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

FORM 10-Q

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

For the quarterly period ended **September 30, 2016**

Commission File Number: **333-191721**

**MyDx, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**99-0384160**

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

**6335 Ferris Square, Suite B  
San Diego, CA 92121**

(Address of principal executive offices) (Zip Code)

**(800) 814-4550**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

Number of shares of common stock outstanding as of November 22, 2016 was 251,154,401.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements**

**MyDx, INC.**  
**Condensed Consolidated Balance Sheets**  
(unaudited)

ASSETS	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Current assets:		
Cash	\$ 183,752	\$ 143,680
Accounts receivable	40,397	10,702
Inventory	341,522	451,973
Prepaid expenses and other current assets	34,264	51,978
Total current assets	<u>599,935</u>	<u>658,333</u>
Property and equipment, net	160,516	233,064
Other assets	87,828	104,365
Total assets	<u>\$ 848,279</u>	<u>\$ 995,762</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Asset based loans	\$ 223,497	\$ -
Accounts payable	843,662	619,528
Customer deposits	56,312	9,467
Accrued liabilities	1,472,617	281,761
Current portion of leases payable	2,915	2,773
Due to related party	1,075	1,075
Derivative liability	111,048	-
Convertible notes payable, current	309,649	50,574
Total current liabilities	<u>3,020,775</u>	<u>965,178</u>
Long-term liabilities		
Note payable - Related Party	200,000	175,000
Convertible notes payable	-	200,274
Other long-term obligations	508	2,721
Total liabilities	<u>3,221,283</u>	<u>1,343,173</u>
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Preferred stock, \$0.001 par value, 10,000,000 authorized; zero shares issued as of September 30, 2016 and December 31, 2015, respectively.	-	-
Common stock, \$0.001 par value, 10,000,000,000 shares authorized; 114,620,112 and 22,081,928 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	114,620	22,081
Additional paid-in capital	11,757,927	9,528,072
Accumulated deficit	(14,245,551)	(9,897,564)
Total stockholders' deficit	<u>(2,373,004)</u>	<u>(347,411)</u>
Total liabilities and stockholders' deficit	<u>\$ 848,279</u>	<u>\$ 995,762</u>

See notes to unaudited condensed consolidated financial statements.

**MyDx, INC.**  
**Condensed Consolidated Statements of Operations**  
(unaudited)

	<b>for the three months ended</b>		<b>for the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net Revenues	\$134,240	\$219,180	\$574,880	\$219,180
Cost of goods sold	79,434	131,173	285,123	131,173
Gross profit	54,806	88,007	289,757	88,007
<b>Operating Expenses</b>				
Research and development	111,315	364,370	352,407	1,717,784
Sales and marketing	1,588,884	203,091	1,792,496	875,744
General and administrative	276,183	880,103	1,416,440	2,779,156
<b>Total operating expenses</b>	<b>1,976,382</b>	<b>1,447,564</b>	<b>(3,561,343)</b>	<b>5,372,684</b>
Loss from operations	(1,921,576)	(1,359,557)	(3,271,586)	(5,284,677)
Interest expense, net	807,622	1,051	863,001	442,811
Change in fair value of derivative liability	(198,338)	-	(198,338)	-
Loss on settlement of debt	335,952	-	409,887	-
Loss before provision for income taxes	(2,866,812)	(1,360,608)	(4,346,136)	(5,727,488)
Provision for income taxes	-	575	1,850	1,375
Net loss	<u>\$ (2,866,812)</u>	<u>\$ (1,361,183)</u>	<u>\$ (4,347,986)</u>	<u>\$ (5,728,863)</u>
Basic and diluted loss per share	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.15)</u>	<u>\$ (0.35)</u>
<b>Weighted average shares used in computing net loss per share</b>				
Basic and diluted	<u>34,235,772</u>	<u>21,845,932</u>	<u>29,750,062</u>	<u>16,601,476</u>

See notes to unaudited condensed consolidated financial statements.

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

	September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (4,347,986)	\$ (5,728,863)
Adjustments to reconcile net loss		
Depreciation and amortization	59,422	37,117
Impairment of assets	13,126	-
Common stock issued in exchange for services	304,237	1,702,439
Interest expense related to debt issuance costs	182,211	-
Gain on changes in fair value of derivative liability	(198,338)	-
Loss on debt settlements	409,982	-
Stock based compensation	377,669	376,242
Interest expense related to amortization of debt discount	549,000	418,950
Changes in assets and liabilities:		
Accounts receivable	(29,695)	(6,945)
Inventory	110,451	(522,132)
Prepaid expenses and other assets	34,251	(99,091)
Accounts payable and accrued liabilities	1,770,342	(165,485)
Customer deposits	68,852	(116,826)
Current portion leases payable	142	-
Long-term portion of leases payable	(2,213)	-
Net cash used in operating activities	<u>(698,547)</u>	<u>(4,104,594)</u>
Cash flows from investing activities:		
Purchases of property & equipment	-	(177,313)
Net cash used in investing activities	<u>-</u>	<u>(177,313)</u>
Cash flows from financing activities:		
Proceeds from note payable - related party	25,000	25,000
Repayment of note payable - related party	-	-
Proceeds from the issuance of convertible preferred stock, net of issuance costs	-	-3,632,869
Proceeds from the issuance of convertible notes payable, net of issuance costs	490,122	-
Proceeds from issuance of asset based loans, net of issuance costs	300,000	-
Repayments on asset based loans	(76,503)	-
Proceeds from issuance of common stock from exercise of stock options	-	2,667
Net cash provided by financing activities	<u>738,619</u>	<u>3,660,536</u>
Net (decrease) increase in cash	40,072	(621,371)
Cash, beginning of period	143,680	745,446
Cash, end of period	<u>\$ 183,752</u>	<u>\$ 124,075</u>
Supplemental cash flow information		
Interest paid	<u>\$ 40,547</u>	<u>\$ 1,050</u>
Noncash financing activity:		
Conversion of convertible notes payable to preferred stock	<u>\$ -</u>	<u>\$ 2,070,072</u>
Conversion of convertible notes payable to preferred stock	<u>\$ 826,367</u>	<u>\$ -</u>
Fair value of preferred stock warrants issued with preferred stock	<u>\$ -</u>	<u>\$ 1,667,148</u>
Reclassification of warrant liability to additional paid-in capital	<u>\$ -</u>	<u>\$ 1,943,672</u>
Common stock assumed in connection with merger	<u>\$ -</u>	<u>\$ 1,991</u>
Conversion of convertible preferred stock to common stock	<u>\$ -</u>	<u>\$ 7,904</u>
Par value adjustment in connection with the merger	<u>\$ -</u>	<u>\$ 47,827</u>

See notes to unaudited condensed consolidated financial statements

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)

**1. Organization**

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

**2. Nature of Business**

We are a science and technology company that has created the first battery operated, handheld, electronic analyzer for consumers. Our products leverage the latest nanotechnology to accurately measure chemicals of interest in nearly any solid, liquid, or gas sample, anywhere, anytime. Our mission is to enable people to live a healthier life by revealing the purity of certain compounds they eat, drink and inhale in real time through a device they can hold in the palm of their hand. We believe that the broad application and ease of use of our technology puts us in an ideal position to provide consumers with a practical and affordable way to trust and verify what they are putting into their bodies without leaving the comfort of their homes.

Our initial product which we introduced in the third quarter of 2015, utilizes the CannaDx sensor to allow consumers to analyze cannabis. During the third quarter of 2016 we introduced our AquaDx (water) and OrganaDx (food) sensors. Our product roadmap includes future development and commercialization of these sensors and our AeroDx (air) sensor in 2017. We will require substantial additional capital to finalize development and commercialize of our existing sensors and the AeroDx.

We have a portfolio of intellectual property rights covering principles and enabling instrumentation of chemical sensing technology across solid, liquid, and gas samples, including certain patented and patent pending technologies from a third party pursuant to a joint development agreement.

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

**3. Going Concern**

The Company had limited revenues during the nine months ended September 30, 2016. The Company currently has limited working capital, and has not completed its efforts to establish a source of revenues sufficient to cover operating costs. The Company has a limited operating history and its prospects are subject to risks, expenses and uncertainties frequently encountered by early-stage companies. These risks include, but are not limited to, the uncertainty of availability of financing and the uncertainty of achieving future profitability. Management anticipates that the Company will be dependent, for the near future, on investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise funds through the capital markets. There can be no assurance that such financing will be available at terms acceptable to the Company, if at all. Failure to generate sufficient cash flows from operations, raise capital or reduce certain discretionary spending could have a material adverse effect on the Company's ability to achieve its intended business objectives.

We reported negative cash flow from operations for the year ended December 31, 2015 and for the nine months ended September 30, 2016. It is anticipated that we will continue to report negative operating cash flow in future periods, likely until one or more of our products generates sufficient revenue to cover our operating expenses. If any of the warrants are exercised, all net proceeds of the warrant exercise will be used for working capital to fund negative operating cash flow.

Our cash balance of \$183,752 will not be sufficient to fund our operations for the next 12 months. Additionally, if we are unable to generate sufficient revenues to pay our expenses, we will need to raise additional funds to continue our operations. We have historically financed our operations through private equity and debt financings. The delays in our ability to ship products and generate revenues may have adversely affected our capital raising opportunities. We do not have any commitments for financing at this time, and financing may not be available to us on favorable terms, if at all. If we are unable to obtain debt or equity financing in amounts sufficient to fund our operations, if necessary, we will be forced to suspend or curtail our operations. In that event, current stockholders would likely experience a loss of most or all of their investment. Additional funding that we do obtain may be dilutive to the interests of existing stockholders.

**4. Summary of Significant Accounting Policies**

***Basis of Presentation***

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting and include the accounts of the Company and its wholly owned subsidiary. Certain information and note disclosures normally included in the consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Form 10-K filed with the SEC on April 27, 2016 and Form 10-Q filed with the SEC on August 15, 2016.

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's statement of financial position as of September 30, 2016 and the Company's results of operations for the three and nine months ended September 30, 2016 and 2015 and its cash flows for the nine months ended September 30, 2016 and 2015. The results for the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016. All references to September 30, 2016 or to the three and nine months ended September 30, 2016 and 2015 in the notes to condensed consolidated financial statements are unaudited.

***Reclassifications***

Certain prior year amounts in the consolidated financial statements and the notes thereto have been reclassified where necessary to conform to the current year presentation. These reclassifications did not affect the prior period total assets, total liabilities, stockholders' deficit, net loss or net cash used in operating activities.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such management estimates include allowance for doubtful accounts, estimates of product returns, warranty expense, inventory valuation, valuation allowances of deferred taxes, stock-based compensation expenses and fair value of warrants. The Company bases its estimates on historical experience and also on assumptions that it believes are reasonable. The Company assesses these estimates on a regular basis; however, actual results could materially differ from those estimates.

***Concentration of Credit Risk***

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

***Concentration of Risk Related to Third-party Suppliers***

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



**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of September 30, 2016 and December 31, 2015, the Company held no cash equivalents.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are recorded at the invoiced amount and are not interest bearing. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company makes ongoing assumptions relating to the collectability of its accounts receivable in its calculation of the allowance for doubtful accounts. In determining the amount of the allowance, the Company makes judgments about the creditworthiness of customers based on ongoing credit evaluations and assesses current economic trends affecting its customers that might impact the level of credit losses in the future and result in different rates of bad debts than previously seen. The Company also considers its historical level of credit losses. As of September 30, 2016, there was no allowance for doubtful accounts.

***Inventory***

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

***Property and Equipment***

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

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

***Accounting for Website Development Costs***

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

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

***Impairment of Long-Lived Assets***

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

***Convertible Debt***

The Company records a discount to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized to noncash interest expense using the effective interest rate method over the term of the related debt through their date of maturity. If a security or instrument becomes convertible only upon the occurrence of a future event outside the control of the Company, or, is convertible from inception, but contains conversion terms that change upon the occurrence of a future event, then any contingent beneficial conversion feature is measured and recognized when the triggering event occurs and the contingency has been resolved.

***Fair Value of Financial Instruments***

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

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

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

***Research and Development Costs***

Research and development costs are charged to expense as incurred. These costs consist primarily of salaries and direct payroll-related costs. It also includes purchased materials and services provided by independent contractors, software developed by other companies and incorporated into or used in the development of our final products.

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

***Income Taxes***

Deferred tax assets and liabilities are recognized for expected future consequences of events that have been included in the financial statements or tax returns. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

***Revenue Recognition***

The Company recognizes revenue from product sales upon shipment as long as evidence of an arrangement exists, the fee is fixed or determinable, collection of the resulting receivable is reasonably assured and title and risk of loss have passed. If those criteria are not met, then revenue will not be recognized until all of the criteria are satisfied.

***Product Returns***

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

***Customer Deposits***

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

***Stock-Based Compensation***

The Company accounts for stock-based awards granted to employees based on the fair value of the award measured at the grant date. Accordingly, stock-based compensation is recognized in the condensed consolidated statements of operations as an operating expense over the requisite service period. The Company uses the Black-Scholes option pricing model adjusted for the estimated forfeiture rate for the respective grant to determine the estimated fair value of stock-based compensation arrangements on the date of grant and expenses this value ratably over the requisite service period of the stock option. The Black-Scholes option pricing model requires the input of highly subjective assumptions. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models may not provide a reliable single measure of the fair value of the Company's stock options. In addition, management will continue to assess the assumptions and methodologies used to calculate estimated fair value of stock-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies for future grants, and which could materially impact the Company's fair value determination.

For equity instruments granted to non-employees, excluding non-employee directors, the Company records the expense of such services based on the estimated fair value of the equity instrument. If the equity instrument is a stock option, the Company uses the Black-Scholes option pricing model to determine the fair value. Assumptions used to value the equity instruments are consistent with equity instruments issued to employees as the terms of the awards are similar. The Company recognizes the fair value of the equity instruments as expense over the term of the service agreement and revalues that fair value at each reporting period over the vesting periods of the equity instruments.

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

***Warranty***

The Company provides a limited warranty for its analyzers and sensors for a period of 1 year from the date of shipment that such goods will be free from material defects in material and workmanship. The Company has assessed the historical claims and, to date, warranty claims have not been significant. The Company will continue to assess the need to record a warranty accrual at the time of sale going forward.

***Warrant Liability***

The Company accounted for its freestanding warrant for shares of the Company's convertible preferred stock as a liability at fair value on the condensed consolidated balance sheets because the warrants are potentially redeemable. The warrants are remeasured at each balance sheet date with any changes in fair value being recognized as a component of interest expense, net on the consolidated statements of operations. During the year ended December 31, 2015, the contingency was resolved and the warrant liability was reclassified into addition paid-in capital upon their extinguishment.

***Comprehensive Loss***

Comprehensive loss is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investment owners and distributions to owners. For the periods presented, comprehensive loss did not differ from net loss.

***Collaborative Arrangements***

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

***Advertising Costs***

Advertising costs are charged to sales and marketing expenses and general and administrative expenses as incurred. Advertising expenses, which are recorded in sales and marketing and general and administrative expenses, totaled \$51,774 and \$10,933 for the nine months ended September 30, 2016 and 2015, respectively. The advertising costs were \$51,774 and \$10,186 in sales and marketing and \$0 and \$747 in general and administrative expenses, respectively, for the years ended September 30, 2016 and 2015.

***Net Loss per Share***

Basic net loss per share is computed using the weighted-average number of common shares outstanding. The number of shares used in the computation of diluted net loss per share is the same as those used for the computation of basic net loss per share as the inclusion of dilutive securities would be anti-dilutive because the Company is in a loss position for the periods presented. Potentially dilutive securities are composed of the incremental common shares issuable upon the exercise of stock options and the conversion of convertible preferred stock.

For the three and nine months ended September 30, 2016, options to purchase 4,123,186 shares of common stock and warrants to purchase 7,571,395 shares of common stock have been excluded from the calculation of net loss per share because the inclusion would be anti-dilutive. For the three and nine months ended September 30, 2015, options to purchase 4,438,867 shares of common stock and warrants to purchase 7,571,395 shares of common stock have been excluded from the calculation of net loss per share because the inclusion would be anti-dilutive.

***Recent Accounting Pronouncements***

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-09, ("ASU 2016-09"), Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update simplify several aspects of the accounting for share-based payment award transactions including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of this standard will have a material effect on our consolidated financial statements.

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
(unaudited)  
continued

In February 2016, FASB issued ASU No. 2016-02, (“ASU 2016-02”), Leases (Topic 842). The amendments in this update require lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases at the commencement date. For public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and is to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are evaluating the new guidelines to see if they will have a significant impact on our consolidated results of operation, financial condition or cash flows.

**5. Inventory**

Inventory as of September 30, 2016 and December 31, 2015 is as follows:

	September 30, 2016	December 31, 2015
Finished goods	\$ 26,597	\$ 270,230
Raw materials	284,925	181,743
	<u>\$ 341,522</u>	<u>\$ 451,973</u>

**6. Fair Value Measurements**

The Company has identified derivative instruments arising from embedded conversion features in the Company’s Convertible Notes Payable at September 30, 2016. The Company had no financial assets measured at fair value on a recurring basis as of December 31, 2015.

The following summarizes the Black-Scholes assumptions used to estimate the fair value of the derivative liability at the date of issuance and for the convertible notes converted during the three months ended September 30, 2016.

	Low	High
Annual dividend rate		
Expected life	0.25	2.00
Risk-free interest rate	0.01%	0.71%
Expected volatility	163.80%	251.96%

The following are the changes in the derivative liabilities during the nine months ended September 30, 2016.

	Nine months Ended September 30, 2016		
	Level 1	Level 2	Level 3
Derivative liabilities as January 1, 2016	\$ -	\$ -	\$ -
Addition			731,211
Conversion			(421,825)
Gain on changes in fair value			(198,338)
Derivative liabilities as September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,048</u>

**7. Property and Equipment, net**

	September 30, 2016	December 31, 2015
Computer and test equipment	\$ 199,270	\$ 206,499
Website development costs	39,870	39,870
Furniture and fixtures	26,948	32,845
Software	10,791	10,791
Leasehold improvements	18,288	18,288
	<u>295,167</u>	<u>308,293</u>
Accumulated depreciation and amortization	<u>(134,651)</u>	<u>(75,229)</u>
	<u>\$ 160,516</u>	<u>\$ 233,064</u>

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Depreciation expense was \$59,422 and \$37,117 for the nine months ended September 30, 2016 and 2015, respectively.

For the nine months ended September 30, 2016, the Company recorded an impairment of assets totaling \$13,127 for assets that the Company no longer uses.

**8. Accrued Liabilities**

Accrued liabilities consisted of the following as of September 30, 2016 and December 31, 2015.

	September 30, 2016	December 31, 2015
Accrued territorial development fees	\$ 1,000,000	\$ -
Accrued advertising and marketing advisory services	180,000	-
Deferred compensation to employee	108,000	51,210
Accrued compensation for employees	44,705	
Accrued compensation to non-employee	17,288	146,327
Accrued other	124,183	84,224
	<u>\$ 1,474,176</u>	<u>\$ 281,761</u>

**9. Debt**

***Asset Based Loans***

On September 16, 2016, CDx, Inc. (the Company's wholly owned subsidiary) entered into a Business Loan Agreement (the "Agreement") with WebBank providing for the granting of a security interest in properties, assets and rights (the "Collateral") as defined in the agreement. CDx, Inc. received net proceeds of \$150,000. There were no loan origination or administrative fees related to the funding. The agreement has a maturity date that is 432 days after the effective date of the Agreement and requires equal weekly payments of \$599 which includes a total finance fee of \$34,500 over the life of the Agreement. The Agreement is personally guaranteed by an officer and majority shareholder of the Company. The outstanding balance at September 30, 2016 was \$118,707.

On May 31, 2016, CDx, Inc. (the Company's wholly owned subsidiary) entered into a Promissory Note and Security Agreement (the "Note") with Windset Capital Corporation, whereby CDx, Inc. gives, grants and assigns a continuing security interest in all of CDx, Inc.'s business equipment, accounts receivable, intellectual property, rights, licenses, claims, assets and properties of any kind whatsoever, whether now owned or hereafter acquired, real, personal, tangible, intangible or of any nature or value, wherever located, together with all proceeds including insurance proceeds as defined in the Note. There was an origination fee of \$200 related to the financing. CDx, Inc. received net proceeds of \$74,800 from the funding. The Note has a maturity date that is 252 business days from the date of the Note and requires payments of \$360 each business day, as defined in the Note, which includes a total finance fee of \$15,750 over the life of the Note. The Note is personally guaranteed by an officer and majority shareholder of the Company. The outstanding balance at September 30, 2016 was \$53,335.

On May 31, 2016, CDx, Inc. (the Company's wholly owned subsidiary) entered into a Future Receivables Sale Agreement (the "Agreement") with Swift Financial Corporation granting a security interest, as defined in the Agreement, in CDx, Inc.'s present and future accounts, receivables, chattel paper, deposit accounts, personal property, goods, assets and fixtures, general intangibles, instruments, equipment and inventory. There was an origination fee of \$1,875 related to the financing. CDx, Inc. received net proceeds of \$73,125 from the funding. The Agreement requires 48 equal weekly payments of \$1,842 resulting in total repayment of \$88,425 which includes a finance fee of \$13,425. The total repayment amount can be reduced to \$85,425 solely in the event CDx, Inc. pays this amount on or before October 3, 2016. The Agreement is personally guaranteed by an officer and majority shareholder of the Company. The outstanding balance at September 30, 2016 was \$51,455.

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**Convertible Notes**

	September 30, 2016	December 31, 2015
Convertible Notes - December 22, 2015	\$ -	\$ 190,000
Convertible Note - December 10, 2015	-	90,000
Convertible Note - February 8, 2016	60,000	-
Convertible Note -May 6, 2016	47,526	-
Convertible Note -May 10, 2016	50,000	-
Convertible Note -May 24, 2016	55,000	-
Convertible Note -August 9, 2016	35,000	-
Convertible Note -September 16, 2016	29,500	-
Convertible Note -September 19, 2016	46,500	-
Less debt discount and debt issuance costs	(13,877)	(29,152)
<b>Total</b>	<b>\$ 309,649</b>	<b>\$ 250,848</b>
Less current portion of convertible notes payable	\$ 309,649	\$ 50,574
<b>Long-term convertible notes payable</b>	<b>\$ -</b>	<b>\$ 200,274</b>

The Company amortized debt discount and debt issuance costs of \$38,077 and \$57,025 for the three and nine month periods ended September 30, 2016, respectively.

On May 24, 2016, MyDx, Inc. (the “Company”) entered into a Convertible Note (the “Note”) with Vista Capital Investments, LLC (“Vista”) in the Original Principal Amount of \$275,000 (including a 10% Original Issue Discount (“OID”)). The Company and Vista agreed to an initial funding under the Note of \$55,000, including an OID of \$5,000 (“Initial Funding”). Future advances under the Note are at the sole discretion of Vista. The Company is only required to repay the amount funded, including the prorated portion of the OID. The note bears interest at the rate of 10% and must be repaid on or before May 24, 2018. The Note may be prepaid by the Company at any time prior to the date, which is 180 days after issuance of the Note at a premium to the amount outstanding at the time of prepayment (as determined in the Note). The Note may be converted by Vista at any time after the nine (6) month anniversary of the Note into shares of Company common stock at a conversion price equal to 50 % of the market price (as determined in the Note). The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits, which are filed as an exhibit to this Current report.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company’s reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor.

The Note might be accelerated if an event of default occurs under the terms of the Note, including the Company’s failure to pay principal and interest when due, certain bankruptcy events or if the Company is delinquent in its SEC filings. The Note also contains certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rate under the Note in the event of such defaults. For the three months and nine months ended September, 2016, the Company amortized a total of \$630 and \$884, respectively, of the debt issuance cost. As of September 30, 2016, the Note had an outstanding balance of \$50,884 and a remaining unamortized debt discount of \$4,116.

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On May 10, 2016, MyDx, Inc. (the “Company”) entered into Securities Purchase Agreement (the “SPA”) and Convertible Promissory Note in the original principal amount of \$50,000 (the “Note”) with Crown Bridge Partners, LLC (“Crown”) pursuant to which Crown funded \$43,000 to the Company after the deduction of a \$5,000 OID and \$2,000 for legal fees. The Note bears interest at the rate of 8% and must be repaid on or before May 10, 2017. The Note may be prepaid by the Company at any time prior to the date which is 180 days after the date of issuance of the Note at a premium to the amount outstanding at the time of prepayment (as determined in the Note). The Note may be converted by Crown at any time after the nine (6) month anniversary of the Note into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which were previously filed as an exhibit on Form 8-K.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company’s reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor. For the three months and nine months ended September, 2016, the Company amortized a total of \$1,237 and \$1,922, respectively, of the debt issuance cost. As of September 30, 2016, the Note had an outstanding balance of \$46,922 and a remaining unamortized debt discount of \$3,078.

On August 9, 2016, the Company entered into Securities Purchase Agreement (the “SPA”) and Convertible Promissory Note in the original principal amount of \$35,000 (the “Note”) with Crown Bridge Partners, LLC (“Crown”) pursuant to which Crown funded \$30,000 to the Company after the deduction of a \$3,500 original issue discount and \$1,500 for legal fees. The Note bears interest at the rate of 8% and must be repaid on or before August 9, 2017. The Note may be prepaid by the Company at any time prior to the date which is 180 days after the date of issuance of the Note at a premium to the amount outstanding at the time of prepayment (as determined in the Note). The Note may be converted by Crown at any time after the nine (6) month anniversary of the Note into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to this Current Report.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company’s reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor. For the three months ended September, 2016, the Company amortized a total of \$499 of the debt issuance cost. As of September 30, 2016, the Note had an outstanding balance of \$31,999 and a remaining unamortized debt discount of \$3,001.



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On May 6, 2016, the Company entered into Securities Purchase Agreement (the "SPA") and Convertible Promissory Note in the original principal amount of \$55,750 (the "Note") with Auctus Fund, LLC ("Auctus") pursuant to which Auctus funded \$50,000 to the Company after the deduction of \$5,750 of diligence and legal fees. The Note bears interest at the rate of 10% and must be repaid on or before February 6, 2017. The Note may be prepaid by the Company at any time prior to the date which is 180 days after the date of issuance of the Note in an amount equal to 110% of the amount outstanding. The Note may be converted by Auctus at any time into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2016. The Company recorded the cost of the due diligence and legal fees of \$5,750 as financing fees.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor. During the three months ended September 30, 2016, the Note holder elected to convert a portion of the Note into 2,563,815 shares of the Company's common stock. As of September 30, 2016, the Note had an outstanding balance of \$47,526.

On December 22, 2015, the Company completed a financing pursuant to a Securities Purchase Agreement with Adar Bays, LLC ("Adar Bays") providing for the issuance of two convertible promissory notes in the aggregate principal amount of \$220,000, with the first note being in the amount of \$110,000, and the second note being in the amount of \$110,000 (the "Note" or "Notes"). The Notes contain a 10% original issue discount such that the purchase price of each Note is \$100,000. The first Note was funded on December 22, 2015 and is due and payable on December 21, 2017. The second Note shall initially be paid for by the issuance of an offsetting \$100,000 collateralized secured note issued by Adar Bays to the Company due and payable no later than August 21, 2016. The funding of the second Note is subject to certain conditions, and the Company may reject the closing of the second Note in its discretion. The Notes bear interest at the rate of 8% per annum and may be converted by Adar Bays at any time after the date which is nine months of the date of issuance into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion. The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The Notes also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Notes in the event of such defaults. The Notes may be prepaid by the Company at any time prior to 180 days after the date of issuance of the Notes subject to the payment of prepayment penalties as described in the Notes. The foregoing is only a brief description of the material terms of the Securities Purchase Agreement and Notes, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements which are filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 24, 2015. The issuance of the Notes was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Notes was an accredited investor. The Company recorded the original issue discount of \$10,000 as debt issuance cost on its balance sheet which is netted against the face value of the Note and is being accreted over the term of the Note. For the three and nine months ended September 30, 2016, the Company amortized a total of \$7,510 and \$10,000, respectively, of the debt issuance cost. During the three months ended September 30, 2016, the Note holder converted the Note and accrued unpaid interest into 7,142,526 share of the Company's common stock.

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On June 22, 2016, MyDx, Inc. (the "Company") and Adar Bays, LLC ("Adar Bays") agreed to amend the Company's 8% Convertible Promissory Note in the principal amount of \$110,000 (the "Adar Bays Amendment"), issued pursuant to that certain Securities Purchase Agreement, dated December 21, 2015, entered into by and between the Company and Adar Bays, as previously disclosed in a report on Form 8-K filed with the U.S. Securities and Exchange Commission (the "SEC") on December 24, 2015.

Pursuant to the Adar Bays Amendment, the Company agreed to redeem the note by paying 140% of the principal amount plus accrued but unpaid interests to Adar Bays, for a total redemption amount of \$158,424.44, pursuant to the payment schedule set forth in the Adar Bays Amendment. In addition, the Company paid 5% of the original principal amount to Adar Bays as consideration for entering into the amendment.

Adar Bays agrees not to convert the note unless the Company defaults on the payment of the redemption amount and such default is not cured within fifteen (15) business days. If the Company defaults on the redemption payment and such default is not cured as mentioned above, then the amendment shall be deemed null and void and of no further force or effect. In such event, the allocated payment made by the Company shall be applied pursuant to the payment schedule set forth in the Adar Bays Amendment.

On July 29, 2016, the Company and Adar Bays agreed to terminate the standstill portion of the Adar Bays Amendment pertaining to the standstill conversion rights and Adar Bays shall be free to convert the Note without any limitations, except as required by law. All other terms and conditions of the Note and the Adar Bays Amendment shall remain in full force and effect.

On August 16, 2016, the Company executed a second note with Adar Bays in the amount of \$27,500 as part of the original Securities Purchase Agreement completed on December 22, 2015. The Note contains a 10% original issue discount and a documentation fee of \$1,000 such that the purchase price of the Note \$23,750. The note matures on August 9, 2017. The Note bears interest at the rate of 8% per annum and may be converted by Adar Bays at any time after the date which is six months of the issuance date of the original note dated December 22, 2015 into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion. The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The Notes also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Notes in the event of such defaults. The Note may not be prepaid by the Company. The foregoing is only a brief description of the material terms of the Securities Purchase Agreement and Notes, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements which are filed as an exhibit to the Company's Report on Form 8-K filed with the SEC on December 24, 2015. The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Notes was an accredited investor. The Company recorded the original issue discount of \$2,750 as debt issuance cost on its balance sheet which is netted against the face value of the Note and is being accreted over the term of the Note. For the three months ended September 30, 2016, the Company amortized a total of \$2,750, of the debt issuance cost.

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During the three months ended September 30, 2016, the Note holder elected to convert the Note and accrued and unpaid interest into 3,107,345 shares of the Company's common stock.

On September 19, 2016, the Company executed a third note with Adar Bays in the amount of \$80,000 as part of the original Securities Purchase Agreement completed on December 22, 2015. The Note contains \$5,000 of original issue discount and a documentation fee of \$3,750 such that the purchase price of the Note \$71,250. The Note matures on September 19, 2017. The Note bears interest at the rate of 8% per annum and may be converted by Adar Bays at any time after the date which is six months of the issuance date of the original note dated December 22, 2015 into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion. The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The Notes also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Notes in the event of such defaults. The Notes may not be prepaid by the Company. The foregoing is only a brief description of the material terms of the Securities Purchase Agreement and Notes, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements which are filed as an exhibit to the Company's Report on Form 8-K filed with the SEC on December 24, 2015. The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Notes was an accredited investor. The Company recorded the original issue discount of \$2,750 as debt issuance cost on its balance sheet which is netted against the face value of the Note and is being accreted over the term of the Note. For the three months ended September, 2016, the Company amortized a total of \$3,250, of the debt issuance cost.

During the three months ended September 30, 2016, the Note holder elected to convert a portion of the Note into 6,449,615 shares of the Company's common stock. As of September 30, 2016, the Note had an outstanding balance of \$29,500. The Company amortized the entire balance of the debt issuance cost since the Note was converted in the three months ended September 30, 2016.

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On December 22, 2015, the Company completed a financing pursuant to a Securities Purchase Agreement with Union Capital, LLC ("Union Capital") providing for the purchase of two convertible promissory notes in the aggregate principal amount of \$220,000, with the first note being in the amount of \$110,000, and the second note being in the amount of \$110,000 (the "Note" or "Notes"). The Notes contain a 10% original issue discount such that the purchase price of each Note is \$100,000. The first Note was funded on December 22, 2015 and is due and payable on December 21, 2017. The second Note shall initially be paid for by the issuance of an offsetting \$100,000 collateralized secured note issued by Union Capital to the Company due and payable no later than August 21, 2016. The funding of the second Note is subject to certain conditions and the Company may reject the closing of the second Note in its discretion. The Notes bear interest at the rate of 8% per annum; are due and payable on December 21, 2017; and may be converted by Union Capital at any time after the date which is nine months of the date of issuance into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion. The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The Notes also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Notes in the event of such defaults. The Notes may be prepaid by the Company at any time prior to 180 days after the date of issuance of the Notes subject to the payment of prepayment penalties as described in the Notes. The foregoing is only a brief description of the material terms of the Securities Purchase Agreement and Notes, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements which are filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 24, 2015. The issuance of the Notes was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Notes was an accredited investor. The Company recorded the original issue discount of \$10,000 as debt issuance cost on its balance sheet which is netted against the face value of the Note and will be accreted over the term of the Note. For the three and nine months ended September 30, 2016, the Company amortized a total of \$7,373 and \$9,863, respectively of the debt issuance cost. As of September 30, 2016 and December 31, 2015, the Note had outstanding balances of \$0 and \$101,137, respectively, and remaining unamortized debt discount of \$0 and \$9,863, respectively.

During the three months ended September 30, 2016, the Note holder elected to convert the Note and accrued interest into the note holder elected to convert the Note balance of \$104,500 and accrued inter thereon into 7,107,376 share of the Company's common stock.

On June 22, 2016, the Company and Union Capital, LLC ("Union Capital") agreed to amend the Company's 8% Convertible Promissory Note in the principal amount of \$110,000 (the "Union Capital Amendment"), issued pursuant to that certain Securities Purchase Agreement, dated December 21, 2015, entered into by and between the Company and Union Capital, as previously disclosed in a report on Form 8-K filed with the SEC on December 24, 2015.

On July 29, 2016, the Company and Union Capital agreed to terminate the standstill portion of the Union Capital Amendment pertaining to the standstill conversion rights and Union capital shall be free to convert the Note without any limitations, except as required by law. All other terms and conditions of the Note and the Union Capital Amendment shall remain in full force and effect.

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Pursuant to the Union Capital Amendment, the Company agreed to redeem the note by paying 140% of the principal amount plus accrued but unpaid interests to Union Capital, for a total redemption amount of \$158,363.84, pursuant to the payment schedule set forth in the Union Capital Amendment. In addition, the Company paid 5% of the original principal amount to Union Capital as consideration for entering into the amendment.

Union Capital agreed not to convert the note unless the Company defaults on the payment of the redemption amount and such default is not cured within fifteen (15) business days. If the Company defaults on the redemption payment and such default is not cured as mentioned above, then the amendment shall be deemed null and void and of no further force or effect. In such event, the allocated payment made by the Company shall be applied pursuant to the payment schedule set forth in the Union Capital Amendment.

During the three months ended September 30, 2016, the Note holder elected to convert the Note and unpaid interest into 7,670,457 shares of the Company's common stock.

On September 19, 2016, the Company executed a second Note in the amount of \$110,000 with Union Capital LLC as part of the financing pursuant to a Securities Purchase Agreement with Union Capital, LLC dated December 15, 2015. The Note contains a 10% original issue discount and a \$5,000 documentation fee such that the purchase price of each Note is \$95,000. The Note is due and payable not later than September 19, 2017. The Notes bear interest at the rate of 8% per annum; are due and payable on September 19, 2017; and may be converted by Union Capital at any time after the date which is nine months of the issuance date of the original note dated December 22, 2015 into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion. The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The Notes also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Notes in the event of such defaults. The Notes may be prepaid by the Company at any time prior to 180 days after the date of issuance of the Notes subject to the payment of prepayment penalties as described in the Notes. The foregoing is only a brief description of the material terms of the Securities Purchase Agreement and Notes, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements which are filed as an exhibit to the Company's Report on Form 8-K filed with the SEC on December 24, 2015. The issuance of the Notes was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Notes was an accredited investor. The Company recorded the original issue discount of \$10,000 as debt issuance cost on its balance sheet which is netted against the face value of the Note and will be accreted over the term of the Note. For the three months ended September 30, 2016, the Company amortized a total of \$10,000 of the debt issuance cost.

During the three months ended September 30, 2016, the Note holder elected to convert \$63,500 of the Note into 7,513,711 shares of the Company's common stock. As of September 30, 2016 the Note had an outstanding balance of \$46,500 and remaining unamortized debt discount of \$0.

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On December 10, 2015, the Company entered into a Securities Purchase Agreement (the "SPA") and Convertible Promissory Note in the original principal amount of \$60,000 (the "Note") with Kodiak Capital Group, LLC ("Kodiak") pursuant to which Kodiak funded \$50,000 to the Company after the deduction of a \$10,000 original issue discount. The Note bears interest at the rate of 12% and must be repaid on or before December 20, 2016. The Note may be prepaid by the Company at any time without penalty prior to the date which is 180 days after the date of issuance of the Note. The Note may be converted by Kodiak at any time after 180 days of the date of issuance into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 16, 2015. The Company recorded the original issue discount of \$10,000 as debt issuance cost on its balance sheet which is netted against the face value of the Note and will be accreted over the term of the Note. For the nine months ended September 30, 2016, the Company amortized a total of \$9,426 of the debt issuance cost. The Note was redeemed on June 6, 2016.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor.

The EPA provides that the Company may, in its discretion, sell up to \$1,000,000 of shares of Company common stock to Kodiak. The sale of shares of Company common stock is subject to the conditions set forth in the EPA, which include, but are not limited to, the Company filing a Registration Statement on Form S-1 to register the shares to be sold to Kodiak and the Registration Statement becoming effective. The purchase price to be paid for the shares will be 70% of the market price for such shares as determined pursuant to the terms set forth in the EPA. The RRA provides that the Company will file a Registration Statement to register up to 4,000,000 shares to be sold to Kodiak pursuant to the EPA, or issued to Kodiak upon conversion of the Note, and that the Company shall use commercially reasonable efforts to file the Registration Statement before March 31, 2016. Pursuant to the terms of the EPA, the Company agreed to issue Kodiak the Note as a commitment fee. The Note must be repaid on or before February 2, 2017. The Note may be prepaid by the Company at any time without penalty. The Note may be converted by Kodiak at any time after August 2, 2016 into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). Any financing pursuant to the EPA is subject to the Company's fulfilling the conditions to sell shares to Kodiak, including the effectiveness of the Registration Statement. The Company cannot provide any assurances that any shares will be sold under the EPA or the prices at which such shares may be sold.

The EPA, RRA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the EPA, RRA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on February 9, 2016. The Company recorded the original issue discount of \$10,000 as debt issuance cost on its balance sheet which is netted against the face value of the Note and will be accreted over the term of the Note. For the three and nine months ended September 30, 2016, the Company amortized a total of \$2,680 and \$3,609, respectively, of the debt issuance cost. As of September 30, 2016 the Note had an outstanding balance of \$53,609. As of September 30, 2016 the Note had a remaining unamortized debt discount of \$6,391.

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The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor.

On June 30, 2016, the Company elected to terminate the EPA and RRA by delivering a termination notice to Kodiak. The Company shall have no further liabilities or obligations under the EPA and the RRA. The rights and obligations of the Note hereunder shall continue and remain in full force and effect until all obligations are satisfied in full.

On February 8, 2016, the Company entered into an Equity Purchase Agreement (the "EPA"), Registration Rights Agreement ("RRA") and Convertible Promissory Note in the original principal amount of \$60,000 (the "Note") with Kodiak Capital Group, LLC ("Kodiak") pursuant to which Kodiak funded \$50,000 to the Company after the deduction of a \$10,000 original issue discount. The Note bears interest at the rate of 12% and must be repaid on or before February 7, 2017. The Note may be prepaid by the Company at any time without penalty prior to the date which is 180 days after the date of issuance of the Note. The Note may be converted by Kodiak at any time after 180 days of the date of issuance into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The Company did not book a beneficial conversion feature in connection with the issuance of the Notes, as terms of the conversion are variable and the ultimate number of shares to be issued upon conversion could not be determined at the date the Notes were issued. As such, upon conversion of the Notes the number of shares will be determined and the Company will evaluate whether or not a beneficial conversion feature exists based on the conversion price compared to the price of the Company's common stock at the date of issuance of the Notes. The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits. The Company recorded the original issue discount of \$10,000 as debt issuance cost on its balance sheet which is netted against the face value of the Note and will be accreted over the term of the Note. For the three and nine months ended September 30, 2016, the Company amortized a total of \$2,709 and \$6,319 of the debt issuance cost. The Note was redeemed on September 9, 2016. As of December 31, 2015, the Note had an outstanding balance of \$56,319 and a remaining unamortized debt discount of \$6,319.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company's reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor.

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On March 15, 2016, the Company entered into Securities Purchase Agreement (the “SPA”) and Convertible Promissory Note in the original principal amount of \$55,750 (the “Note”) with Auctus Fund, LLC (“Auctus”) pursuant to which Auctus funded \$50,000 to the Company after the deduction of \$5,750 of diligence and legal fees. The Note bears interest at the rate of 10% and must be repaid on or before December 15, 2016. The Note may be prepaid by the Company at any time prior to the date which is 180 days after the date of issuance of the Note in an amount equal to 110% of the amount outstanding. The Note may be converted by Auctus at any time into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to the Company’s Current Report on Form 8-K filed with the SEC on March 8, 2016. The Company recorded the cost of the due diligence and legal fees of \$5,750 as financing fees.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company’s reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor.

During the three months ended September 30, 2016, the Note holder elected to convert the Note balance of \$55,750 and accrued interest into 11,819,360 shares of the Company’s common stock.

On May 6, 2016, the Company entered into Securities Purchase Agreement (the “SPA”) and Convertible Promissory Note in the original principal amount of \$55,750 (the “Note”) with Auctus Fund, LLC (“Auctus”) pursuant to which Auctus funded \$50,000 to the Company after the deduction of \$5,750 of diligence and legal fees. The Note bears interest at the rate of 10% and must be repaid on or before December 15, 2016. The Note may be prepaid by the Company at any time prior to the date which is 180 days after the date of issuance of the Note in an amount equal to 110% of the amount outstanding. The Note may be converted by Auctus at any time into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to the Company’s report on Form 8-K filed with the SEC on March 8, 2016. The Company recorded the cost of the due diligence and legal fees of \$5,750 as financing fees.

The issuance of the Note was made in reliance on the exemption provided by Section 4(2) of the Securities Act for the offer and sale of securities not involving a public offering, and Regulation D promulgated under the Securities Act. The Company’s reliance upon Section 4(2) of the Securities Act in issuing the securities was based upon the following factors: (a) the issuance of the securities was an isolated private transaction by us which did not involve a public offering; (b) there was only one recipient; (c) there were no subsequent or contemporaneous public offerings of the securities by the Company; (d) the securities were not broken down into smaller denominations; (e) the negotiations for the issuance of the securities took place directly between the individual and the Company; and (f) the recipient of the Note was an accredited investor.



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During the three months ended September 30, 2016, the Note holder elected to convert the Note and unpaid interest in to 10,247,863 shares of the Company's common stock.

**Note Payable – Related Party**

On December 10, 2015, YCIG, Inc. ("YCIG"), an entity owned and controlled by Daniel Yazbeck, who is an officer, director and major shareholder of the Company, entered into a Loan Agreement (the "Loan Agreement") with the Company. The Loan Agreement provides that the amounts loaned accrue interest at a rate of 12% per annum and all amounts loaned are due and payable on or before September 29, 2018. The amounts loaned may be prepaid by the Company at any time without penalty. The Loan Agreement provides that in the event of a default, the loan amount becomes immediately due and payable, which may be repaid by the Company in its election in cash or a number of shares of Company common stock equal to four times the amount outstanding at the date of default.

YCIG advanced the Company funds under the loan agreement as follows:

	Outstanding Balances as of	
	September 30, 2016	December 31, 2015
September 29, 2015	\$ -	\$ 25,000.00
October 28, 2015	-	25,000.00
November 4, 2015	-	25,000.00
November 13, 2015	15,000.00	25,000.00
November 20, 2015	25,000.00	25,000.00
December 1, 2015	25,000.00	25,000.00
December 2, 2015	25,000.00	25,000.00
April 6, 2016	10,000.00	-
April 27, 2016	25,000.00	-
July 20, 2016	25,000.00	-
August 8, 2016	25,000.00	-
September 19, 2016	25,000.00	-
	<u>\$ 200,000.00</u>	<u>\$ 175,000.00</u>

**Debt Settlement**

On April 1, 2016, the Company entered into an agreement with a number of external public relations resources ("PR Resources") specializing in shareholder communications and crisis communications in an effort to support the Company's investor communications relating to its convertible debentures, nearly all of which were being converted and sold during this time period thereby causing severe pressure on the stock, as well as the implementation of a number of strategic public relations programs designed to introduce the Company's AquaDx product line by leveraging off the water crisis in Alabama, Flint and Florida. (the "Agreement"). For the requested services, the Company was to pay a one-time payment of Two Hundred Fifty Thousand Dollar (\$250,000) (the "Claim") upon the signing of the Agreement.

On May 24, 2016, the Company and Phoenix Fund Management, LLC ("Phoenix Fund") entered into a Claim Purchase Agreement with these PR Resources to purchase the Claim held by them. Phoenix Fund executed a Settlement Agreement whereas the Company and Phoenix Fund agreed to resolve, settle and compromise the Claim. In settlement of the Claim, the Company shall issue and deliver to Phoenix Fund shares of its common stock as requested by Phoenix Fund, periodically, at a fifty percent (50%) discount from the average closing price of the Company's common stock for the three trading days prior to the date of issuance.

During the three months ended September 30, 2016, Phoenix Fund elected to have the Company issue 18,828,088 free trading shares of the Company's common stock in exchange for retirement of remaining balance of the initial Claim. As a result, the Company recorded a loss on debt settlement of \$202,933 reflecting the difference in the discounted conversion price and the market price.

On July 22, 2016, the Company entered into an agreement with Talent Cloud Limited, Hong Kong, ("Talent Cloud") to provide recruitment services for a Vice President of Business Development for the Company's Asian market development. At the date of this report, no acceptable candidates have been presented to the Company.

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During the three months ended September 30, 2016 the Company entered into agreements with Talent Cloud Limited, Hong Kong to provide recruitment services for a Community Manager; an APP Manager; and, a Software Developer for the Company's Asian markets development. The total cost of these services was \$143,900 (the "Claim").

On September 13, 2016, the Company entered into an agreement with Meyers Associates, L.P. ("Meyers Associates") to provide recruitment services for a Community Manager position for a Community Manger; an APP Manager; and, a Software Developer for the Company's Asian markets development. The total cost of these services was \$10,000 (the "Claim").

On September 20, 2016, Talent Cloud and Meyers Associates entered into a Claims Purchase Agreement with Rockwell Capital Partners, Inc. ("Rockwell Capital") to purchase the Claims held by Talent Cloud and Meyers Associates. Rockwell Capital executed a Settlement Agreement whereas the Company and Rockwell Capital agreed to resolve, settle and compromise among other things, the liabilities claimed in the Claims Purchase Agreement. In settlement of the Claim, the Company shall issue freely traded shares of the Company's common stock as requested by Rockwell Capital, periodically, at a 45% discount from the average lowest closing price for the 15 day trading period preceding the share request.

During the three months ended September 30, 2016, the Company issued 17,426,800 shares of the Company's common stock to retire \$155,557 of the total claims and recorded a loss on debt settlement of \$133,019 reflecting the difference in the discounted conversion price and the market price.

On September 30, 2016, the Company accepted performance under the agreement with Lynx Consulting Group, Ltd. ("Lynx Consulting") dated April 3, 2016 (the "Agreement") to render consulting services in connection with the creation and development of MyDx Asia, including staffing an office to develop and expand the Company's business in the Greater China Region. Lynx Consulting's performance included but was not limited to securing the Distribution License Agreement between the Company and its China distribution partners. As consideration for execution of the Agreement, the Company will to pay Lynx Consulting a one-time fee of \$1,000,000 for its services plus an incentive fee based on an agreed percentage of the value of the base revenue of contracts produced by Lynx Consulting during the first year of the Agreement, which, at the discretion of the Company, can be paid in cash or shares of common stock.

On October 5, 2016, the Company, Lynx Consulting and Phoenix Fund Management, LLC ("Phoenix Fund") entered into an Assignment and Modification Agreement. Phoenix Fund purchased the debt claim held by Lynx Consulting from MyDx. In settlement of the Claim, the Company shall issue and deliver to Phoenix Fund shares of its common stock as requested by Phoenix Fund, periodically, at a fifty percent (50%) discount from the average closing price of the Company's common stock for the 22 trading days prior to the date of issuance. Upon execution of the assignment, Lynx released MyDx, Inc. from all liabilities under the original note.

## **10. Stockholders' Deficit**

### ***Reverse Capitalization***

Pursuant to the Merger Agreement, upon consummation of the Merger, each share of CDx's capital stock issued and outstanding immediately prior to the Merger was converted into the right to receive one (1) share of Company common stock, par value \$0.001 per share. Additionally, pursuant to the Merger Agreement, upon consummation of the Merger, the Company assumed all of CDx's options and warrants issued and outstanding immediately prior to the Merger, 6,069,960 and 7,571,395 shares of common stock, respectively.

Prior to and as a condition to the closing of the Merger, each then-current Company stockholder agreed to sell certain shares of common stock held by such holder to the Company and the then-current Company stockholders retained an aggregate of 1,990,637 shares of common stock.

### ***Common Stock***

On February 23, 2015, the Company effected a 5-for-1 forward stock split of its issued and outstanding shares of common stock. All share and per share amounts for all periods that have been presented in the consolidated financial statements and notes thereto have been adjusted retrospectively, where applicable, to reflect the forward stock split. The Company filed a Certificate of Amendment to its Certificate of Incorporation which made the forward stock split effective and increased the authorized common shares to 375,000,000 shares with a par value \$0.001 per share.

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In April 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CDx Merger Inc., a Nevada corporation and wholly owned subsidiary of the Company (“Merger Sub”), and CDx, Inc. (“CDx”), a Delaware corporation. Pursuant to the Merger Agreement, Merger Sub merged with and into CDx with CDx surviving the merger as the Company’s wholly owned subsidiary (the “Merger”).

Pursuant to the Merger Agreement, upon consummation of the Merger, each share of CDx’s capital stock issued and outstanding immediately prior to the Merger was converted into the right to receive one (1) share of Company common stock, par value \$0.001 per share (the “Common Stock”). Additionally, pursuant to the Merger Agreement, upon consummation of the Merger, the Company assumed all of CDx’s options and warrants issued and outstanding immediately prior to the Merger, 6,191,000 and 7,571,395 shares of common stock, respectively. Prior to and as a condition to the closing of the Merger, each then-current Company stockholder agreed to sell certain shares of common stock held by such holder to the Company and the then-current Company stockholders retained an aggregate of 1,990,637 shares of common stock. Therefore, following the Merger, CDx’s former stockholders now hold 19,855,295 shares of Company common stock which is approximately 91% of the Company common stock outstanding.

Pursuant to the Merger Agreement, each party has made certain customary representations and warranties to the other parties thereto. The Merger was conditioned upon approval by CDx’s stockholders and certain other customary closing conditions.

On April 24, 2015, in anticipation of closing the Merger, the Company changed its name to MyDx, Inc. On April 30, 2015, the Merger was consummated. Upon consummation of the Merger, the Company expanded its board of directors (the “Board”) from one to seven directors, each of whom will be directors designated by CDx.

The Merger is being treated as a reverse acquisition of the Company, a public shell company, for financial accounting and reporting purposes. As such, CDx is treated as the acquirer for accounting and financial reporting purposes while the Company is treated as the acquired entity for accounting and financial reporting purposes. Further, as a result, the historical financial statements that will be reflected in the Company’s future financial statements filed with the United States Securities and Exchange Commission (“SEC”) will be those of CDx, and the Company’s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of CDx.

In April, and May 2014, the Company issued 4,525,000 shares of its common stock at \$0.06 per share for total proceeds of \$27,150.

Each share of common stock has the right to one vote. The holders of common stock are entitled to dividends when funds are legally available and when declared by the board of directors.

As a result of the Merger, the Company issued a total of 19,855,295 share of common stock to the shareholders of CDx.

During the nine months ended September 30, 2016, the Company issued 16,654,214 shares of common stock in exchange for services at a fair value of \$378,345. During the nine months ended September 30, 2015, the Company issued 1,863,241 shares of common stock in exchange for services at a fair value of \$1,192,893.

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

***Common Stock Warrants***

During the nine months ended September 30, 2016, the Company did not issue any warrants to purchase shares of common stock. During the nine months ended September 30, 2015, the Company converted warrants to purchase 4,974,567 shares of Series B preferred stock into warrants to common stock. No common stock warrants have been exercised or have expired and warrants to purchase 7,571,395 shares of common stock were outstanding as of September 30, 2016.

***Preferred Stock***

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

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**2015 Equity Incentive Plan**

In connection with the Merger on April 30, 2015, the Company adopted the MyDx, Inc. 2015 Equity Incentive Plan (the “2015 Plan”), and to date, has reserved 6,200,000 shares of common stock for issuance under the 2015 Plan. Under the 2015 Plan, employees, directors or consultants may be granted nonstatutory stock options, stock appreciation rights, restricted stock and restricted stock units to purchase shares of MyDx’s common stock. Only employees are eligible to receive incentive stock options (“ISO”) to purchase common stock. Vesting and exercise provisions are determined by the Board of Directors at the time of grant. The options generally expire ten years from the date of grant. ISOs granted to a participant who, at the time the ISO is granted, has more than 10% of the voting power between all classes of stock, will expire five years from the date of grant. Options vest at various rates ranging from immediately to three years. As of September 30, 2016, options to purchase 1,573,755 shares were available under the 2015 Plan for issuance.

A summary of the Company’s stock option plan for the three months ended September 30, 2016 was as follows:

	Shares	Weighted-Average Exercise Price
Outstanding as of January 1, 2016	4,626,245	\$ 0.39
Granted	125,000	\$ 0.57
Exercised	-	\$ -
Forfeited or cancelled	628,059	\$ 0.55
Outstanding as of September 30, 2016	<u>4,123,186</u>	<u>\$ 0.38</u>
Options vested and exercisable as of September 30, 2016	<u>3,543,255</u>	<u>\$ 0.26</u>
Options vested and expected to vest	<u>4,123,186</u>	<u>\$ 0.38</u>

Information regarding options outstanding and vested and exercisable as of September 30, 2016 is as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number Outstanding	Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price	
\$ 0.08	1,772,251	7.6	\$ 0.08	1,767,528	\$ 0.08	
\$ 0.55	2,000,935	8.3	\$ 0.55	1,618,436	\$ 0.55	
\$ 2.36	25,000	8.5	\$ 2.36	15,625	\$ 2.36	
\$ 0.71	250,000	9.0	\$ 0.71	104,167	\$ 0.71	
\$ 0.57	75,000	8.1	\$ 0.57	37,500	\$ 0.57	
	<u>4,123,186</u>	7.9	\$ 0.40	<u>3,543,255</u>	\$ 0.33	

Total stock-based compensation expense, both employee and non-employee, recognized by the Company for the nine months ended September 30, 2016 and 2015 was \$377,669 and \$376,242, respectively. Stock-based compensation expense related to stock options granted to non-employees was \$37,607 and \$164,165, respectively, for the three and nine months ended September 30, 2016 and \$82,272 and \$116,332 for the three and nine months ended September 30, 2015. No tax benefits were recognized in the nine months ended September 30, 2015 and 2016.

Total unrecognized compensation expense from employee stock options as of September 30, 2016 was \$455,318 and will be recognized over a weighted average recognition period of 1.6 years.

For the nine months ended September 30, 2016, the Company granted options to non-employees to purchase 125,000 shares of common stock at an exercise price of \$0.57 per share as compared to 415,000 shares of common stock at an exercise price of \$0.55 per share for the nine months ended September 30, 2015. The Company believes the fair value of the stock options is more reliably measurable than the fair value of the consulting services received. The fair value of the stock options granted is calculated at each reporting date.

**MyDx, INC.**  
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***Additional Stock Plan Information***

The Company's fair value calculations for stock-based awards under the 2015 Plan were made using the Black-Scholes option pricing model with the weighted-average assumptions set forth in the following table. Volatility is based on historical volatility rates obtained for certain public companies that operate in the same or related businesses as that of the Company since there is no market for or historical volatility data for the Company's common stock. The risk-free interest rate is determined by using a U.S. Treasury rate for them any uses a simplified method for "plain vanilla" share options in determining the expected term of an employee share option as its equity shares are not publicly traded.

The following assumptions were used in the estimated grant date fair value calculations for options granted to employees and consultants during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility	50.0%	50.0%	50.0%	50.0%
Average risk-free rate	1.70% - 2.50%	1.75% - 1.91%	1.04% - 2.50%	1.46% - 1.91%
Expected term, in years	5.10 - 10.00	5.00 - 5.77	5.10 - 10.00	5.00 - 5.77

The weighted-average grant date fair value for stock options granted during the three and nine months ended September 30, 2016 and 2015 was zero and \$0.57 per share, and \$1.20 and \$0.38 per share for the three months ended September 30, 2016 and 2015, respectively.

**11. Commitments and Contingencies**

On April 1, 2015, the Company signed a 31 month lease for approximately 6,200 square feet of office and laboratory space at 6335 Ferris Square, Suite B, San Diego, California. The facility includes approximately 1,500 square feet of laboratory space. Commencement date of the lease is May 1, 2015. Total net rent under this lease is \$247,000 and expires on November 30, 2017.

The annual minimum lease payments under non-cancellable operating leases, including common area maintenance and amortization of leasehold improvements that have an initial or remaining term in excess of one year at September 30, 2016 are due as follows:

2016	\$ 24,036
2017	81,613
<b>Total minimum lease payments</b>	<b>\$ 105,649</b>

Rent expense for the three and nine months ended September 30, 2016 was \$16,554 and \$69,321, respectively, and was \$42,196 and \$67,725, respectively, for the three and nine months ended September 30, 2015.

**MyDx, INC.**  
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On April 21, 2016, the Company subleased a portion of the facility to an unrelated third party on a month-to-month basis commencing May 1, 2016. Monthly gross rent from the subtenant is \$5,000 per month. Subtenant must provide the Company with ninety days prior written notice of its intent to terminate the sublease.

***Distribution and License Agreement and Joint Development Agreements***

The Company entered into a Distribution and License Agreement with a third-party for the purpose of developing a sensor array to be used in the Company's product. The Distribution and License Agreement has an initial term of ten years, but can be terminated earlier if the project does not meet the specifications of the Company. The Company will obtain exclusive rights to sell and distribute once a successful sensor prototype is developed. In exchange for a functional prototype, the Company will pay the third-party a 7% royalty on net sales. During the three and nine months ended September 30, 2016 and 2015, the Company did not incur any development costs related to the Distribution and License Agreement.

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

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

The Agreement also provides that any arising intellectual property rights other than those covered above shall belong to the Company. To the extent that it is necessary to do so to enable the Company to use and exploit its respective arising intellectual property rights, the Joint Developer grants the Company a perpetual, irrevocable, exclusive, and royalty free license (including the right to assign the license and to grant sub-licenses) to use and exploit the Joint Developer's arising intellectual property rights in the field. Under the terms of the Agreement, either party may cancel the Agreement as the specific tasks provided for in the Agreement have been completed or for causes specifically provided for in the Agreement. During the years ended December 31, 2015 and 2014, the Company paid the Joint Developer \$200,000 and \$227,500 for development costs, respectively.

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

**MyDx, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
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***License and Distribution Agreement***

On September 1, 2016, MyDx, Inc. (the “Company” or “Licensor”) entered into a Distribution and License Agreement (the “License Agreement”) with Powerfull Holdings, Ltd, a company operating under the charter of the People’s Republic of China (“Assignor”) and China Science and Technology, a Powerfull Holdings affiliated Company (“Licensee”), (together the “Parties”). The Parties intend there to be two phases of the License Agreement: Phase One and Phase Two. During Phase One, the Licensor shall provide test samples and validation data for market validation. Subject to Phase One producing satisfactory results, and proof of concept, the Parties will commence Phase Two.

For Phase One, the Licensee will pay the Licensor a minimum of Forty-Five Thousand Dollars (\$45,000.00) as a Licensing and Technology Transfer Fee (the “Transfer Fee”) per application (AquaDx™, OrganaDx™, AeroDx™). These fees shall be credited towards Phase Two’s mandatory minimum payments. The Licensee shall pay the Transfer Fee within 10 business days of being provided with an invoice by the Licensor. The parties agreed that no disclosure of this Agreement shall be made by either party until the completion of Phase One.

Upon the completion of Phase One, Phase Two shall immediately, without further action by the Parties, commence and shall continue for an initial term of five (5) years (the “Term”). At the conclusion of the Term, the License Agreement shall automatically renew for an additional three (3) year term (the “Additional Term”), unless and until either Party gives the other Party notice of its intent not to renew for the Additional Term(s). Notice not to renew the License Agreement must be given at least four (4) months before the end of the Term or Additional Term(s), as the case may be.

At the commencement of Phase Two, the Licensee will, immediately and without further action by the Parties, be appointed as an authorized dealer of the Licensor’s products, with the exclusive right to package and distribute said products to any consumer testing application in the territory requiring the detection of compounds of interest that may be found in food (OrganaDx), water (AquaDx) or air (AeroDx), without limitation to type, size or location. The current territory consists of the People’s Republic of China, and includes but is not limited to manufacturers, distributors, consumers, and regulators in that territory. The Licensee will also receive a non-exclusive right to package and distribute the Licensor’s products to any market in which any application may require the detection of compounds of interest by consumers, without limitation to type, size or location.

The Licensee will pay the Licensor either a mandatory minimum payment of One Hundred Twenty-Five Thousand Dollars (\$125,000) per quarter or Twenty Percent (20%) of quarterly gross sales, whichever is higher, for all products sold by the Licensee, its sub-licensees, subcontractors or distributors. The Licensor shall issue to the Licensee a total of Ten Million (10,000,000) shares of the Licensor’s common stock. Licensor shall issue to the Licensee the number of additional securities necessary to maintain a fully-diluted ownership percentage in the Company as of the date hereof. Anti-dilution provision would not apply to an equity financing at a price of \$0.50 or higher undertaken by the Company. The Licensor shall also issue to the Licensee incentive-based warrants should the Licensee exceed the mandatory minimum royalty payments.

Pursuant to the License Agreement, the license shall be non-exclusive until the Licensee meets first year of royalty payments of either a mandatory minimum payment of One Hundred Twenty-Five Thousand Dollars (\$125,000) per quarter or Twenty Percent (20%) of quarterly gross sales, whichever is higher. It is understood that during the period of non-exclusivity, the Licensee may sub-license its right to manufacture and distribute the Licensor’s products, subject to stringent oversight and responsibility by the Licensee, and that the Licensor may also sell, authorize or permit any other party to sell, any of the Licensor’s products to an end-customer for use in the Licensee application market.

***Marketing and Advertising Advisory Services Agreement***

On April 5, 2016, the Company entered into a Marketing and Advertising Advisory Services Agreement (the “Agreement”) with Growth Point Advisors, Ltd. (“Growth Point”) for Growth Point to provide a comprehensive marketing, advertising and branding campaign for the Greater China Region on behalf of the Company’s MyDx AquaDx sensor. The campaign shall include, but not be limited to, the development of both the front and back-end of an e-commerce web site targeting the Chinese audience as well as introductions to potential key personnel to launch and manage the campaign.

In consideration for the services described above, the Company shall pay Growth Point a monthly service fee of \$30,000. Should the Company fail to pay the monthly service fee, Growth Point shall have the right to convert the monthly service fee into the Company’s common stock at a 50% discount of the lowest closing price of the Company’s common stock for the 15 trading days upon send notice of non-payment to the Company.

***Resale Licensing Agreement***

On October 4, 2016, the Company executed a Resale Licensing Agreement with ANP Technologies, Inc. (“ANP”) (the “Agreement”) that outlines the terms and conditions for a One-Time, Non-Exclusive Resale License to MyDx, Inc. for the sale of ANP’s ACE-III-C pesticide and toxic heavy metal Lateral Flow Assay detection test under MyDx, Inc.’s brand. The Agreement provides for the purchase and resale of 10,000 units as part of a Phase I validation of the product’s merchantability.





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***Litigation***

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

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

**12. Subsequent Events**

Since September 30, 2016, the Company has issued 112,087,172 shares of the Company's common stock for conversion of Convertible Notes Payable and settlement of other payable obligations.

On October 5, 2016, the Company, Lynx Consulting and Phoenix Fund Management, LLC ("Phoenix Fund") entered into an Assignment and Modification Agreement. Phoenix Fund purchased the debt claim held by Lynx Consulting from MyDx. In settlement of the Claim, the Company shall issue and deliver to Phoenix Fund shares of its common stock as requested by Phoenix Fund, periodically, at a fifty percent (50%) discount from the average closing price of the Company's common stock for the 22 trading days prior to the date of issuance. Upon execution of the assignment, Lynx released MyDx, Inc. from all liabilities under the original note.

On October 19, 2016, the Company, Talent Cloud Limited, Meyers Associates, L.P. and Rockwell Capital Partners, Inc. ("Rockwell") entered into an Assignment and Modification Agreement. Rockwell purchased the debt claim held by Talent Cloud Limited and Meyers Associates, L.P. from MyDx. In settlement of the Claim, the Company shall issue and deliver to Rockwell shares of its common stock as requested by Rockwell, periodically, at a forty-five percent (45%) discount from the lowest price of the Company's common stock for the seven trading days prior to the date of issuance. Upon execution of the assignment, Talent Cloud Limited and Meyers Associates, L.P. released MyDx, Inc. from all liabilities under the original claims.

On November 14, 2016, the Company entered into Securities Purchase Agreement (the "SPA") and Convertible Promissory Note in the original principal amount of \$35,000 (the "Note") with Crown Bridge Partners, LLC ("Crown") pursuant to which Crown funded \$31,500 to the Company after the deduction of a \$3,500 original issue discount and \$1,500 for legal fees. The Note bears interest at the rate of 8% and must be repaid on or before August 9, 2017. The Note may be prepaid by the Company at any time prior to the date which is 180 days after the date of issuance of the Note at a premium to the amount outstanding at the time of prepayment (as determined in the Note). The Note may be converted by Crown at any time after the nine (6) month anniversary of the Note into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to this Current Report.

Management has considered subsequent events through November 16, 2016, the date these financial statements were issued, and, other than the items mentioned above, no other events have occurred subsequent to September 30, 2016 which would have a material effect on the financial statements of the Company.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS**

*The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, MyDx's audited annual financial statements and the related notes thereto as filed with the Securities and Exchange Commission ("SEC") on April 27, 2016. This discussion contains certain forward-looking statements that involve risks and uncertainties, as described under the heading "Forward-Looking Statements" in this quarterly report. Actual results could differ materially from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please see the disclosure under the heading "Risk Factors" elsewhere in this quarterly report.*

*The Management Discussion and Analysis of Financial Condition and Results of Operations below is based upon only the financial performance of MyDx. MyDx's financial statements for the three and nine months ended September 30, 2016 and the audited results of operations of MyDx for the period ended December 31, 2015.*

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

*The Merger between MyDx, Inc. and CDx, Inc. ("CDx"), consummated on April 30, 2015, was treated as a reverse acquisition for financial accounting and reporting purposes. As such, CDx is treated as the acquirer for accounting and financial reporting purposes while MyDx, Inc. was treated as the acquired entity for accounting and financial reporting purposes. Further, as a result, the historical financial statements that will be reflected in the Company's future financial statements filed with the SEC will be those of CDx, and the Company's assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of CDx. Accordingly, for clarity and continuity, we are presenting the historical financial statements for CDx, Inc. for the periods presented.*

### **Overview**

The Company's first product, MyDx<sup>®</sup>, is a multiuse hand-held chemical analyzer. Using one device with interchangeable sensors, MyDx is intended to allow consumers to test for selected pesticides in food, fruits, herbs, plants and vegetables; chemicals in water; and, toxins in the air. As of the date of this filing, the Company is offering the CannaDx<sup>™</sup> reusable electronic sensor to be used for analyzing cannabis that is compatible with MyDx analyzer. The analyzer itself has an interface designed to communicate with most iOS or Android smartphones via Bluetooth. Once the app is downloaded and the device is synced, a sample can be placed in the sample chamber, which can be stimulated to release the chemicals of interest into the vapor phase for detection, with the results reported on the smartphone App. The company has also recently launched its single use AquaDx<sup>™</sup> and OrganaDx<sup>™</sup> sensors, which leverage established technology to detect pesticides and heavy metals in water and produce, respectively.

### **Plan of Operations**

We are aggressively pursuing plans to expand our distribution network and to continue our efforts to sell our products through our on-line store. Our overall objective is to increase our revenues to generate adequate operating income sufficient to cover our operating expenses going forward. The following are some of the recent achievements we have made during 2016 in our mission to achieve our plan:

In June we launched our new, feature-rich CannaDx<sup>™</sup> smart phone App for both iOS and Android platforms. Along with the wireless, multi-use MyDx chemical analyzer and its CannaDx sensor, this smart phone app is an integral component of the MyDx CannaDx system.

In June we announced MyDx has signed an agreement with Arrow Electronics to scale its supply chain and contract manufacturing capabilities for its MyDx product line. Under the terms of the agreement, Arrow Electronics will provide end-to-end supply chain management and contract manufacturing support, technical support and a credit facility for the MyDx chemical analyzer product line.

In September we announced MyDx is launching its AquaDx<sup>™</sup> sensor chip for the analysis of toxic chemicals in water, and is now accepting pre-orders at special pricing for early adopters. The AquaDx Sensor works interchangeably with the MyDx Analyzer and, along with the CannaDx<sup>™</sup> sensor.

In September we entered into a Distribution and License Agreement with a company operating under the charter of the People's Republic of China as an authorized dealer of the Company's MyDx Sensor and MyDx Analyzer products with exclusive rights to package and distribute the products in the People's Republic of China.

In October we announced MyDx is launching its OrganaDx<sup>™</sup> single use sensor chip for the analysis of pesticides and heavy metals in cannabis, fruits and vegetables.

In November we announced that the "MyDx One" smart-phone app catapulted to the top of the iOS App Store charts fueled by November's historic passage of state ballot initiatives in eight new states passing cannabis laws. The Company anticipates an increase in revenues from this additional interest in our technology.

## Results of Operations

### Comparison of Three Months Ended September 30, 2016 and 2015

#### *Revenue*

For the three months ended September 30, 2016 and 2015, the Company had net revenue of \$134,240 and \$219,180, respectively. For the period ended September 30, 2015, the Company had completed its research and development stage and shipped its first product. The decline in net revenues reflects the shipments in 2015 that were a cumulative buildup of pre-sales from the company inception. During 2015, sales returns and allowances amounted to 7.3% of gross revenues versus 3.4% in 2016.

#### *Cost of Goods Sold and Gross Profit*

For the three months ended September 30, 2016 and 2015, the cost of goods sold were \$79,434 and \$131,173, respectively. Gross profit as a percentage of net revenues for the three months ended September 30, 2016 and 2015 was 40.8% and 40.2%, respectively.

#### *Operating Expenses*

For the three months ended September 30, 2016, the Company incurred operating expenses in the amount of \$1,976,382 compared to \$1,447,564 for the three months ended September 30, 2015. These operating expenses were composed of research and development costs, sales and marketing and general and administrative expenses. The increase in operating expenses is mainly due to our territorial marketing efforts to promote our products with a third-party distributor in China P.R.

#### *Research and Development*

Research and development expenses primarily consist of engineering and product development, incurred in the design, development, testing and enhancement of our products.

For the three months ended September 30, 2016, the Company expended \$111,315 for various research and development projects for hardware, database, software and sensor development as compared to \$364,370 for the three months ended September 30, 2015. The decrease of approximately \$253,000, or 69%, resulted primarily from decreases of approximately \$216,000 in independent contractors; \$96,000 in salaries, wages and benefits; \$12,000 in tooling costs; \$7,000 in purchases of non-capital equipment and software; \$4,000 in hardware product development samples; \$2,000 in travel and entertainment expenses; \$1,000 in freight costs; and,. These decreases were partially offset by increases of \$50,000 in employee recruiting fees; \$14,000 in stock-based compensation; \$11,000 in parts and materials; \$5,000 in website maintenance; \$3,000 in depreciation expense; and, \$3,000 in licenses and permits.

#### *Sales and Marketing Expenses*

Sales and marketing expenses consist primarily consist of salaries, wages and benefits, consulting fees for third-party services and general marketing expenses.

For the three months ended September 30, 2016, the Company expended \$1,588,884 as compared to \$203,091 for the three months ended September 30, 2015. The increase of approximately \$1,386,000, or 682%, resulted primarily from increases of approximately \$1,200,000 in territory development fees; \$200,000 in independent contractors; \$104,000 in employee recruiting fees; \$10,000 in sales commissions; \$6,000 in advertising expenses; \$5,000 in trade show expenses; and \$1,000 in dues and subscriptions. These increases were partially offset by decreases of \$94,000 in salaries, wages and benefits; \$14,000 in stock-based compensation; \$12,000 in shipping and delivery expenses; \$7,000 in travel and entertainment expenses; \$6,000 in rent and facilities costs; \$2,000 in website maintenance; and, \$1,000 in telephone and other communications costs.

#### *General and Administrative Expenses*

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

For the three months ended September 30, 2016, the Company expended \$276,183 as compared to \$880,103 for the three months ended September 30, 2015. The decrease of approximately \$604,000, or 69%, resulted primarily from decreases of approximately \$405,000 in independent contractors; \$85,000 in stock-based compensation; \$65,000 in salaries, wages and benefits; \$25,000 in rent and facilities costs; \$22,000 in other expenses; \$18,000 in accounting fees; \$15,000 in legal fees; \$11,000 in insurance premiums; \$9,000 in travel and entertainment expenses; \$6,000 in board of directors fees; \$5,000 in payroll processing fees; \$3,000 in public company expenses; \$2,000 in purchases of non-capital equipment and software; \$1,000 in income taxes; \$1,000 in depreciation and amortization; and, \$1,000 in supplies and miscellaneous expense. These decreases were partially offset by increases of \$48,000 in financing fees; \$8,000 on impairment of assets; \$6,000 in organization expenses; \$4,000 in late fees; \$3,000 in bank and credit card processing fees; \$1,000 in other professional fees; and, \$1,000 in repairs and maintenance.

### *Interest Expense*

Interest expense totaled \$807,622 and \$1,051 for the three months ended September 30, 2016 and 2015, respectively. The increase of 806,571 resulted primarily from the increase of interest expense related to the convertible notes payable and amortization of debt issuance costs related to the convertible notes payable outstanding during the three months ended September 30, 2016.

### *Changes in Fair Value of Derivative Liabilities*

The \$198,338 gain on changes in fair value of derivative liabilities is resulted from the changes in fair value of embedded conversion feature associated from the convertible notes payables.

### *Loss on settlement of debt*

Loss on settlement of debt totaled \$335,952 for the three month period ended September 30 2016. The loss reflects the discounted value share conversion prices versus the market values for shares of common stock issued in settlement of debts.

## **Comparison of Nine Months Ended September 30, 2016 and 2015**

### *Revenue*

For the nine months ended September 30, 2016 and 2015, the Company had net revenue of \$574,880 and \$219,180, respectively. For the period ended September 30, 2015, the Company had completed its research and development stage and shipped its first product in the third quarter. The net revenue for the nine months ended September 30, 2016 included \$68,000 of revenue related to the sale test result data.

### *Cost of Goods Sold and Gross Profit*

Gross profit as a percentage of net revenues for the nine months ended September 30, 2016 and 201 were 50.4% and 40.2%, respectively. The gross margin was positively affected by the sale of test result data which had no related cost of sales. The effective gross margin for product sales was 43.8%. This effective gross margin includes returns and allowances and discounts of approximately 9%. Excluding returns and allowances and discounts, our gross profit percentage was approximately 48.4% which is below our expected normal gross margin of 50%.

### *Operating Expenses*

For the nine months ended September 30, 2016, the Company incurred operating expenses in the amount of \$3,561,343 compared to \$5,372,684 for the nine months ended September 30, 2015. These operating expenses were composed of research and development costs, sales and marketing and general and administrative expenses. The decrease is mainly resulted from the decrease of research and development activities and the departure of certain independent contractors and officers of the Company which were partially offset by the increase in marketing expenses for our marketing efforts in China P.R.

### *Research and Development Expenses*

Research and development expenses primarily consist of engineering and product development, incurred in the design, development, testing and enhancement of our products. For the nine months ended September 30, 2016, the Company expended \$352,407 for various research and development projects for hardware, database, software and sensor development as compared to \$1,717,784 for the nine months ended September 30, 2015. The decrease of approximately \$1,365,000, or 80%, resulted primarily from decreases of approximately \$451,000 in independent contractors; \$435,000 in salaries, wages and benefits; \$261,000 in hardware product development samples and materials; \$152,000 in stock-based compensation; \$56,000 in tooling charges; \$32,000 in travel and entertainment expenses; \$29,000 in product samples; \$14,000 in freight costs; \$11,000 in purchases of non-capital equipment and software; \$10,000 in licenses and permits; and, \$1,000 in telephone and other communications expenses. These decreases were partially offset by increases of approximately \$50,000 in employee recruiting fees; \$23,000 in depreciation expense; and, \$14,000 in website amortization.

### *Sales and Marketing Expenses*

Sales and marketing expenses consist primarily of salaries, wages and benefits, consulting fees for third-party services and general marketing expenses. For the nine months ended September 30, 2016, the Company expended \$1,792,496 as compared to \$875,744 for the nine months ended September 30, 2015. The increase of approximately \$917,000, or 105%, resulted primarily from increases of \$1,200,000 in territorial development fees; \$188,000 in independent contractors; \$104,000 in employee recruiting fees; \$42,000 in advertising; \$36,000 in sales commissions; \$9,000 in samples; and, \$1,000 in amortization. These increases were partially offset by decreases of approximately \$307,000 in salaries, wages and benefits; \$245,000 in stock-based compensation; \$30,000 in travel and entertainment expenses; \$21,000 in supplies and miscellaneous expenses; \$18,000 in website maintenance; \$15,000 in rent and facilities costs; \$13,000 in postage and shipping costs; \$7,000 in trade show expenses; \$6,000 in telephone and communications expenses; \$1,000 in purchases of non-capitalized equipment and software.

### *General and Administrative Expenses*

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

For the nine months ended September 30, 2016, the Company expended \$1,416,440 as compared to \$2,779,156 for the nine months ended September 30, 2015. The decrease of approximately \$1,363,000, or 49%, resulted primarily from decreases of \$654,000 in independent contractors; \$303,000 in salaries, wages and benefits; \$205,000 in legal fees; \$156,000 in stock-based compensation; \$68,000 in organization expenses related to the merger; \$60,000 in travel and entertainment; \$32,000 in rent and facilities costs; \$17,000 in payroll processing fees; \$16,000 in board of directors' fees; \$11,000 in public company expenses; \$8,000 in ERP systems costs; \$7,000 in purchases of non-capitalized equipment and software; \$3,000 in other taxes; \$2,000 in trade shows; \$2,000 in licenses and permits; \$1,000 in telephone and other communications expenses; \$1,000 in charitable contributions; \$1,000 in advertising expenses; and, \$1,000 in website maintenance. These decreases were partially offset by increases of approximately \$80,000 in finance fees related to the convertible notes payable; \$40,000 in accounting fees; \$25,000 in insurance premiums; \$12,000 in bank and credit card processing fees; \$10,000 in other professional fees; \$8,000 in late fees; \$6,000 in impairment of assets; \$2,000 in depreciation and amortization; 1,000 in dues and subscriptions; and \$1,000 in website maintenance.

### *Interest Expense*

The increase of \$420,190, or 95%, resulted primarily from the increase of interest expense related to the convertible notes payable and amortization of debt issuance costs related to the convertible notes payable outstanding during the nine months ended September 30, 2016.

### *Changes in Fair Value of Derivative Liabilities*

The \$198,338 gain on changes in fair value of derivative liabilities is resulted from the changes in fair value of embedded conversion feature associated from the convertible notes payables.

### *Loss on settlement of debt*

Loss on settlement of debt totaled \$409,887 for the nine month period ended September 30 2016. The loss reflects the discounted value share conversion prices versus the market values for shares of common stock issued in settlement of a debts.

### **Liquidity and Capital Resources**

Since its inception, capital raised by the Company has been used primarily for the Company's research and development efforts and to support its operations. As of September 30, 2016, the Company had remaining cash of \$183,752 with a net working capital deficit of \$2,420,840. As a result of the Company's significant operating expenditures and the lack of significant product sales revenue, we expect to incur losses from operations for the near future and will be required to seek additional capital to sustain our operations.

We reported negative cash flow from operations for the year ended December 31, 2015 and for the nine months ended September 30, 2016. It is anticipated that we will continue to report negative operating cash flow in future periods, likely until one or more of our products generate sufficient revenue to cover our operating expenses. If any of the warrants are exercised, all net proceeds of the warrant exercise will be used for working capital to fund negative operating cash flow.

Our cash balance of \$183,752 will not be sufficient to fund our operations for at least the next 12 months. Additionally, if we are unable to generate sufficient revenues to pay our expenses, we will need to raise additional funds to continue our operations. We have historically financed our operations through private equity and debt financings. Recent economic turmoil and severe lack of liquidity in the debt capital markets together with volatility and rapidly falling prices in the equity capital markets have severely and adversely affected capital raising opportunities. We do not have any commitments for financing at this time, and financing may not be available to us on favorable terms, if at all. If we are unable to obtain debt or equity financing in amounts sufficient to fund our operations, if necessary, we will be forced to suspend or curtail our operations. In that event, current stockholders would likely experience a loss of most or all of their investment. Additional funding that we do obtain may be dilutive to the interests of existing stockholders.

To the extent we raise additional capital by issuing equity securities or obtaining borrowings convertible into equity, ownership dilution to existing stockholders will result and future investors may be granted rights superior to those of existing stockholders. The incurrence of indebtedness or debt financing would result in increased fixed obligations and could also result in covenants that would restrict our operations. Our ability to obtain additional capital may depend on prevailing economic conditions and financial, business and other factors beyond our control. Economic crisis and disruptions in the U.S. and global financial markets may adversely impact the availability and cost of credit, as well as our ability to raise money in the capital markets. Instability in these market conditions may limit our ability to access the capital necessary to fund and grow our business. The Company cannot provide any assurances that it will be able to raise the additional capital needed to fund its operations, or if the Company is able to raise such additional capital, that any such financing will be on terms which are beneficial to the existing shareholders.

#### *Working Capital*

	September 30,	
	2016	2015
Current assets	\$ 599,935	\$ 752,131
Current liabilities	3,020,775	965,178
Working Capital Deficit	<u>\$ (2,420,840)</u>	<u>\$ (213,047)</u>

Current assets for the quarter ended September 30, 2016 decreased compared to December 31, 2015 primarily due to a decrease in inventories and prepaid expenses.

Current liabilities for the quarter ended September 30, 2016 increased compared to December 31, 2015 primarily due to an increase in accrued liabilities; asset based loans; accounts payable; derivative liability; plus, an increase in the current portion of convertible notes payable.

## Cash Flows

	Nine Months Ended September 30,	
	2016	2015
Net Cash Provided by (Used in) Operating Activities	\$ (698,547)	\$ (4,104,594)
Net Cash Provided by (Used in) Investing Activities	-	(177,133)
Net Cash Provided by (Used in) Financing Activities	738,619	3,660,536
	<u>\$ 40,072</u>	<u>\$ (621,191)</u>

### *Net Cash Provided by (Used in) Operating Activities*

During the nine months ended September 30, 2016, cash used in operations was \$698,547 which was primarily the result of a net loss of approximately \$4,348,000 and increases of approximately \$30,000 in accounts receivable and a decrease of \$2,000 in long-term portion of leases payable which were partially offset by increases of approximately \$1,770,000 in accounts payable and accrued liabilities and decreases of approximately \$111,000 in inventories; \$69,000 in customer deposits; and \$34,000 in prepaid expenses; and, non-cash adjustments to net loss of approximately \$410,000 in loss on debt settlement; \$378,000 in stock-based compensation; \$72,000 in depreciation and impairment expense; and, \$182,000, in interest expense related to amortization of debt issuance costs; and \$549,000 resulted from the amortization of debt discount. During the nine months ended September 30, 2015, cash used in operations was approximately \$4,105,000 which was primarily the result of a net loss of \$5,729,000 increases of \$522,000 in inventory purchases and an increase of \$99,000 in prepaid expenses; \$117,000 in customer deposits; \$7,000 in accounts receivable; a decrease of \$165,000 in accounts payable and accrued liabilities all of which were partially offset by non-cash adjustments to net loss of \$1,702,000 in common stock issued in exchange for services rendered; \$419,000 in interest expense related to amortization of debt issuance costs, \$376,000 in stock-based compensation, and \$37,000 in depreciation expense.

### *Net Cash Provided by (Used in) Investing Activities*

For the nine months ended September, 2016 and 2015 cash used in investing activities totaled zero and \$177,313, respectively, which resulted from purchases of equipment for the nine months ended September 30, 2015.

### *Net Cash Provided by Financing Activities*

For the nine months ended September 30, 2016, financing activities provided cash of \$738,619 which resulted from an increase of approximately \$223,000 in net proceeds from the issuance of asset based loans, net of issuance costs, \$490,000 in proceeds from the issuance of convertible notes payable, net of issuance costs; and \$25,000 in proceeds from note payable-related party. For the nine months ended September 30, 2015, financing activities provided approximately \$3,661,000 which resulted from an increase of approximately \$3,633,000 in proceeds from the issuance of convertible preferred stock, net of issuance costs; \$25,000 in proceeds from note payable-related party; and \$3,000 in proceeds from issuance of common stock from exercise of stock options.

### *Going Concern*

At September 30, 2016, we had an accumulated deficit of \$14,245,551 and incurred a net loss of \$4,347,986 for the nine month period ended September 30, 2016. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K as of September 3, 2016.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.**

There have not been any material changes to our exposures to market risk during the three months ended September 30, 2016 that would require an update to the relevant disclosures provided in our 2015 Annual Report on Form 10-K filed with the SEC on April 27, 2016 and Form 10-Q filed with the SEC on August 15, 2016.

### **Item 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q, to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are not effective as of September 30, 2016, due to the fact that management has not fully remediated the material weakness described in our Current Report on Form 10-K filed with the Securities and Exchange Commission on April 27, 2016.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on Effectiveness of Controls and Procedures**

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We must maintain effective internal controls to provide reliable financial reports and to detect and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as would be possible with an effective control system in place. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist, and may in the future discover areas of our internal control that need improvement.

We have been assessing our internal controls to identify areas that need improvement. We are in the process of implementing changes to internal controls, but have not yet completed implementing these changes. Failure to implement these changes to our internal controls or any others that it identifies as necessary to maintain an effective system of internal controls could harm our operating results and cause investors to lose confidence in our reported financial information. Any such loss of confidence would have a negative effect on the trading price of our common stock.

For the year ended December 31, 2015, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting due to the Company not maintaining a sufficient complement of personnel with an appropriate level of accounting knowledge and experience in the application of accounting for warrants to purchase common and preferred stock issued in connection with convertible notes payable and convertible preferred stock and accounting for non-employee stock options. 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. If the Company does not address the material weaknesses, we may not be able to manage our business as effectively as would be possible with an effective control system in place.



## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect. Any of these situations could have a material adverse effect on our business.

### Item 1A. RISK FACTORS

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, filed with the SEC on April 27, 2016.

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

On August 9, 2016, the Company entered into Securities Purchase Agreement (the "SPA") and Convertible Promissory Note in the original principal amount of \$35,000 (the "Note") with Crown Bridge Partners, LLC ("Crown") pursuant to which Crown funded \$30,000 to the Company after the deduction of a \$3,500 original issue discount and \$1,500 for legal fees. The Note bears interest at the rate of 8% and must be repaid on or before August 9, 2017. The Note may be converted by Crown at any time after the nine (6) month anniversary of the Note into shares of Company common stock at a conversion price equal to 50% of the market price (as determined in the Note). The SPA and Note also contain certain representations, warranties, covenants and events of default, and increases in the amount of the principal and interest rates under the Note in the event of such defaults. The foregoing is only a brief description of the material terms of the SPA and Note, and does not purport to be a complete description of the rights and obligations of the parties thereunder, and such descriptions are qualified in their entirety by reference to the agreements and their exhibits which are filed as an exhibit to this Current Report.

During the three months ended September 30, 2016, the Note holder converted the Note and accrued unpaid interest into 7,142,526 share of the Company's common stock.

During the three months ended September 30, 2016, the note holder elected to convert the Note and accrued and unpaid interest into 3,107,345 shares of the Company's common stock.

On September 19, 2016, the Company executed a third note with Adar Bays in the amount of \$80,000 as part of the original Securities Purchase Agreement completed on December 22, 2015. The Note contains a 10% original issue discount and a documentation fee of \$3,750 such that the purchase price of the Note \$75,000. The Note matures on September 19, 2017. The Note bears interest at the rate of 8% per annum and may be converted by Adar Bays at any time after the date which is six months of the date of issuance into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion.

During the three months ended September 30, 2016, the note holder elected to convert a portion of the Note into 6,449,615 shares of the Company's common stock.

During the three months ended September 30, 2016, the note holder elected to convert the Note and accrued interest into the note holder elected to convert the Note balance of \$104,500 and accrued interest thereon into 7,107,376 shares of the Company's common stock.

Pursuant to the Union Capital Amendment, the Company agreed to redeem the note by paying 140% of the principal amount plus accrued but unpaid interests to Union Capital, for a total redemption amount of \$158,363.84, pursuant to the payment schedule set forth in the Union Capital Amendment. In addition, the Company paid 5% of the original principal amount to Union Capital as consideration for entering into the amendment.

During the three months ended September 30, 2016, the Note holder elected to convert the Note and unpaid interest into 7,670,457 shares of the Company's common stock.

On September 19, 2016, the Company executed a second Note in the amount of \$110,000 with Union Capital LLC as part of the financing pursuant to a Securities Purchase Agreement with Union Capital, LLC dated December 15, 2015. The Note contains a 10% original issue discount and a \$5,000 documentation fee such that the purchase price of each Note is \$95,000. The Note is due and payable not later than September 19, 2017. The Notes bear interest at the rate of 8% per annum; are due and payable on September 19, 2017; and may be converted by Union Capital at any time after the date which is nine months of the date of issuance into shares of Company common stock at a conversion price equal to 60% of the market price (as determined in the Notes) calculated at the time of conversion.

On September 1, 2016, the Company entered into a Distribution and License Agreement (the "Agreement") with Powerfull Holdings, Ltd ("Powerfull"), a company operating under the charter of the People's Republic of China, making China Science and Technology ("CST") an authorized dealer of the Company's MyDx Sensor and MyDx Analyzer products with exclusive rights to package and distribute the products in the territory defined as the People's Republic of China (the "Territory"), including but not restricted to manufacturers, distributors, consumers and regulators in the Territory. Upon execution of the Agreement, the Company issued 10 million shares of its common stock to Powerfull Holdings in accordance with the terms and conditions specified in the Agreement. China Science and Technology, a Powerfull Holdings affiliated company is the assignee of all rights under this agreement.

On September 30, 2016, the Company accepted performance under the agreement with Lynx Consulting Group, Ltd. ("Lynx Consulting") dated April 3, 2016 (the "Agreement") to render consulting services in connection with the creation and development of MyDx Asia, including staffing an office to develop and expand the Company's business in the Greater China Region. Lynx Consulting's performance included but was not limited to securing the Distribution License Agreement between the Company and Powerfull Holdings, Ltd. Dated September 1, 2016 referenced in Exhibit 10.1. As consideration for execution of the Agreement, the Company will pay Lynx Consulting a one-time fee of \$1,000,000 for its services plus an incentive fee based on an agreed percentage of the value of the base revenue of contracts produced by Lynx Consulting during the first year of the Agreement, which, at the discretion of the Company, can be paid in cash or shares of common stock.

During the three months ended September 30, 2016, the Company issued convertible noteholders a total of 35,188,375 from conversion of notes.

During the three months ended September 30, 2016, the Company issued 17,426,800 shares of the Company's common stock to retire \$155,557 of the total claims and recorded a loss on debt settlement of \$133,019 reflecting the difference in the discounted conversion price and the market price.

During the nine months ended September 30, 2016, the Company issued 16,654,214 shares of common stock in exchange for services at a fair value of \$378,345.

For the nine months ended September 30, 2016, the Company granted options to non-employees to purchase 125,000 shares of common stock at an exercise price of \$0.57 per share

The issuance of the above securities was exempt from registration pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

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

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

### **Item 4. MINE SAFETY DISCLOSURES**

None.

### **Item 5. OTHER INFORMATION**

There is no other information required to be disclosed under this item which was not previously disclosed.

**Item 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.1	Distribution License Agreement between the Company and Powerfull Holdings, Ltd., dated September 1, 2016, assigned to China Science and Technology.
10.2	Consulting Agreement between the Company and Lynx Consulting Group, Ltd., dated April 3, 2016.
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

+In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MyDx, Inc.

Date: November 21, 2016

By: /s/ Daniel R. Yazbeck  
Name: Daniel R. Yazbeck  
Title: Chief Executive Officer,  
Chairman of the Board and  
Chief Financial Officer

**DISTRIBUTION AND LICENSE AGREEMENT**

This DISTRIBUTION AND LICENSE AGREEMENT (the “**Agreement**”) is made and entered into as of this 1<sup>st</sup> day of September 2016, by and between Powerfull Holdings, Ltd., a company operating under the charter of the People’s Republic of China, with its principal place of business located at 1209 Block A, Focal Industrial Centre, 21 Man Lok Street, Kowloon Hong Kong (“**Licensee**”), and MyDx, Inc., a Nevada Corporation, with its principal place of business located at 6335 Ferris Square Suite B, San Diego, CA 92121 (“**Licensor**”). Powerfull Holdings and Licensor are sometimes referred to herein individually as the “**Party**” or collectively as the “**Parties**.”

**RECITALS**

- A. **WHEREAS**, Licensor is a manufacturer of certain chemical sensors and analyzers (“**Licensor’s Products**”) and a Licensor of its patented chemical analysis technology (“**Licensor’s Licenses**”).
  - B. **WHEREAS**, Licensee has the capability and resources to incorporate, manufacture, promote, market, and sell Licensor’s Products and Licensor’s Licenses as Licensee products.
  - C. **WHEREAS**, The Parties intend there to be two phases of this Agreement. Further, the Parties agree that at the completion of Phase One, as defined herein, the Parties shall jointly review the results of the activities of Phase One and if the results are satisfactory and the concept has been proven, the Parties will immediately move forward with Phase Two, as defined herein, of this Agreement.
  - D. **WHEREAS**, The Parties intend that during the Term of this Agreement, as defined herein, upon Phase One producing satisfactory results and proof of concept, Licensee will, immediately and without further action by the Parties, be appointed as an authorized dealer of Licensor Products with the exclusive right to package and distribute them to the Licensee Application Market (as defined in Section 1.1), and with a non-exclusive right to package and distribute them to any other Testing Market (as defined in Section 1.2). In addition, Licensee will have the right to incorporate Licensor Products into existing or future Licensee designed and manufactured products. Any exclusive rights provided shall not impede on Licensor’s ability to sell Licensor products directly to consumers in markets included in the Licensee Applications Markets.
-

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions herein contained, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. DEFINITIONS.

Whenever the following terms appear in this Agreement they shall have the indicated meanings.

- 1.1 **LICENSEE APPLICATION MARKET.** The Licensee Application Market shall be defined as any consumer testing application in the territory requiring the detection of Compounds of Interest, as defined below, that may be found in food (OrganaDx), water (AquaDx) or air (AeroDx), without limitation to type or size or location. The current territory is the People's Republic of China, including but not restricted to manufacturers, distributors, consumers, and regulators in that territory. During Phase One of the Agreement, the Licensee's Application Market shall remain non-exclusive to the Licensee.
  - 1.2 **OTHER TESTING MARKET.** Other Testing Market shall be defined as any market in which any application may require the detection of compounds of interest by consumers, without limitation to type, size or location.
  - 1.3 **COMPOUNDS OF INTEREST.** Compounds of Interest include pesticides and heavy metals or volatile organic compounds any other compounds that may be mutually agreed upon, by the Parties hereto, in writing.
  - 1.4 **LICENSOR'S PRODUCTS.** The Licensor's Products includes the MyDx Sensor and the MyDx Analyzer, an automated and portable electronic device and associated software and algorithms that can be used for the simultaneous extraction, separation, detection and reporting of compounds of interest that can be extracted from any sample and exposed to sensors for detection and analysis.
  - 1.5 **MyDx SENSOR.** The MyDx Sensor is a proprietary, highly sensitive, disposable proprietary formulated assay that is capable of detecting compounds of interest.
  - 1.6 **LICENSEE'S PRODUCTS.** Specifically as it relates to this Agreement, Licensee's products include software, hardware, sensor, and disposable products that can be used with Licensor's products to detect compounds of interest for the Licensee's Application Markets.
  - 1.7 **NET SALES PRICE.** The Net Sales Price shall be the actual sales price of the product net of taxes, freight for shipment from Licensee, actual discounts, and returns.
2. TERM. Subject to the Termination provisions in Section 7, the term of this Agreement shall consist of the following:
- 2.1 **PHASE ONE.** Phase One ("Phase One") shall commence as of the date hereof and shall continue until the completion of the activities of the validation of the merchantability of Licensor products to the Licensee Application markets.

However, should the Parties determine that the results of the activities of Phase One were not satisfactory to both parties, this Agreement shall terminate pursuant to Section 7.2(b). This Agreement shall not be deemed “material” for the purpose of regulatory reporting and no disclosure of this Agreement shall be made until the completion of Phase One.

2.2 PHASE TWO. Upon the completion of Phase One and Phase One producing satisfactory results as agreed upon by both parties, Phase Two (“Phase Two”) shall immediately, without further action by the Parties, commence and shall continue for an initial term of five (5) years (the “Term”). At the conclusion of the Term of this Agreement, the Agreement shall automatically renew for additional three (3) year term(s), unless and until either Party has given the other Party notice of its intent not to renew for the next term. This notice must be given at least four (4) months in advance of the termination.

3. APPOINTMENT. Subject to the terms and conditions of this Agreement and upon Phase One producing satisfactory results and proof of concept, during the Term Licensee shall be appointed the exclusive authorized dealer and distributor of the Licensor Products for all sales to the Licensee Application Market in the People’s Republic of China (“Exclusive Territory”) pursuant to such manner described in Section 4.2(b). In addition, Licensee shall be appointed, for the same term, a nonexclusive authorized dealer and distributor of Licensor Products in Other Testing Markets.

4. CONSIDERATION.

4.1 PHASE ONE. Licensee will pay Licensor a minimum of \$45,000.00 as a Licensing and Technology Transfer Fee per application (AquaDx™, OrganaDx™, AeroDx™). These fees shall be credited towards Phase Two mandatory minimum payments. Licensee will pay within 10 business days of presentation of invoices from Licensor.

4.2 PHASE TWO.

(a) PAYMENT. Licensee will pay Licensor a either a mandatory minimum payment of \$125,000 a quarter or 20% of quarterly gross sales, whichever is higher, for all Products sold by Licensee, its sub-licensees, subcontractors or distributors. All Phase Two payments shall be made to Hong Kong-based MyDx Asia, Ltd., a wholly-owned subsidiary of MyDx, Inc.

Licensor shall issue to Licensee a total of 10,000,000 Shares of Licensor’s common stock per the terms below. Licensor shall also issue to Licensee incentive-based warrants should Licensee exceed the mandatory minimum royalty payments. The payment schedule of both the common stock and warrants are as follows:

Upon execution of this Agreement, 10 million shares of MyDx, Inc. common stock, which trades under the stock symbol "MYDX" in the U.S. stock market, shall be issued to Licensee. However, until Licensee meets its mandatory minimum royalty payment of at least \$500,000, the stock shall be held in an escrow account to be mutually agreed upon by both Parties. Such common stock shall be cancelled in the event of Licensee's failure to meet its mandatory minimum royalty payment of at least \$500,000 and the termination of this Agreement.

Should Licensee generate a minimum of \$500,000 in royalty payments in less than the following 12 months, Licensee shall receive 500,000 warrants to purchase Licensor's common stock at an exercise price of \$0.50 per share, exercisable for 5 years from the date of issuance.

Should Licensee generate a minimum of \$1,000,000 in royalty payments in less than the following 12 months, Licensee shall receive 1,000,000 warrants to purchase Licensor's common stock at an exercise price of \$1.00 per share, exercisable for 5 years from the date of issuance.

Should Licensee generate a minimum of \$2,000,000 in royalty payments in less than the following 12 months, Licensee shall receive 2,000,000 warrants to purchase Licensor's common stock at an exercise price of \$2.00 per share, exercisable for 5 years from the date of issuance.

Should Licensee generate a minimum of \$5,000,000 in royalty payments in less than the following 24 months, Licensee shall receive 5,000,000 warrants to purchase Licensor's common stock at an exercise price of \$5.00 per share, exercisable for 5 years from the date of issuance.

If Licensee fails to purchase the minimum number in any period it will have a four (4) month period within which to cure any shortfall. Licensor shall have the right to audit Licensee's sales records and financial reporting every six (6) months.

If Licensee does not cure any shortfall within the four (4) month cure period referenced above, Licensor may, at its sole discretion with written notice to Licensee, cancel Licensee's exclusivity with respect to the Licensee Application Market and allow Licensee to continue as a distributor on a non-exclusive basis. In the event Licensee's distribution rights to Licensor Products are reduced to non-exclusive under the terms of this Section 4.2(b), Licensor shall be entitled to work with other market partners to develop, manufacture and sell Licensor Products to the Licensee Application Market. This Agreement in no way gives Licensor a license to use any proprietary technology owned by Licensee.



NON-EXCLUSIVITY. It is understood that this Agreement shall remain nonexclusive until Licensee meets certain financial requirements. It is understood that during the period of non-exclusivity in the Licensee Application Market, Licensee may sub-license its right to manufacture and distribute Licensor's Products, subject to stringent oversight and responsibility by Licensee, and that Licensor may also sell, authorize or permit any other party to sell, any of Licensor's Products to an end customer for use in the Licensee Application Market.

In order to gain exclusivity, Licensee must meet its first year of royalty payments of either a mandatory minimum payment of \$125,000 a quarter or 20% of quarterly gross sales, whichever is higher.

- (b) Licensor shall supply Licensee with the final and most important component required to complete the manufacturing process of the Licensor's Sensors through a factory located in Guangzhou, China. Once fully manufactured and packaged, the Licensee is responsible for the advertising, marketing, sales and distribution of Licensor's sensors across the Licensee's Application Market.
- 4.3 ANTI-DILUTION. At any time after the date hereof, if the Licensor shall issue or propose to issue any additional shares of the Licensor's common stock, or warrants, options (excluding any options granted to employees of the Licensor in accordance with any employee plans, now or hereinafter in effect) or other rights or instruments of any kind convertible into or exercisable or exchangeable for shares of common stock (the "Additional Securities"), the Licensor shall issue to the Licensee the number of Additional Securities necessary to maintain a Fully-Diluted Ownership Percentage (as defined below) in the Licensor as of the date hereof. For the purpose of this Agreement, the term "Fully-Diluted Ownership Percentage" shall mean the percentage ownership calculated by dividing (i) the aggregate number of shares of common stock (including any shares of common stock issuable upon exercise or conversion of options, warrants or other securities or rights) beneficially owned (as such term is determined in accordance with the Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) by the applicable person, howsoever and whenever acquired, by (ii) the aggregate number of all issued and outstanding shares of common stock of the Licensor (including any shares of common stock which are issuable upon exercise or conversion of options, warrants or other securities or rights within 60 days of the date on which such calculation is being made). Notwithstanding the above, this paragraph shall not apply to an equity financing at a price of \$0.50 or higher undertaken by the Company.

5. LICENSEE'S RESPONSIBILITIES.

5.1 PHASE ONE. Licensor shall provide test samples and validation data for market validation.

5.2 PHASE TWO. Subject to Phase One producing satisfactory results, Licensee shall:

- (a) PURCHASE, MANUFACTURE, PROMOTE AND SELL. Purchase Products from Licensor and use its best efforts to promote and sell the corresponding Licensee Products at prices within ten percent of Licensor's MSRP in the United States.
- (b) FACILITY AND STAFF. Maintain a business sufficient to carry out its duties hereunder. Licensee shall also maintain a sales staff capable of demonstrating the Products in a manner consistent with any policies or guidelines, which the Parties may from time to time mutually, establish.
- (c) INSERVICE. Perform post-sale delivery, instruction and education to the user in a manner that is consistent with standards or guidelines which the Parties may from time to time establish.
- (d) ORDERS. Place all orders for Products on terms set out in this Agreement or upon such other terms as may from time to time be mutually agreed upon by the Parties.
- (e) RECALL OF PRODUCTS. Promptly notify Licensor in the event any Licensor Products should be recalled or withdrawn from distribution. Any decision as to whether or not to initiate a recall or withdrawal shall be solely that of Licensor. Licensee shall provide Licensor with all reasonably requested assistance in any recall or withdrawal, including, without limitation, Licensee contacting its sub-dealers and distributors.
- (f) COMPLY WITH LAW. Comply with all applicable laws, rules and regulations in all of its activities relating to the marketing, promotion, service, and sale of Products, including obtaining any and all required registrations, permits, waivers and licenses for the operation of Licensee's business and the sale of the Products. All licenses, permits, waivers and registrations for the Licensor Products shall be the property of Licensor and, at the option of Licensor, shall be obtained in the name of Licensor. All licenses and registrations for the Licensee Products shall be the property of Licensee and, at the option of Licensee, shall be obtained in the name of Licensee.
- (g) SUB DEALERS. In its sole and absolute discretion, Licensee may sell the Products through such sub-dealers or distributors as it may from time to time identify and with which they enter into a business relationship.

- (h) SUPPLY OF LICENSOR PRODUCTS. Be responsible for maintaining adequate levels of inventory of Licensor Products in order to facilitate its own sales.
- (i) INCORPORATION OF LICENSOR SENSOR TECHNOLOGY IN LICENSEE'S PRODUCTS. Be responsible for providing, at Licensee's expense, engineering resources needed to incorporate the Licensor Sensor Technology into any of Licensee's products and the development and manufacturing of such products.
- (j) DEFECTIVE PRODUCTS; CUSTOMER SERVICE. During the first year after commercial introduction of the Licensor Products, arrange that all Licensor Products which are claimed to be defective be returned to Licensor for inspection, engineering analysis of claimed defect, and repair. Licensor will pay for the return of these Licensor Products, with a shipping limit of no more than \$1,000. Licensee is authorized, but not required, to accept return of the Licensor Products on behalf of Licensor from Licensee customers, in which case Licensee will promptly forward the Licensor Products to Licensor based upon a procedure, to be memorialized by the Parties hereto in a separate agreement, before any order for Licensor Products is presented by Licensee to Licensor. At all times with respect to the Licensor Products, Licensee shall be the initial point of contact for its customers and shall provide customer support services in a manner consistent with such standards, procedures and guidelines Licensee applies to its own products.

6. LICENSOR RESPONSIBILITIES.

- 6.1 PHASE ONE. Provide sample products and sensors to Licensee and provide Licensee with validation data and support as needed or such other deliverables as the Parties may from time to time agree.
- 6.2 PHASE TWO.
  - (a) PROVIDE LICENSOR SENSOR'S IP. Provide Licensor Sensor's IP to manufacturer which in turn will support Licensee in the final construction of the Sensor.
  - (b) REFERRALS. Refer all inquiries for purchases of Licensor Products in the Exclusive Territory for the Licensee Application Market to Licensee.
  - (c) TECHNOLOGY TRANSFER TRAINING AND SUPPORT. Licensor shall supply all technology transfer materials and reasonable assistance from Licensor's technical team, and/or other Licensor engineering personnel that Licensor may from time to time assign as required by Licensee.

Licensor shall also offer such general and specialized and technical training, materials and support as the Parties may from time to time agree. All training and support to be provided by Licensor under this clause will be directed only to Licensee employees. The costs and expenses incurred by Licensor employees in the training of Licensee's representatives shall be paid by Licensor. Any costs and expenses incurred by Licensee in said training shall be paid by Licensee.

- (d) DELIVERY. Licensor's manufacturing facility will use reasonable commercial efforts to deliver accepted orders for Licensor Products on time. However, in no event shall Licensor be responsible for any loss or damages which are claimed to have been caused by a delay in shipping an order, strikes, labor disputes, national back-orders, natural disasters, war, the acts of government, or any other cause outside the reasonable control of the Parties, whether or not Licensor may have been advised of the possibility of such loss or damages. Licensee may elect to cancel any order for which delivery of a Product is delayed more than ninety (90) days past its original ship date. If such delays occur as a result of errors on the part of Licensor, both Parties shall mutually agree on a reasonable time extension required to allow Licensee to recover potential sales lost in the event it results in not being able to meet the minimum volume expectations required by Licensee to maintain exclusivity.
- (e) REPAIR AND SERVICE FOR DEFECTIVE PRODUCTS. A separate agreement to be drafted between the Parties (before moving to Phase Two) will address this clause before any order for Licensor Products is presented by Licensee to Licensor.
- (f) WARRANTY. The Products will be warranted to the end customer for one (1) year from date of shipment to such customer according to the terms of a Warranty to be established by Licensor and reasonably acceptable to Licensee.
- (g) AVAILABILITY. A separate agreement to be drafted between the Parties will address this clause before any order for Licensor Products is presented by Licensee to Licensor.
- (h) PRODUCT MODIFICATIONS AND LABELS. Any modification to Licensor's Products (including user interface and display characteristics), the parties will agree to the terms of such modifications. In addition, with Licensor's prior approval, not to be unreasonable withheld, Licensee may (a) attach labels which identify Licensee as the dealer or distributor of the Products or (b) have Licensor attach such labels to any Products which are sold to or by Licensee or any of its sub-distributors. Licensee will reimburse Licensor for its reasonable costs in attaching such labels.

7. TERMINATION. This Agreement may be terminated as follows:

7.1 IMMEDIATE FOR CAUSE. In the event of any of the following, the non-breaching Party may terminate this Agreement if:

- (a) ILLEGAL OR UNETHICAL ACTS. Any employee or representative of the other Party commits any illegal or unethical act in the course of carrying out any of its duties under this Agreement;
- (b) INSOLVENCY. Either Party becomes insolvent or is the subject of a bankruptcy or other insolvency proceeding;
- (c) MISREPRESENTATION. Licensee or any of its representatives makes a material misrepresentation in seeking this appointment, in filing warranty claims or performing any other responsibilities under this Agreement;

7.2 FOR CAUSE.

- (a) DEFAULT. Either Party may terminate this Agreement if the other Party is in default of any representation, warranty, covenant or other obligation in this Agreement and fails to cure such default within twenty (20) days of written notice from the other Party specifying the nature of such default. Thereafter, the Party giving such notice may terminate this Agreement by a separate five (5) days notice.
- (b) DEFECTIVENESS. This Agreement shall terminate upon the mutual determination by the Parties hereto that the Products do not pass tests for quality, reliability, efficacy and marketability or if at the completion of Phase One, the results were not satisfactory and the concept was not proven.

7.3 EFFECT OF TERMINATION. Upon the effective date of termination or expiration of this Agreement for any reason, the obligations and responsibilities of the Parties one to the other contained herein shall cease; provided, however, that the same shall not release Licensee from payments which may be due to Licensor as a result of prior sales or prior obligations incurred, and these shall be paid as they become due; and, provided, further, however, that all obligations with respect to confidentiality, return of intellectual property and other obligations which by their nature are continuing or which are Agreement shall survive the termination or expiration of this Agreement. Licensee may, at its option, cancel any outstanding order for purchase which has not been shipped by the effective date of termination

- 7.4 MANUFACTURE AND AVAILABILITY OF LICENSOR SENSORS. In the event that Licensor's manufacturer is unable to manufacture sufficient sensors for Licensee to fulfill Licensee's validly presented customer orders Licensee may manufacture or authorize others to manufacture, at Licensee's cost, disposable Licensor Sensors. Licensor may also terminate production of Licensor Sensors upon one-hundred eighty (180) days written notice to Licensee. Thereafter, Licensee may, at Licensee's cost, manufacture or authorize others to manufacture disposable Licensor Sensors to make such Sensors available to Licensee and its customers upon such terms and conditions as the Parties may reasonably agree, such agreement being negotiated and executed before Licensee is authorized to utilize this alternative Licensor Sensor manufacturing. Nothing in this Agreement shall constitute a license for Licensee or any of its suppliers and manufacturers to use any of the patented or proprietary technology of the Licensor Sensors in the manufacture of such sensors, and the provisions of this Section 7.4 will survive the expiration and termination of this Agreement.
- 7.5 RETURN OF MATERIALS. Upon termination of this Agreement, Licensee shall return to Licensor all promotional and other Product related materials previously provided by Licensor to Licensee. If Licensee has paid Licensor for any of the materials returned then Licensor shall reimburse Licensee for the value of the returned materials to the extent that such materials are currently useable by Licensor.
- 7.6 SALE PRICE OF THE PRODUCTS. Licensee has the option to modify these prices at its discretion but in no circumstance can Licensee sell Licensor Sensors at a price that is less than 10% of the Manufacturer's Suggested Retail Price.
- 7.7 RIGHT TO INSPECT. Upon reasonable notice either Party shall make available to the other Party's independent auditors, all records pertaining to the manufacturing costs, distribution costs or Sales of the Products, incorporating the Licensor SENSORS.
8. LICENSOR TECHNOLOGY.
- 8.1 GRANT OF LICENSE. Licensor hereby grants to Licensee, for the term of this Agreement, a license to use the Licensor Sensor Technology solely to incorporate such Licensor Technology into any existing or future Licensee product manufactured or to be manufactured by Licensee or its designated supplier that incorporate Licensor Products.
- 8.2 SCOPE. This license shall be exclusive with respect to the use of the Licensor Technology for the Licensee Application Market in the Exclusive Territory during the term of this Agreement; provided however that such license shall become non-exclusive in the event Licensee fails to reach or maintain its exclusivity milestones pursuant to Section 4.2 (b).
- 8.3 LICENSOR'S RIGHT TO MARKET THE LICENSOR TECHNOLOGY. Nothing in the license agreement, or this Agreement, shall prohibit or in any way restrict the right of Licensor to develop, manufacture, embed, incorporate or sell the Licensor Technology to any other third party for any field of use other than that for which Licensee has been granted exclusivity herein.

8.4 ENGINEERING SUPPORT. Licensor will make essential engineering personnel reasonably available to Licensee to provide engineering support to assist Licensee in investigating the feasibility of incorporating Licensor Technology into any of Licensee's software platform.

8.5 LICENSOR TECHNOLOGY WARRANTY. The Licensor Technology will be warranted by Licensor to work in accordance with its specifications. The terms of such warranty shall be mutually agreed upon by the Parties and incorporated by amendment into Exhibit 2 of this Agreement.

8.6 LABELING AND ADVERTISING. Any Licensee products which incorporate the Licensor Technology, and the product advertising and brochures for them, does not need to include a label, logo or other method to identify Licensor unless agreed upon in manner that is reasonably acceptable to both Licensor and Licensee. Licensee may re-label to fit its marketing & advertising of these sensors with the Licensee Analyzer.

9. INTELLECTUAL PROPERTY.

9.1 PATENT RIGHTS. Neither Party is granted rights in any of the other Party's patents.

9.2 CONFIDENTIAL INFORMATION. In the course of performing its duties hereunder either Party may become aware of confidential information of the other, including, but not limited to, trade secrets under the Uniform Trade Secrets Act, technical product data, software programs, software code, designs, prototypes, methods, techniques, business plans, product pricing, sales goals, marketing information and other information not generally available to the public (collectively, "Confidential Information"). Each Party shall maintain in confidence and, except as provided in this Agreement, not use for its own benefit, directly or indirectly any Confidential Information received from the other or any of its suppliers or purchasers during the term of this Agreement and shall not publish, disseminate, or disclose such information except to the extent necessary to carry out its duties hereunder without the express written permission of the other. The Parties shall use at least the same degree of care to protect the Confidential Information of the other, its suppliers, or purchasers as it does to protect its own Confidential Information and in all cases commercially reasonable efforts. This obligation shall not apply to Confidential Information which (a) was known to the recipient prior to disclosure by the other Party or its supplier as evidenced by the Party's prior written record, (b) is disclosed to the recipient by a third party without violation of any obligation of confidentiality to the other, (c) becomes public knowledge without the breach of any obligation of confidentiality. All Confidential Information shall be returned to the originating Party at the request of the recipient Party upon the termination or expiration of this Agreement, with the exception of a single copy which may be retained in a confidential file solely for the purpose of determining compliance with this paragraph. The covenants contained in this Section 7.2 shall expire five (5) years after the Termination or expiration of this Agreement. Each Party acknowledges that the other Party will be irreparably damaged if the covenants contained in this Section 7.2 are not specifically enforced. The provisions of this Section 7.2 may be enforced by injunctive relief restraining any violation (without any bond or other security required) or any other appropriate decree of specific performance, such remedies shall not be exclusive and shall be in addition to any other remedy which an injured Party may have.

9.3 PROTECTION OF RIGHTS. Each Party shall use its best efforts to cooperate with the other in protecting all of each other's rights in intellectual property. Neither Party shall dispute nor contest the validity of the other Party's intellectual property rights which are subject to this Agreement. Each Party shall promptly inform the other about any facts of which it becomes aware, which may constitute unfair competition or in which any other person or entity may be infringing on the intellectual property rights of the other. Licensee acknowledges and agrees that Licensor is the sole and exclusive owner of all right, title and interest in and to (a) the Licensor Technology, the Licensor Sensor and any and all updates and modifications to the foregoing technology, (b) trademarks and trade names associated with the advertisement and promotion of Licensor's Products and (c) all proprietary rights in (a) - (b).

9.4 Licensee RIGHT TO DEVELOP Licensee ANALYZER PRODUCTS. Nothing in this Agreement shall prohibit or in any way restrict the right of Licensee to develop, manufacture or sell its own Analyzer Products. The Parties acknowledge that Licensor is under no obligation to extend the license for Licensor Sensor or Licensor Technology beyond the termination or expiration of this Agreement.

9.5 INDEMNITIES AND INSURANCE.

(a) MUTUAL. The Parties shall defend and indemnify each other from any loss, damages and costs incurred as a result of the breach of any of their duties under this Agreement or for the negligent acts of that Party's employees or other representatives operating within the scope of their authority; provided that in no event shall a Party be responsible to the other for any compensation, reimbursement or damages on account of the loss of prospective profits or anticipated sales nor for expenditures, investments, lease commitments, property improvements or other commitments made in connection with the business or goodwill of the other Party.



(b) INTELLECTUAL PROPERTY. Licensor warrants that the Licensor Sensor does not infringe upon the patent or other intellectual property rights of any third party currently known to the extent that it is manufactured in accordance with information or design provided by Licensor. Licensor shall indemnify Licensee from any cost, expense or damage to the extent that it is based upon a claim that the Licensor Sensor, Licensor Sensor, Licensor Technology or any Licensor Product purchased by Licensee infringes an applicable U.S. patent; provided that Licensee shall promptly notify Licensor of such claim, permit Licensor to assume control of the defense of such claim, and fully cooperate in the defense of such claim. If the use or sale of the Licensor Sensor, Licensor Technology, Licensor Sensor or any Licensor Product purchased by Licensee is enjoined by order or settlement, then Licensor shall have the option to (1) procure for Licensee the right to continue using or selling the Product, (2) replace the Product with a non-infringing Product or to modify the Product, (3) modify the Product so it becomes non-infringing, or (4) accept return of the infringing Product and grant Licensee a credit for its purchase price. The foregoing shall be the entire liability of Licensor for infringement by Licensor Products furnished hereunder.

#### 10. GENERAL PROVISIONS.

10.1 RELATIONSHIP. This Agreement creates no relationship of employer and employee, agent and principal, partnership or joint venture, Licensor and Licensee are independent contractors and neither Party is the legal representative or agent of the other Party in any respect and is not authorized to assume or create any obligation or liability of any kind on behalf of the other Party. Neither Party may make any promises or representations in the name of the other.

10.2 NOTICES. All notices required or permitted by this Agreement shall be in writing, in English and may be delivered personally, or may be sent by registered prepaid airmail, return receipt requested, or by facsimile transmission, or other electronic means of written communication with a copy to be dispatched by registered prepaid airmail return receipt requested by the close of the next following business day.

Notices to each of the Parties shall be addressed as follows (or to an alternative address if that alternative address has been supplied by written notice):

For Licensor:

MyDx, Inc.  
6335 Ferris Squire Suite B  
San Diego, CA 92121  
Attn: Daniel Yazbeck  
Email : [daniel@cdxlife.com](mailto:daniel@cdxlife.com)

For Licensee:

Powerfull Holdings, Ltd  
1209 Block A, Focal Industrial Centre  
21 Man Lok Street, Kowloon  
Hong Kong  
Attn: Ringo Ng  
Email : [ringong@powerfullholdings.com](mailto:ringong@powerfullholdings.com)

- 10.3 WAIVERS. Failure of either Party at any time to require strict performance of the other Party of the provisions of this Agreement shall not act as a waiver of such provisions, nor shall the waiver of a breach of the Agreement by either Party constitute a waiver of such provision for any subsequent breach.
- 10.4 ENTIRE AGREEMENT AND MODIFICATIONS. This Agreement, together with its Exhibits and addendum's, if any, contains the entire and only agreement between the Parties with respect to the matters addressed herein. Any representations or terms and conditions not incorporated in this Agreement shall not be binding upon either Party. No attempted modification of this Agreement shall be binding upon either Party unless in writing and signed in the same manner as the original Agreement. If any provision of this Agreement is held to be invalid, it shall not affect the enforceability of the remaining provisions.
- 10.5 DISPUTES. Any dispute arising from this Agreement or the relationship between the Parties shall be governed by the laws of the State of California. At the request of either Party, any dispute shall be submitted to binding arbitration in San Diego, California. The prevailing Party in any arbitration, litigation or other alternate dispute resolution forum shall be entitled to its reasonable costs and fees, including attorney's fees.
- 10.6 FORCE MAJEURE. If the performance of any obligation of this Agreement except for the payment of money is prevented, restricted, or interfered with by reason of strike, labor dispute, natural disaster, war, the acts of government or any other cause outside the reasonable control of the Parties, then the Party so affected shall give prompt notice to the other Party and shall be excused from such performance to the extent made necessary by such event.
- 10.7 PUBLIC ANNOUNCEMENT: Licensor will issue a press release announcing its new licensing business model, beginning with its Partnership with Licensee. The press release will include certain guidance figures related to this Partnership along and include quotes from both entities.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized officers or representatives as of the day and year first above written.

MyDx, Inc.

Powerfull Holdings, Ltd.

By: /s/ Daniel Yazbeck  
Name: Daniel Yazbeck  
Title: CEO  
Date: September 1, 2016

By: /s/ Ringo Ng  
Name: Ringo Ng  
Title: CEO  
Date: September 1, 2016

## ASSIGNMENT OF AGREEMENT

For good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged by the parties hereto, Powerfull Holdings, LTD, with its principal place of business located at 1209 Block A, Focal Industrial Centre, 21 Man Lok Street, Kowloon Hong Kong (hereinafter "Assignor") assigns, sells, conveys, and transfers all of Assignor's interest to China Science and Technology, Ltd, with address located at 25/F Wheelock Square, 1717 Nanjing West Road, Jing An District Shanghai (hereinafter "Assignee") in the contract(s) described as follows:

DISTRIBUTION AND LICENSE AGREEMENT entered into as of this 1st day of September 2016, by and between Powerfull Holdings, Ltd. and MyDx, Inc ("Licensor").

Assignor agrees that all rights and obligations of Assignor arising under the above listed contract(s) or otherwise by law or by the existence of conditions precedent, which may or may not have occurred as of the date of this Assignment, are hereby included in this Assignment and

Assignee hereby agrees to accept same as if Assignee was an original party to the aforesaid contract(s).

Assignor represents and warrants that the interest of Assignor in the contract(s) subject to this

Assignment is free of liens, claims or encumbrances of any kind by third parties, except the following:

Payment obligations owed to Licensor.

Assignee agrees to hold harmless and indemnify Assignor for such liens, claims or encumbrances of any kind to which the above listed contracts are subject and which have disclosed and described by Assignor hereinabove.

This Assignment shall be binding upon signature to the benefit of Assignor and Assignee and Licensor and their respective affiliates, successors, assigns, heir and devisees and legal representatives.

It is the intention of the parties that in the event a court of competent jurisdiction finds that any provision or portion of this Assignment is unenforceable for any reason, the balance and remainder of this Assignment shall remain effective and enforceable to the extent possible under the circumstances then existing.

Assignor and Assignee agree that this Assignment shall be deemed governed by the laws of the state of California and, further, each agrees to submit to the subject matter and personal jurisdiction of the courts of that state.

This Assignment supercedes all prior and contemporaneous agreements and discussions of the parties hereto regarding the subject matter hereof and the contract(s) assigned hereby and, as written, constitutes the entire agreement of the parties.

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AGREED, signed and made effective this 1<sup>st</sup> day of September, 2016.

ASSIGNOR: Powerfull Holdings, LTD.

By: /s/ Ringo NG  
Name: Ringo NG  
Title: CEO

LICENSEE/ASSIGNEE: China Science and Technology, LTD.

By: /s/ Xiao Chen  
Name: Xiao Chen  
Title: President

LICENSOR: MyDx, Inc.

By: /s/ Daniel Yazbeck  
Name: Daniel Yazbeck  
Title: CEO

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**BUSINESS DEVELOPMENT AGREEMENT**

This Agreement (the "Agreement") is entered into as of the 3th April, 2016 by and between MyDx, Inc., a Nevada Corporation located at 6335 Ferris Square Suite B, San Diego, CA 92121 ("MyDx or Company") and its subsidiaries, and Lynx Consulting Group, Ltd. (the "Developer"), a company located at PO Box 4301 Road Town, Torola, British Virgin Islands.

**Whereas**, MyDx is engaged in the design, development, manufacturing, marketing and distribution of certain electronic analyzers and disposable sensors.

**Whereas**, the Developer, has over 20 years of experience in helping U.S. domiciled companies establish a foothold and then expand their respective businesses across China, including Hong Kong and Taiwan, and

**Whereas**, MyDx desires to expand its business in the Asian Market, mainly China, and needs certain expertise which the Developer possesses or has access to in order to help achieve its growth, and

**Whereas**, MyDx desires to retain the Developer to provide executive business development services to take advantage of the Developer's expertise and to exploit commercial opportunities, and the Developer is willing to provide such consulting services acting on behalf of MyDx.

**Now therefore**, in consideration of the mutual covenants and promises contained herein, the parties hereto agree as follows:

1. **Engagement; Developer Relationship; Duties; Title.** MyDx hereby engages the Developer, and the Developer hereby agrees to render, consulting services to MyDx in connection to the creation and development of MyDx Asia, the staffing of the office and the future expansion of its business with a focus on the Greater China Region. The Developer shall perform the services with a level of care, skill, and diligence that a prudent professional acting in a like capacity and familiar with such matters would use, and shall agree to abide by the rules of governance established by MyDx's board of directors, including but not limited to, the Code of Business Conduct and Ethics and the Insider Trading Policies (copies of which are available and maintained on the MyDx website).

It is understood that the Developer's success may be enhanced by having the credibility of a title of distinction, and MyDx hereby allows the Developer to use the title of Director of Business Development for the term of this engagement. MyDx shall include reference to this role on its website, in the 'Team' section.

2. **Term and Termination.** The term of this Agreement shall begin on the date first signed and shall continue until the first anniversary of the date of this Agreement (the 'Termination Date') unless terminated by either party as described herein (the "Term"). Prior to the Termination Date, MyDx may terminate this agreement for cause (defined as immoral, unethical, or illegal behavior of the Developer) without prior notice. Should MyDx terminate this agreement other than for cause, it shall provide the Developer with thirty days notice. Should MyDx subsequently conclude a transaction among those listed on Schedule A, within 12 months of Termination Date, MyDx shall pay to Developer any fees deriving from such transactions in accordance with this Agreement.

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Should the Developer terminate this agreement other than due to a breach of this Agreement by MyDx, Developer shall forfeit any claims to compensation for transactions completed by MyDx following the termination date, unless the fees earned were for work completed by the Developer prior to the termination date.

3. **Compensation.** MyDx shall pay a one-time fee of \$1,000,000 for the services of the Developer in addition to an incentive fee based on an agreed percentage of the value of the successful implementation of the initiatives, as further stipulated on Schedule A.

Unless otherwise required by law, all such compensation shall be payable without deduction for national or local income taxes, social security or any other amounts, which shall remain the responsibility of the Developer.

4. **Expenses.** The Developer shall pay for his own expenses unless otherwise agreed or required by MyDx and pre-approved.

5. **Independent Contractor.** The Developer is an independent contractor providing services to MyDx. The Developer is not an agent of MyDx and shall have no right to bind MyDx, except as expressly and duly authorized by affirmative action of the CEO or board of directors. MyDx, as appropriate, will report all payments to be made hereunder on Forms 1099 (or their equivalent in a different country) as payments to the Developer for independent contracting services. MyDx shall not carry worker's compensation insurance to cover the Developer. MyDx shall not pay any contributions to Social Security, unemployment insurance, federal or state withholding taxes, or their equivalent in another country, nor provide any other contributions or benefits that might be expected in an employer-employee relationship.

6. **No Assignment.** Unless otherwise agreed with MyDx, the Developer shall not subcontract his duties or cause any other person or entity to perform his services. The Developer shall therefore not voluntarily or by operation of law assign or otherwise transfer the obligations incurred on his part pursuant to the terms of this Agreement without the prior written consent of MyDx. Any attempted assignment or transfer by Developer of his obligations without such consent shall be voided.

7. **Payment of Fees.** Developer will instruct MyDx, in writing, to make payments earned under this Agreement within 10 days of receipt of invoice.

8. **Confidentiality, Non-Competition and Non-Circumvention.** During the term of this Agreement and for a period of two (2) years after, MyDx and Developer agree that neither of them, nor any affiliate of them, directly or indirectly, or in any other capacity, will (i) in any manner influence any person who is an employee of the other Party to leave such service or hire any such person, (ii) contact or solicit any Person that is or at any time within the one year period immediately prior to the date of this Agreement was a customer of MyDx or Developer for the purpose of providing products, services or business competitive with that provided by the other Party, or provide any such products, services or business to any such Person, (iii) request or advise any suppliers, customers or accounts of the other Party to withdraw, curtail or cancel any business that is placed with the other Party, (iv) use or disclose, or cause to be used or disclosed, any secret, confidential or proprietary information of either Party, which is stipulated by either Party as confidential, regardless of the fact that MyDx and/or Developer or any MyDx Affiliate may have participated in the development of that information, or (v) make any disparaging remarks about the other Party, their employees or officers, or their services, practices or conduct.

9. **Contracts or Other Agreements with Current or Former Employer or Business.** The Developer hereby represents and warrants that he is not subject to any agreement with respect to which the Developer's engagement by MyDx would be a breach.

10. **Modification of Agreement.** This Agreement may be modified by the parties hereto only by a written supplemental agreement executed by both parties.

11. **Notice.** All notices and other communications required or permitted under this Agreement shall be in writing and, if mailed by prepaid first-class mail or certified mail, return receipt requested, shall be deemed to have been received on the earlier of the date shown on the receipt or three (3) business days after the postmarked date thereof. In addition, notices hereunder may be delivered by hand, facsimile transmission or overnight courier, in which event the notice shall be deemed effective when delivered or transmitted.

12. **Waiver of Breach.** The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

13. **Entire Agreement.** This Agreement contains the entire agreement of the parties relating to the subject matter of this Agreement and supersedes any prior written or oral arrangements with respect to the Developer's engagement by MyDx.

14. **Successors, Binding Agreement.** Subject to the restrictions on assignment contained herein, this Agreement shall inure to the benefit of and be enforceable by MyDx's successors and assigns.

15. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

16. **Survival of Obligations.** The duties and obligations contained in Paragraphs 6, 12, 13, 15 and 17 shall survive the expiration or termination of this Agreement.

17. **Multiple Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same Agreement.

18. **Tax Withholding; Indemnification.** By reason of Developer's relationship with MyDx as an independent contractor, all sums required to be paid by MyDx to Developer shall be paid in full, without reduction for any withholding taxes, employers' taxes, social security taxes, payments or contributions, and similar employer withholdings, deductions and payments. Developer acknowledges and agrees that Developer shall be solely responsible for making all such filings and payments and shall indemnify and hold harmless MyDx for any liability, claim, expense or other cost incurred by MyDx arising out of or related to the obligations of Developer pursuant to this Paragraph 16.

19. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Nevada.

20. **Headings.** The headings of the Paragraphs of this Agreement are for convenience only and shall not control or affect the meaning or construction or limit the scope or intent of any of the provisions of this Agreement.

[Signature Page Follows]



IN WITNESS WHEREOF, the parties hereto have executed, or cause their duly assigned agent to execute, this Agreement as of the date first set forth above.

**For MyDx, Inc.**

**For Lynx Consulting Group, Ltd.**

/s/ Daniel Yazbeck

**Daniel Yazbeck, CEO**

/s/ Zhang YaWei

**Zhang YaWei, Director**

## **Schedule A**

### Compensation for Business Development Initiatives Validation

#### **Additional Compensation Schedule**

**1. New Contracts of business for revenue expansion programs.**

Incentive Fee payable: 10% of the first year value of the contract (s), based on gross revenues as determined by MyDx's auditors, payable in cash or common shares, at MyDx's discretion.

**2. Acquisitions**

Incentive Fee payable: Compensation in the form of cash or common shares will be issued to the Consultant for any company or part of a company that MyDx acquires that the Consultant sourced and introduced to MyDx and which was subsequently acquired. Compensation shall be equivalent to 5% of the value of the transaction.

**3. Consulting and advising**

An hourly fee of \$150 ("Consulting Rate") or pre-negotiated fixed fee will be paid for MyDx approved activities to provide consulting and advisory services to MyDx outside the scope of this agreement. Consultant must provide regular written status reports and invoices.

## CERTIFICATIONS

I, Daniel R. Yazbeck, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2016 of MyDx, Inc. (the “registrant”);
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.

Date: November 21, 2016

/s/ Daniel R. Yazbeck

By: Daniel R. Yazbeck

Title: Chief Executive Officer and  
Chief Financial Officer

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

In connection with the quarterly Report of MyDx, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2016 filed with the Securities and Exchange Commission (the "Report"), I, Daniel R. Yazbeck, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

Date: November 21, 2016

By: /s/ Daniel R. Yazbeck  
Name: Daniel R. Yazbeck  
Title: Chief Executive Officer and  
Chief Financial Officer

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.