement.

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The letter of intent proposed a joint venture between us and Northern Lights Distribution, LLC, a California limited liability company (“Northern Lights”) and wholly owned subsidiary of NPE. The joint venture was prospectively to be incorporated in California under the name “Viva Buds,” whose business to include the utilization of Northern Lights California cannabis licenses to produce and deliver cannabis products in California under the brand name “Viva Buds.” The terms of the letter of intent proposed that profits from the Viva Buds project would be split evenly between us and Northern Lights. Northern Lights agreed to provide management services regarding delivery and fulfillment of products, and contribute product and inventory. We agreed to provide marketing services and front end client relationship services using our affiliate marketing system and support staff.

From March 18 to April 10-15, 2019, we reviewed the corporate documents, by laws, articles of incorporation, license status, of NPE. We held internal discussions asking questions and receiving answers. We reviewed documents with our accountant and lawyer. After due consideration during this period, a draft material definitive agreement was prepared, circulated and discussed by our board. Based on our interests in developing and expanding our business to operations into the legal cannabis space in the state of California, our board met, reviewed the draft material definitive agreement, and approved it, authorizing its execution along with the ancillary transaction documents, including the joint venture agreement and stock purchase agreement on April 15, 2019. These documents provided for consideration including NPE’s commitment to sell us a 20% ownership in Natural Plant in exchange for two million dollars and our agreement to issue to NPE one million dollars’ worth of our unregistered and restricted common stock.

On March 19, 2019, we launched our sales efforts for our hempSMART™ products in the United Kingdom (“UK”) through our affiliate marketing program. The UK’s Medicines and Healthcare Products Regulatory Agency (MHRA), regulates wellness products containing CBD derived from hemp and generally prohibits the sale of such products in the UK with a THC content greater than 0.2 percent. Based on our latest laboratory results, our hempSMART™ products contain less than 0.2 percent THC and are actually closer to 0 percent.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, 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 the Company's management, including the Company's president and chief executive officer and the Company's chief financial officer to allow for timely decisions regarding required disclosure.

In connection with this annual report, as required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, we carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures as of December 31, 2018, under the supervision of our Board of Directors, our Principal Executive Officer and Principal Financial Officer. In designing and evaluating the Company's disclosure controls and procedures, the Company's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. This assessment included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation.

As of the date of this annual report on Form 10-K, the Company determined that its disclosure controls and procedures were not effective due to a material weakness and significant deficiency identified in the Company's internal control over financial reporting, described below. 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company in accordance with as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Based on this evaluation, the Company's management concluded its internal control over financial reporting was not effective as of December 31, 2018. The ineffectiveness of the Company's internal control over financial reporting was due to the following identified material weakness and significant deficiency:

Material Weakness

- (1) a lack of organizational controls designed to allow us to gather and provide our auditor timely documentation concerning our joint ventures' financial records. This material weakness causes us to not be able to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and effectively close our books in a timely fashion and report to the Commission consistent with its rules and forms.

Significant Deficiency

- (2) a procedural failure to update our disclosures to include relevant accounting standards updates.

Changes in Internal Control over Financial Reporting.

In order to address the material weakness and significant deficiency noted above, we made the following respective changes to our internal control over financial reporting, numbered to correspond with the foregoing discussion:

(1) After our year ended December 31, 2018, we considered and approved on May 28, 2019, an internal audit sub-committee, led by independent director Robert Coale, to obtain timely information on a weekly basis on the status of our joint ventures, the respective budgets and expenses and variances on balances. Mr. Jesus Quintero, our Chief Financial Officer, has monitored, reviewed and to the extent he deemed prudent, tested Mr. Coale's work since inception of the internal audit sub-committee. Mr. Coale has reported to the Board of Directors on the status of each joint venture on a weekly basis, along with a discussion of the ability to sell and liquidate inventory and to also advised concerning funding. Although we believe our implementation of this framework will provide an effective preventative control that will allow us to provide our auditor timely information about our joint ventures so that we can close our books in a timely fashion and file our reports to the Commission consistent with its rules and forms, our internal sub-committee has been operational for approximately one month, and so our evaluation of its effectiveness is not complete and will require further review, assessment and disclosure. Therefore, this material weakness is not resolved.

(2) We also included as part of our closing process a checklist to review and update accounting standard updates to be reviewed and approved by our Chief Financial Officer and auditor for inclusion in our Commission filings. We expect that this remedy will insure that our disclosures going forward will include the appropriate accounting standards updates and will remedy the significant deficiency. Therefore, we believe this significant deficiency to be remediated.

Our management will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM.

This annual report does not include an attestation report of our independent registered public accounting firm regarding our internal control over financial reporting, because pursuant to the rules of the SEC we are neither an accelerated filer nor a larger accelerated filer.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board of Directors

The following table sets forth information regarding our current directors and each director nominee, as of December 31, 2018.

Name	Principal Occupation	Age	Director Since
Donald Steinberg	Director, Chairman of the Board, Principal Executive Officer	69	2015
Charles Larsen ⁽¹⁾	Director	60	2015
Robert Coale	Director	58	2018

Donald Steinberg, Director. Mr. Steinberg's business experience began in 1986 when he developed stock option volatility analysis and trading programs. His work led him to a management position of floor traders on multiple options exchanges, including the Chicago Board of Options Exchange and the Pacific Options Exchange. Ultimately, Mr. Steinberg used his trading and volatility programs to manage options trading centers in Chicago, Philadelphia and California, where he managed and directed floor traders. This experience gave Mr. Steinberg the fundamental knowledge of finance and operations and gave him insight into the management skills necessary to operate a company with discrete centers and many employees. Beginning in the early 90's, Mr. Steinberg co-founded Globalcom 2000 and entered into the prepaid phone card business. Globalcom 2000 became one of the largest and fastest growing phone card companies in the United States. Among the many firsts accomplished in that business was an account with 7-11, which Mr. Steinberg personally closed, and which made Globalcom 2000 the first phone card in the country with a corporate logo.

In 1994, Mr. Steinberg developed an interest in the telecom "Callback" business and co-founded "One World Communications." Mr. Steinberg subsequently traveled the world, opening up 187 training centers in only 9 months, and created an international multi-level-marketing ("MLM") global sales force selling telecom services. In 2006, Mr. Steinberg formed Club Vivanet as an International MLM, selling a variety of services. In 2009, he merged Club Vivanet with a publicly traded company. In 2008, Mr. Steinberg recognized the emerging opportunities in the medical marijuana industry and changed the name of Club Vivanet to Medical Marijuana Inc. (OTC: MJNA), which is believed to be America's first publicly traded company in the medical marijuana industry. Mr. Steinberg left Medical Marijuana, Inc. in 2011 and in 2013, Mr. Steinberg launched Global Hemp Group, Inc. (OTC: GBHPF) with Mr. Charles Larsen, as they recognized the momentum building in the emerging global hemp industry. Over the last five years, Mr. Steinberg has followed the developing cannabis business, the new laws and regulations governing it, and business trends in this growing market. Mr. Steinberg has also studied possible banking solutions for the cannabis market. Global Hemp Group, Inc. is a related party insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company. Further, Mr. Steinberg is a shareholder in Global Hemp Group.

Charles Larsen, Director. Mr. Larsen attended the Pepperdine University Graziadio School of Business in Los Angeles and served in the U.S. Coast Guard from 1981 through 1988. From 1989 through 1991, Mr. Larsen served as operations manager with the Commodity Trading Advisor (CTA) Peskin & Associates in Chicago, Illinois, where his primary duties included organization and management of investment operations, management of client billing, the development of a custom trade order management system, monitoring of trading operations and floor broker communications. From 1991 through 1995, Mr. Larsen served as an implementation consultant for Integrated Decision Systems in Los Angeles, CA. In this capacity, Mr. Larsen implemented portfolio management and trade order management systems, determined operational deficiencies and solutions, and managed custom training programs and development projects. From 1995 through 2006, Mr. Larsen served as Senior Vice President of Operations and Business Development for Tower Asset Management in Beverly Hills, CA. Here, Mr. Larsen managed operations, client billing, daily portfolio reconciliation, compliance and regulatory reporting. Mr. Larsen also was a member of Tower's Investment Committee and Executive Management Committee. From 2006 through 2007, Mr. Larsen was Chief Operating Officer and Chief Financial Officer at Financial Management Advisors of Century City, CA, where his duties focused on management of operations, finance and compliance. From 2007 to 2009, Mr. Larsen worked for Polaris International Holdings in Huntington Beach, CA focused on the preparation of corporate financials and regulatory compliance. In 2009 Mr. Larsen helped found Medical Marijuana, Inc. and focused on operations, compliance and acquisition sourcing and due diligence. From 2012 through 2013, Mr. Larsen was an independent business consultant serving corporations including Global Payout, Inc., of San Diego, CA and BG Medical Technologies, Inc. of Los Angeles, CA. Beginning in 2013, Mr. Larsen co-founded and remains the President and Chief Executive Officer of Global Hemp Group, Inc. (OTC: GBHPF). With Global Hemp Group, Mr. Larsen's duties include corporate compliance and administration, hemp and medical marijuana compliance, and business development in Canada and internationally, all positions he continues in as of the date of this filing. From 2013 to the present, Mr. Larsen has been the Company's co-founder, director and strategic advisor, advising management on public company compliance and administration, business development, medical and recreational marijuana compliance, sourcing, and overall operations on a daily basis. We currently have two ongoing joint ventures with Global Hemp Group. Global Hemp Group, Inc. is a related party insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company, and our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

Robert Coale, Director. Mr. Coale is the President of CFS Capital Group, Inc., a firm focused on business consulting, private equity investments, financial and strategic joint venture facilitation, including telecommunications, banking, fund raising, non-profit, retirement, entertainment, licensing, gateway interface/merchant processing, real estate development, and strategic planning. Mr. Coale holds a Master's in Business Administration, with an emphasis on International Marketing and Strategic Planning from Pepperdine University awarded in 1992; a Bachelor of Science with an emphasis in Finance from the University of Southern California awarded in 1982, and is currently a member of the Advisory Board to Everlert, Inc. (OTC: EVLI).

⁽¹⁾ Charles Larsen resigned as a director on February 27, 2019.

Our Executive Officers

We designate persons serving in the following positions as our named executive officers: our chief executive officer, chief financial officer, chief development officer, chief operating officer and chief technology officer. The following table sets forth information regarding our executive officers as of December 31, 2018.

Name	Principal Occupation	Age	Officer Since
Donald Steinberg	Principal Executive Officer	69	2015
Jesus Quintero	Chief Financial Officer	57	2018

Mr. Steinberg's biographical summary is included under "Our Board of Directors."

Jesus Quintero, Chief Financial Officer; From January, 2013 to September, 2014, Mr. Quintero served as the Chief Financial Officer of Brazil Interactive Media, Inc. Mr. Quintero is the current CFO for Mass Roots Inc. (OTC: MSRT). From 2011 to the present, Mr. Quintero has served as a financial consultant to several multi-million dollar businesses in South Florida. Mr. Quintero also currently serves as an independent member of the Board of Directors of Cannabis Strategic Ventures Inc. (OTC: NUGS). He has extensive experience in public company reporting and SEC/SOX compliance, and held senior finance positions with Avnet, Inc. (NYSE: AVT), Latin Node, Inc., Globetel Communications Corp. (AMEX: GTE) and Telefonica of Spain. His prior experience also includes tenure with Price Waterhouse and Deloitte & Touche. Mr. Quintero earned a B.S. in Accounting from St. John's University and is a certified public accountant.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such persons.

Based solely on our review of such forms furnished to us, and written representations from certain reporting persons, Donald Steinberg filed Form 4 late for twenty-three transactions and Charles Larsen filed Form 4 late for five transactions. Otherwise, we believe that all filing requirements applicable to our other executive officers, directors and greater than 10% stockholders during the fiscal year ended December 31, 2018 were satisfied.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of our principal executive officer, our principal financial officer and each of our other executive officers during 2018.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Donald Steinberg,	2018	360,000	—	—	—	—	360,000
Principal	2017	180,000	5,676,000	—	—	—	5,676,000
Executive Officer	2016	180,000	—	789,000	—	—	969,000
Robert Hymers, III	2018	82,500	—	210,000	—	—	292,500
Chief Financial Officer ⁽¹⁾	2017	90,000	—	4,326,000	—	—	4,416,500
	2016	90,000	—	394,500	—	—	484,500
Jesus Quintero	2018	9,000	—	8,700	—	—	17,700
Chief Financial Officer ⁽²⁾	2017	—	—	—	—	—	—
	2016	—	—	—	—	—	—

(1) Robert Hymers resigned as director and Chief Financial Officer on June 18, 2018.

(2) The Company appointed Jesus Quintero Chief Financial Officer on August 31, 2018.

Retirement Benefits

We do not currently provide our named executive officers with supplemental or other retirement benefits.

Outstanding Equity Awards at December 31, 2018

As of December 31, 2018, no stock-based compensation awards to any of our named executive officers were outstanding.

Compensation of Directors

The following table sets forth information concerning the compensation earned during 2018 by each individual who served as a non-employee director at any time during the fiscal year:

2018 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Total (\$)
Donald Steinberg	360,000	—	360,000
Charles Larsen	240,000	—	240,000
Robert Coale	4,000	27,000	31,000
Robert L. Hymers, III	82,500	210,000	292,500

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

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of December 31, 2018 by (1) each stockholder who is known by us to beneficially own more than 5% of our common stock, (2) each of our directors, (3) each of our executive officers named in the Summary Compensation Table above, and (4) all of our directors and executive officers as a group.

Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Percent ⁽³⁾
Named Executive Officers and Directors:		
Donald Steinberg	499,170,239	19.49
Jesus Quintero	250,000	*
Charles Larsen	373,113,793	14.57
Robert Coale	1,000,000	*
Robert L. Hymers, III ⁽⁴⁾	45,734,006	1.76%
All executive officers and directors as a group (5 persons)	919,268,038	35.26

*Denotes less than 1%

- (1) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.
- (2) Under SEC rules, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days upon the exercise of options or the settlement of other equity awards.
- (3) Calculated on the basis of 2,603,326,816 shares of common stock outstanding as of December 31, 2018, plus any additional shares of common stock that a stockholder has the right to acquire within 60 days after December 31, 2018.
- (4) Mr. Hymers resigned as director and Chief Financial Officer June 18, 2018.

The following table sets forth information known to us regarding the beneficial ownership of our Class “A” preferred common stock as of December 31, 2018.

Title of Class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of Class
Class “A” Preferred Stock	Donald Steinberg 5256 S. Mission Road, 703 #314, Bonsall, CA 92003	5,000,000	50%
Class “A” Preferred Stock	Charles Larsen 333 Washington Blvd., Suite 386 Marina Del Rey, CA 90292	5,000,000	50%

- (1) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of Class “A” preferred common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table. The holders of the Class “A” Preferred Stock shall vote for the election of directors, and shall have full voting rights, except that each Class “A” Preferred share shall entitle the holder to exercise one hundred (100) votes for each one (1) Class A Preferred Share held. Our Directors, Mr. Charles Larsen and Mr. Donald Steinberg, each own 5,000,000 Class “A” Preferred Shares and so control in excess of 50% of the votes eligible to be cast on any decision regarding corporate actions under Utah law that are assigned to a vote of the stockholders, including but not limited to: (i) the sale of all or substantially all of its property; (ii) the election of directors; (iii) dissolving the corporation; (iv) amending the articles of incorporation; and, (v) approving a merger or consolidation. The beneficial owners of the Class “A” Preferred Stock vote with the common stockholders and the designated preferences cannot be modified but for a majority vote of the common shares eligible to vote as a class.
- (2) Under SEC rules, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days upon the exercise of options or the settlement of other equity awards.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽³⁾
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders	0 ⁽⁴⁾	\$ —	—
Total	—	\$ —	—

- (1) Historically, the Company has granted restricted shares that are subject to forfeiture. Pursuant to SEC guidance, these RSUs are not reportable in the table above.

- (2) Historically, the Company has granted restricted shares that are subject to forfeiture. Pursuant to SEC guidance, these RSUs are not reportable in the table above. Restricted shares subject to forfeiture have a weighted average exercise price of \$0.00.
- (3) The Company equity compensation grants to date have been approved on a grant-by-grant basis, as opposed to under an umbrella equity compensation plan establishing a total number of grants available.
- (4) On February 27, 2019, Donald Steinberg and Charles Larsen cancelled previously issued options to purchase an aggregate of 1,000,000,000 shares at an average exercise price of \$0.0005 per share .

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Pursuant to Item 404(d) of Reg. SK, we have entered into the following related party transactions for the fiscal year ended December 31, 2018:

On September 5, 2017, we announced our agreement to participate in a joint venture with Global Hemp Group, Inc., a Canadian corporation, in a multi-phase industrial hemp project on the Acadian peninsula of New Brunswick, Canada. The joint venture agreement required us to pay for one-half of the phase 1 costs of the project, which amounted to \$13,500. We expect that we will make subsequent contributions to the project, as it moves into succeeding phases. This is a related party transaction because our former Director and current affiliate shareholder Charles Larsen is a Director and control person of Global Hemp Group. Additionally, our Director and Officer Donald Steinberg, is a stockholder owning less than 10% of equity in Global Hemp Group, Inc.

On May 8, 2018, the Company entered into a joint venture with Global Hemp Group, Inc., a Canadian corporation, and TTO Enterprises, Ltd., an Oregon corporation. The purpose of the joint venture is to develop a project to commercialize the cultivation of industrial hemp on a 109 acre parcel of real property owned by the Company and Global Hemp Group in Scio, Oregon, and operating under the Oregon corporation Covered Bridges, Ltd. The joint venture is in the development stage. On May 30, 2018, the joint venture purchased TTO's 15% interest in the joint venture for \$30,000. Global Hemp Group, Inc. is a related party insofar as its director, Charles Larsen, is a beneficial owner of more than 10% of our common stock, and a former director of the Company. Further, our President and Chief Executive Officer Donald Steinberg is a shareholder in Global Hemp Group.

As of December 31, 2018, our Director and Officer Donald Steinberg, loaned the Company \$158,140, together with accrued interest of 5% per annum, as provided in a fixed promissory note due and payable by December 31, 2019.

As of December 31, 2018, our Director Charles Larsen, loaned the Company \$82,000, together with accrued interest of 5% per annum, as provided in a fixed promissory note due and payable by December 31, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to us for the fiscal year ended December 31, 2018 by L&L CPAs, LP:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Audit Fees ⁽¹⁾	\$ 38,384	\$ 16,000
Audit-Related Fees ⁽²⁾	—	—
Tax Fees ⁽³⁾	—	—
All Other Fees ⁽⁴⁾	—	—
Total	\$ 38,384	\$ 16,000

- (1) Audit fees consist of fees billed for professional services rendered for the audit of our annual financial statements, the review of the interim financial statements included in quarterly reports and services that are normally provided by L&L CPAs, LP in connection with statutory and regulatory filings or engagements, consultations in connection with acquisitions and issuances of auditor consents and comfort letters in connection with SEC registration statements and related SEC and non-SEC securities offerings.
- (2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit fees."
- (3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding federal, state and international tax compliance, acquisitions and international tax planning.
- (4) All other fees consist of fees for products and services other than the services reported above.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements of Marijuana Company of America, Inc. are included in "Item 8. Financial Statements and Supplementary Data."

Report of Independent Registered Public Accounting Firm
 Consolidated Balance Sheets
 Consolidated Statements of Operations
 Consolidated Statements of Changes in Stockholders' Equity (Deficit)
 Consolidated Statements of Cash Flows
 Notes to Consolidated Statements

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

Exhibit No	Exhibit Title	Filed Herewith	Form	Filing Date
3(i)	Articles of Incorporation		1012g	5/23/2017
3(ii)	By-Laws		1012g	5/23/2017
3(iii)	Amendment to Articles – February 2009		1012g	5/23/2017
3(iv)	Amendment to Articles – July 2013		1012g	5/23/2017
3(v)	Amendment to Articles – August 2015		1012g	5/23/2017
3(vi)	Amendment to Articles – September 2015		1012g	5/23/2017
10(i)	Material Contract – Bougainville Ventures, Inc. Joint Venture		1012g	5/23/2017
10(ii)	Material Contract – GateC Research, Inc. Joint Venture		1012g	5/23/2017
10(iii)	Material Contract – MultiSoft Corporation		1012g	5/23/2017
10(iv)	Material Contract – CBD Global		1012g A-2	9/12/2017
10(v)	Material Contract – Office Lease		1012g A-2	9/12/2017
10(vi)	Material Contract – Executive Employment Agreement - Larsen		1012g A-2	9/12/2017
10(vii)	Material Contract – Executive Employment Agreement - Hymers		1012g A-2	9/12/2017
10(viii)	Material Contract – Executive Employment Agreement - Steinberg		1012g A-2	9/12/2017
10(ix)	Material Contract – St. George Investments, LLC Convertible Promissory Note		10Q 6/30/17	8/21/2017
10(x)	Material Contract – St. George Investments, LLC Forbearance Agreement		10Q 6/30/17	8/21/2017
10(xi)	Material Contract – St. George Investments, LLC Securities Purchase Agreement		8K; 11/1/17	11/6/2017
10(xii)	Material Contract – St. George Investments, LLC Secured Convertible Promissory Note		8-K 11/1/17	11/6/2017
10(xiii)	Material Contract – St. George Investments, LLC Warrant to Purchase Shares of Common Stock		8-K 11/1/17	11/6/2017
10(xiv)	Material Contract – Tangiers Global, LLC Investment Agreement		10Q 6-30-17	8/21/2017
10(xv)	Material Contract – Tangiers Global, LLC Registration Rights Agreement		10Q 6-30-17	8/21/2017
10(xvi)	Material Contract – Tangiers Global, LLC Convertible Promissory Notes		10Q 6-30-17	8/21/2017
10(xvii)	Material Contract – St. George Investments, LLC Convertible Promissory Note.		10Q 6-30-17	8/21/2017
10(xviii)	Material Contract – Amendment to Bougainville Ventures Joint Venture Agreement		8-K 11-6-17	11/8/2017
10(xiv)	Material Contract – Conveniant Hemp Mart, LLC Interest Option Agreement		8-K 11-20-17	11/27/2017
10(xx)	Material Contract – Settlement Agreement and Mutual Release of All Claims – Tangiers Global, LLC		10-Q-A 9-30-17	12/11/2017
10(xxi)	Material Contract – Summary of Oral Extension Agreement for Funding GateC Research, Inc.		10-K 12-31-17	4/17/2018
10(xxii)	Material Contract – Rescission and Mutual Release Agreement with GateC Research, Inc.		8-K 3-19-18	3/20/2018
10(xxiii)	Material Contract – Global Hemp Group, Inc. Joint Venture Agreement		10K 12-31-17	4/17/2018

10(xxiv)	Material Contract – Stock Purchase Agreement, MoneyTrac Technology, Inc.	10K 12-31-17	4/17/2018
21	Subsidiaries of Registrant	1012g	5/23/2017
99(i)	Equity Incentive Plan	1012g A-2	9/12/2017
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a)	X	
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a)	X	
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X	

* In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

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

Date: August 8, 2019

MARIJUANA COMPANY OF AMERICA, INC.

By: /S/ Donald Steinberg
Donald Steinberg
Principal Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Donald Steinberg, Jesus Quintero and Robert Coale and each of them, with full power of substitution and re-substitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file, any and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their and his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

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

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/S/ Donald Steinberg</u> Donald Steinberg	Principal Executive Officer	August 8, 2019
<u>/S/ Jesus M. Quintero</u> Jesus M Quintero	Principal Financial Officer	August 8, 2019
<u>/S/ Robert Coale</u> Robert Coale	Director	August 8, 2019

I, Donald Steinberg, certify that:

1. I have reviewed this annual report on Form 10-K/A- 2 for fiscal year ended December 31, 2018 of Marijuana Company of America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Donald Steinberg
Donald Steinberg
Principal Executive Officer

Date: August 8, 2019

I, Jesus M. Quintero, certify that:

- 1.. I have reviewed this annual report on Form 10-K/A- 2 for fiscal year ended December 31, 2018 of Marijuana Company of America, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Jesus M. Quintero
Jesus M Quintero
Principal Financial Officer

Date: August 8, 2019

**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 annual report of Marijuana Company of America, Inc. (the "Company") on Form 10-K/A-1 for fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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.

By: /s/ Donald Steinberg
Donald Steinberg
Principal Executive Officer

Date: August 8, 2019

By: /s/ Jesus M Quintero
Jesus M Quintero
Principal Financial Officer

Date: August 8, 2019

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.