

BLOW & DRIVE INTERLOCK CORP

FORM 10-Q (Quarterly Report)

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

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

For the transition period from _____ to _____.

Commission file number: 000-55053

BLOW & DRIVE INTERLOCK CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

46-3590850
(I.R.S. Employer
Identification No.)

5503 Cahuenga Blvd, #203
Los Angeles, CA
(Address of principal executive offices)

91601
(Zip Code)

(818) 299-0653
Registrant's telephone number, including area code

(Former address, if changed since last report)

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Emerging growth company ☐

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

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

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [] No []

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of August 17, 2017, there were 22,770,628 shares of common stock, \$0.0001 par value, issued and outstanding .

BLOW & DRIVE INTERLOCK CORPORATION

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PART I – FINANCIAL INFORMATION

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are based on management’s beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning our possible or assumed future results of operations set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements also include statements in which words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “consider,” or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, and assumptions. Our future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

ITEM 1 Financial Statements

The consolidated balance sheets as of June 30, 2017 (unaudited) and December 31, 2016, the consolidated statements of operations for the three and six months ended June 30, 2017 and 2016, the consolidated statement of stockholders equity (deficit) for the six months ended June 30, 2017, and the consolidated statements of cash flows for the six months ending June 30, 2017 and 2016, follow. The unaudited interim condensed financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. All such adjustments are of a normal and recurring nature.

Blow & Drive
Consolidated Balance Sheets

	<u>June 30, 2017</u> <u>(unaudited)</u>	<u>December 31, 2016</u>
Assets		
Current Assets		
Cash	\$ 58,448	\$ 116,309
Accounts receivable, net	66,561	51,241
Prepaid expenses	3,000	2,361
Inventories	10,650	10,650
Total Current Assets	138,659	180,561
Other Assets		
Deposits	52,404	256,254
Furniture and equipment, net	873,449	356,346
Total Assets	\$ 1,064,512	\$ 793,161
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 80,253	\$ 28,250
Accrued expenses	105,301	68,795
Accrued interest	39,350	10,110
Income taxes payable	7,300	5,700
Deferred revenue	155,524	106,331
Derivative liability	56,064	73,556
Notes payable, net of debt discount of \$36,638 and \$15,018 at June 30, 2017 and December 31, 2016, respectively	114,902	125,351
Notes payable - related party	-	49,396
Convertible notes payable, net of debt discount of \$9,394 and \$23,724 at June 30, 2017 and December 31, 2016, respectively	48,106	33,775
Royalty notes payable, net of debt discount of \$48,608 and \$87,036 at June 30, 2017 and December 31, 2016, respectively	1,376	29,742
Total Current Liabilities	608,176	531,006
Long term liabilities		
Notes payable, net of debt discount of \$51,583 and \$32,292 at June 30, 2017 and December 31, 2016, respectively	168,377	17,708
Notes payable - related party	-	48,353
Royalty notes payable, net of debt discount of \$398,348 and \$574,294 at June 30, 2017 and December 31, 2016, respectively	118,652	8,778
Accrued royalties payable	122,982	121,967
Total Liabilities	1,018,187	727,812
Stockholders' Equity (Deficit)		
Preferred stock, par value \$0.001, 20,000,000 shares authorized, 1,000,000 and 0 shares issued or issuable and outstanding at June 30, 2017 and December 31, 2016, respectively	1,000	-
Common stock, par value \$0.0001, 100,000,000 shares authorized 22,474,052 and 19,575,605 shares issued or issuable and outstanding as of June 30, 2017 and December 31, 2016, respectively	2,247	1,958
Additional paid-in capital	2,459,174	1,594,721
Accumulated deficit	(2,416,096)	(1,531,330)
Total Stockholders' Equity (Deficit)	46,325	65,349
Total Liabilities and Stockholders' Equity	\$ 1,064,512	\$ 793,161

The accompanying notes are an integral part of the financial statements.

Blow & Drive
Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Monitoring revenues	\$ 204,738	\$ 95,176	\$ 280,058	\$ 134,655
Distributorship revenues	106,719	-	195,453	-
Total revenues	<u>311,457</u>	<u>95,176</u>	<u>475,511</u>	<u>134,655</u>
Monitoring cost of revenue	46,085	11,163	54,067	17,718
Distributorship cost of revenues	2,500	-	6,739	-
Total cost of revenues	<u>48,585</u>	<u>11,163</u>	<u>60,806</u>	<u>17,718</u>
Gross Profit	<u>262,872</u>	<u>84,013</u>	<u>414,705</u>	<u>116,937</u>
Operating expenses:				
Payroll	98,462	31,518	168,776	65,247
Professional fees	35,771	36,985	76,902	61,621
General and administrative expenses	(388,747)	142,402	327,345	225,959
Depreciation	<u>88,726</u>	<u>6,675</u>	<u>144,142</u>	<u>16,930</u>
Total operating expenses	<u>(165,788)</u>	<u>217,580</u>	<u>717,165</u>	<u>369,757</u>
Income (loss) from operations	<u>428,660</u>	<u>(133,567)</u>	<u>(302,460)</u>	<u>(252,820)</u>
Other income (expense):				
Interest expense	(150,489)	(42,507)	(294,798)	(69,925)
Change in fair value of derivative liability	1,464	15,122	17,492	(19,612)
Loss on extinguishment of debt	<u>(305,000)</u>	<u>(19,612)</u>	<u>(305,000)</u>	<u>(19,612)</u>
Total other income (expense)	<u>(454,025)</u>	<u>(27,385)</u>	<u>(582,306)</u>	<u>(89,537)</u>
Net Income (loss)	<u>\$ (25,365)</u>	<u>\$ (160,952)</u>	<u>\$ (884,766)</u>	<u>\$ (342,357)</u>
Basic and dilutive loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>22,260,585</u>	<u>15,407,687</u>	<u>21,525,449</u>	<u>15,407,687</u>

The accompanying notes are an integral part of the financial statements.

Blow & Drive
Consolidated Statements of Shareholders' Equity (Deficit)

	Preferred Stock - Series A		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance December 31, 2016	-	\$ -	19,575,605	\$ 1,958	\$ 1,594,721	\$ (1,531,330)	\$ 65,349
Shares issued for services	-	-	27,180	3	13,910	-	13,913
Shares issued related to debt	1,000,000	1,000	195,400	19	434,700	-	435,719
Shares issued for cash	-	-	2,311,218	231	415,879	-	416,110
Shares issued related to anti-dilution	-	-	364,649	36	(36)	-	-
Net loss	-	-	-	-	-	(884,766)	(884,766)
Balance June 30, 2017 (unaudited)	<u>1,000,000</u>	<u>\$ 1,000</u>	<u>22,474,052</u>	<u>\$ 2,247</u>	<u>\$ 2,459,174</u>	<u>\$ (2,416,096)</u>	<u>\$ 46,325</u>

The accompanying notes are an integral part of the financial statements.

Blow & Drive
Consolidated Statement of Cash Flows

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (884,766)	\$ (342,357)
Adjustments to reconcile from net loss to net cash used in operating activities:		
Depreciation	144,142	16,930
Shares issued for services	13,913	117,362
Loss on extinguishment of debt	305,000	-
Amortization of debt discount	186,477	54,005
Change in fair value of derivative liability	(17,492)	19,612
Changes in operating assets and liabilities		
Accounts receivable, net	(15,320)	(29,484)
Prepaid expenses	(639)	2,087
Deposits	53,850	(14,600)
Accounts payable	52,003	23,456
Accrued expenses	37,944	(2,662)
Accrued interest	29,240	(240)
Income taxes payable	1,600	-
Deferred revenue	49,193	38,999
Accrued royalties payable	1,015	-
)	
Net cash provided by (used in) operating activities	(43,840)	(116,892)
Cash flows from investing activities:		
Purchases of furniture and equipment	(661,245)	(138,932)
Deposits on units	150,000	-
Net cash used in investing activities	(511,245)	(138,932)
Cash flows from financing activities:		
Proceeds from notes payable	195,400	209,099
Repayments of notes payable	(114,286)	(78,761)
Proceeds from issuance of common stock	416,110	157,500
Net cash provided by financing activities	497,224	287,838
Net increase (decrease) in cash	(57,861)	32,014
Cash, beginning of period	116,309	9,103
Cash, end of period	\$ 58,448	\$ 41,117
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 79,371	\$ 15,351
Income taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Common stock issued for services	\$ 13,913	\$ 117,362
Establishment of debt discount for accrued royalties payable	\$ -	\$ 120,000
Preferred stock issued for debt reduction and services	\$ 350,000	\$ -

The accompanying notes are an integral part of the financial statements.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 1 - Organization and Nature of Business

Blow & Drive Interlock ("the Company") was incorporated on July 2, 2013 under the laws of the State of Delaware to engage in any lawful corporate undertaking, including, but not limited to, selected mergers and acquisitions. The Company markets and rents alcohol ignition interlock devices to DUI/DWI offenders as part of their mandatory court or motor vehicle department programs. The Company has approval for its device in the following states: California, Colorado, Kansas, New York, Tennessee, Arizona, Oregon, Kentucky, Oklahoma, Pennsylvania, and Texas.

In 2015, The Company formed BDI Manufacturing, Inc., an Arizona corporation, which is a 100% wholly owned subsidiary of Blow & Drive Interlock Corporation.

The Company markets, installs and monitors a breath alcohol ignition interlock device (BAIID) called the BDI-747/1, which is a mechanism that is installed on the steering column of an automobile and into which a driver exhales. The device in turn provides a blood-alcohol concentration analysis. If the driver's blood-alcohol content is higher than a certain pre-programmed limit, the device prevents the ignition from engaging and the automobile from starting. These devices are often required for use by DUI or DWI ("driving under the influence" or "driving while intoxicated") offenders as part of a mandatory court or motor vehicle department program.

The Company licenses the rights to third party distributors to promote the BDI-747/1 and provide services related to the device. The distributorships are for specific geographical areas (either entire states or certain counties within states). The Company currently has entered into six distributorship agreements. Under the distribution agreements the Company typically receives a onetime fee, and then is entitled to receive a per unit registration fee and a per unit monthly fee for each BDI-747/1 unit the distributor has in inventory or on the road beginning thirty (30) days after the distributor receives the unit.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States of America, and pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments, consisting of normal recurring adjustments, which management believes are necessary to fairly present the financial position, results of operations and cash flows of the Company.

Going Concern

The Company's unaudited condensed consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. As of June 30, 2017, the Company had an accumulated deficit of \$2,416,096. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease or reduce its operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. The Company will continue to raise funds through the sale of its equity securities or issuance of notes payable to obtain additional operating capital. The Company is dependent upon its ability, and will continue to attempt to secure additional equity and/or debt financing until the Company can earn revenue and realize positive cash flow from its operations. There are no assurances that the Company will be successful in earning revenue and realizing positive cash flow from its operations. Without sufficient financing it would be unlikely that the Company will continue as a going concern.

Based on the Company's current rate of cash outflows, cash on hand and proceeds from the prior sale of equity securities and issuance of notes payable, management believes that its current cash will not be sufficient to meet the anticipated cash needs for working capital for the next 12 months. The Company's plans with respect to its liquidity issues include, but are not limited to, the following:

- 1) Continue to issue restricted stock for compensation due to consultants and for its legacy accounts payable in lieu of cash payments; and

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

- 2) Seek additional capital to continue its operations as it rolls out its current products. The Company is currently evaluating additional debt or equity financing opportunities and may execute them when appropriate. However, there can be no assurances that the Company can consummate such a transaction, or consummate a transaction at favorable pricing.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and achieve profitable operations. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Reclassifications

Certain reclassifications have been made to amounts in prior periods to conform to the current period presentation. All reclassifications have been applied consistently to the periods presented.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue when earned and related costs of sales and expenses when incurred. The Company recognizes revenue in accordance with FASB ASC Topic 605-10-S99, *Revenue Recognition, Overall, SEC Materials* ("Section 605-10-S74"). Section 605-10-S99 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. Cost of revenue consists of the cost of the purchased goods and labor related to the corresponding sales transaction. When a right of return exists, the Company defers revenues until the right of return expires. The Company recognizes revenue from services at the time the services are completed. Monthly per unit fee revenue is earned and recognized over the term of the contract as support services are provided. Revenues from territory exclusivity are earned when there is persuasive evidence of an arrangement, delivery has occurred, the sales price has been determined and collectability has been reasonably assured.

Accounts Receivable and Allowance for Doubtful Accounts

The Company's accounts receivable primarily consist of trade receivables. The Company records an allowance for doubtful accounts that is based on historical trends, customer knowledge, any known disputes, and the aging of the accounts receivable balances combined with management's estimate of future potential recoverability. Receivables are written off against the allowance after all attempts to collect a receivable have failed. The Company believes its allowance for doubtful accounts as of June 30, 2017 and December 31, 2016 is adequate, but actual write-offs could exceed the recorded allowance.

Inventories

Inventories are valued at the first-in first-out method and at June 30, 2017 and December 31, 2016 consists of spare parts for the BDI 747 monitoring units.

Convertible Debt and Warrants Issued with Convertible Debt

Convertible debt is accounted for under the guidelines established by ASC 470, *Debt with Conversion and Other Options* and ASC 740, *Beneficial Conversion Features*. The Company records a beneficial conversion feature ("BCF") when convertible debt is issued with conversion features at fixed or adjustable rates that are below market value when issued. If, however, the conversion feature is dependent upon a condition being met or the occurrence of a specific event, the BCF will be recorded when the related contingency is met or occurs. The BCF for the convertible instrument is recorded as a reduction, or discount, to the carrying amount of the convertible instrument equal to the fair value of the conversion feature. The discount is then amortized to interest over the life of the underlying debt using the effective interest method.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

The Company calculates the fair value of warrants issued with the convertible instruments using the Black-Scholes valuation method, using the same assumptions used for valuing employee options for purposes of ASC 718, *Compensation – Stock Compensation*, except that the contractual life of the warrant is used. Under these guidelines, the Company allocates the value of the proceeds received from a convertible debt transaction between the conversion feature and any other detachable instruments (such as warrants) on a relative fair value basis. The allocated fair value is recorded as a debt discount or premium and is amortized over the expected term of the convertible debt to interest expense.

For modifications of convertible debt, the Company records a modification that changes the fair value of an embedded conversion feature, including a BCF, as a debt discount which is then amortized to interest expense over the remaining life of the debt. If modification is considered substantial (i.e. greater than 10% of the carrying value of the debt), an extinguishment of debt is deemed to have occurred, resulting in the recognition of an extinguishment gain or loss.

Fair Value of Financial Instruments

The Company utilizes ASC 820-10, Fair Value Measurement and Disclosure, for valuing financial assets and liabilities measured on a recurring basis. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The table below describes the Company's valuation of financial instruments using guidance from ASC 820-10:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Balance December 31, 2016	\$ -	\$ 73,556	\$ -
Valuation of preferred shares issuance	-	-	350,000
Change in fair value of derivative liability	-	(17,492)	-
Balance June 30, 2017 (unaudited)	\$ -	\$ 56,064	\$ 350,000

Net Income (Loss) Per Share

Basic earnings per share is calculated by dividing income available to common stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and dilutive common share equivalents outstanding during the period.

Stock Based Compensation

The Company recognizes stock-based compensation in accordance with FASB ASC Topic 718 *Stock Compensation*, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an employee stock purchase plan based on the estimated fair values.

For non-employee stock-based compensation, the Company applies FASB ASC Topic 505 *Equity-Based Payments to Non-Employees*, which requires stock-based compensation related to non-employees to be accounted for based on the fair value of the related stock or options or the fair value of the services on the grant date, whichever is more readily determinable.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Concentrations

All of the Company's ignition interlock devices are purchased from one supplier in China. The loss of this supplier could have a material impact on the Company's ability to timely obtain additional units.

The Company has multiple distributors as of June 30, 2017, and is actively engaging more in new markets. However, for the three and six months ended June 30, 2017, one distributor, licensed in four states, makes up approximately 90% percent of all revenues from distributors, and 67% of accounts receivable at June 30, 2017. The loss of this distributor would have a material impact on the Company's revenues

Income Taxes

The Company accounts for its income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

The Company also follows ASC 740-10-25, which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with ASC Topic 740, "*Accounting for Income Taxes*". ASC 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of June 30, 2017, which consist of convertible instruments and rights to shares of the Company's common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as defined.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities".

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control or could require net cash settlement, then the contract shall be classified as an asset or a liability.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued a new accounting standard on leasing. The new standard will require companies to record most leased assets and liabilities on the balance sheet, and also proposes a dual model for recognizing expense. This guidance will be effective in the first quarter of 2019 with early adoption permitted. The Company is evaluating the impact that adopting this guidance will have on consolidated financial statements.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 3 – Segment Reporting

The Company has two reportable segments: (1) Monitoring and (2) Distributorships.

Monitoring fees on Company installed units

The Company rents units directly to customers and installs the units in the customer's vehicles. The rental periods range from a few months to 2 years and include a combination of down payments made by the customer and monthly payments paid under the agreements with the Company. Revenue is recognized from these companies on the straight line basis over the term of the agreement. Amounts collected in excess of those earned are classified as deferred revenue in the balance sheet, and amounts earned in excess of amounts collected are reflected in accounts receivable in the balance sheet at June 30, 2017 and December 31, 2016.

Distributorships

The Company enters into arrangements that include multiple deliverables, which typically consist of the sale of exclusive distributorship territory rights, startup supplies package, promotional material, three weeks of onsite training and ongoing monthly support services. The Company accounts for each material element within an arrangement with multiple deliverables as separate units of accounting. Revenue is allocated to each unit of accounting under the guidance of ASC Topic 605-25, Multiple-Element Revenue Arrangements, which provides criteria for separating consideration in multiple-deliverable arrangements by establishing a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable is based on vendor-specific objective evidence ("VSOE") if available, third-party evidence if VSOE is not available, or estimated selling price if neither VSOE nor third-party evidence is available. The Company is required to determine the best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis. The Company generally does not separately sell distributorships or training on a standalone basis. Therefore, the Company does not have VSOE for the selling price of these units nor is third party evidence available and thus management uses its best estimate of selling prices in their allocation of revenue to each deliverable in the multiple element arrangement.

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Notes to the Consolidated Financial Statements

The following table summarizes net sales and identifiable operating income by segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Segment gross profit (a):				
Monitoring	\$ 158,653	\$ 84,013	\$ 225,991	\$ 116,937
Distributorships	104,219	-	188,714	-
Gross Profit	<u>262,872</u>	<u>84,013</u>	<u>414,705</u>	<u>116,937</u>
Identifiable segment operating expenses (b):				
Monitoring	51,580	6,356	57,412	15,557
Distributorships	37,560	-	86,090	-
	<u>89,140</u>	<u>6,356</u>	<u>143,502</u>	<u>15,557</u>
Identifiable segment operating income (c):				
Monitoring	107,073	77,657	168,579	101,380
Distributorships	66,659	-	102,624	-
	<u>173,732</u>	<u>77,657</u>	<u>271,203</u>	<u>101,380</u>
Reconciliation of identifiable segment income to corporate income (d):				
Payroll	98,462	31,518	168,776	65,247
Professional fees	35,771	36,985	76,902	61,621
General and administrative expenses	(388,747)	142,402	327,345	225,959
Depreciation	(414)	319	640	1,373
Interest expense	150,489	42,507	294,798	69,925
Change in fair value of derivative liability	(1,464)	(15,122)	(17,492)	19,612
Loss on extinguishment of debt	305,000	-	305,000	-
Income (loss) before provision for income taxes	<u>(25,365)</u>	<u>(160,952)</u>	<u>(884,766)</u>	<u>(342,357)</u>
Provision for income taxes	-	-	-	-
Net Income (loss)	<u>\$ (25,365)</u>	<u>\$ (160,952)</u>	<u>\$ (884,766)</u>	<u>\$ (342,357)</u>
Total net property, plant, and equipment assets				
Monitoring			348,792	164,445
Distributorships			523,018	-
Corporate			1,639	2,919
			<u>873,449</u>	<u>167,364</u>

- (a) Segment gross profit includes segment net sales less segment cost of sales
(b) Identifiable segment operating expenses consists of identifiable depreciation expense
(c) Identifiable segment operating income consists of segment gross profit, less identifiable operating expense
(d) General corporate expense consists of all other non-identifiable expenses

BLOW & DRIVE INTERLOCK CORPORATION
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Note 4 – Furniture and Equipment

Furniture and equipment consist of the following:

	June 30, 2017	December 31, 2016
Monitoring Units	\$ 1,081,143	\$ 419,898
Furniture, Fixtures, and Equipment	4,798	4,798
Total Assets	1,085,941	424,696
Less: accumulated depreciation	(212,492)	(68,350)
Furniture and Equipment, net	873,449	356,346

Depreciation expense for the three and six months ended June 30, 2017 and 2016 were \$88,725 and \$144,142, and \$6,676 and \$16,930, respectively.

Note 5 – Deposits

Deposits consist of the following:

	June 30, 2017	December 31, 2016
Deposit for BDI-747 units	\$ 50,000	\$ 250,000
Other	2,404	6,254
Total	\$ 52,404	\$ 256,254

Note 6 – Accrued Expenses

Accrued Expense consist of the following:

	June 30, 2017	December 31, 2016
Accrued expenses	\$ 5,233	\$ 3,503
Accrued wages	32,371	32,700
Accrued payroll taxes	67,697	32,592
Total	\$ 105,301	\$ 68,795

Note 7 - Deferred revenue

The Company classifies income as deferred until the terms of the contract or time frame have been met within the Company's revenue recognition policy. As of June 30, 2017 and December 31, 2016 deferred revenue consist of the following:

	June 30, 2017	December 31, 2016
Monitoring deferred revenues	\$ 150,524	\$ 103,831
Distributorship deferred revenues	5,000	2,500
Total	\$ 155,524	\$ 106,331

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Note 8 – Notes Payable

Notes payable consist of the following:

	June 30, 2017		December 31, 2016	
	Principal	Accrued Interest	Principal	Accrued Interest
Convertible notes				
Convertible note #1	7,500	117	7,500	31
Debt Discount	(444)	-	(3,104)	-
Convertible note #2	50,000	2,033	50,000	1,617
Debt Discount	(8,950)	-	(20,620)	-
Subtotal convertible notes net	<u>48,106</u>	<u>2,150</u>	<u>33,776</u>	<u>1,648</u>
Promissory notes				
Promissory note #1	-	-	990	-
Promissory note #2	-	-	13,278	-
Debt Discount	-	-	(3,510)	-
Promissory note #3	50,000	750	50,000	-
Debt Discount	(19,792)	-	(32,292)	-
Promissory note #4	10,000	1,600	10,000	400
Debt Discount	(2,692)	-	(7,308)	-
Promissory note #5	36,100	1,504	36,100	3,581
Promissory note #6	5,040	-	5,040	106
Debt Discount	(1,680)	-	(4,200)	-
Promissory note #7	24,960	2,629	24,960	-
Promissory note #8	50,000	2,083	50,000	-
Promissory note #9	50,400	1,050	-	-
Debt Discount	(12,474)	-	-	-
Promissory note #10	70,000	2,917	-	-
Debt Discount	(24,500)	-	-	-
Promissory note #11	75,000	3,125	-	-
Debt Discount	(27,083)	-	-	-
Subtotal promissory notes	<u>283,279</u>	<u>15,658</u>	<u>143,058</u>	<u>4,087</u>
Royalty notes				
Royalty note #1	25,731	-	46,876	-
Debt Discount	(25,209)	-	(45,903)	-
Royalty note #2	24,253	-	48,938	-
Debt Discount	(23,399)	-	(41,133)	-
Royalty note #3	192,000	8,000	192,000	-
Debt Discount	(144,000)	-	(176,000)	-
Royalty note #4	325,000	13,542	325,000	4,375
Debt Discount	(254,348)	-	(311,258)	-
Subtotal royalty notes	<u>120,028</u>	<u>21,542</u>	<u>38,520</u>	<u>4,375</u>
Related party promissory note				
Related party promissory note	-	-	97,749	-
Total	<u>451,413</u>	<u>39,350</u>	<u>313,103</u>	<u>10,110</u>
Current portion	164,387	39,350	238,264	10,110
Long-term portion	<u>\$ 287,029</u>	<u>\$ -</u>	<u>\$ 74,839</u>	<u>\$ -</u>

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Convertible note #1:

On August 7, 2015, the Company entered into an agreement with a third party non-affiliate and issued a 7.5% interest bearing convertible debenture for \$15,000 due on August 7, 2017, with conversion features commencing after 180 days following the date of the note. Payments of interest only were due monthly beginning September 2015. The loan is convertible at 70% of the average of the closing prices for the common stock during the five trading days prior to the conversion date. In connection with this Convertible note payable, the Company recorded a \$5,770 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. This note was bifurcated with the embedded conversion option recorded as a derivative liability at fair value (See Note 8). On May 6, 2016 the note holder elected to convert \$7,500 in principal into 30,000 shares of common stock.

In connection with the issuance of the August Convertible Note Payable, the Company issued a warrant on August 7, 2015 to purchase 30,000 shares of the Company's common stock at a purchase price of \$0.50 per share. The Black Scholes model was used in valuing the warrants in determining the relative fair value of the warrants issued in connection with the convertible note payable using the following inputs: Expected Term – 3 years, Expected Dividend Rate – 0%, Volatility – 100%, Risk Free Interest Rate -1.08%. The Company recorded an additional \$4,873 discount on debt, related to the relative fair value of the warrants issued associated with the note to be amortized over the life of the note.

Convertible note #2

On November 24, 2015, the Company entered into an agreement with an existing non-affiliated shareholder, and issued a 10% interest bearing convertible debenture for \$50,000 due on November 19, 2017. Payments of interest only are due monthly beginning December 2015. The loan is convertible at 70% of the average of the closing prices for the common stock during the five trading days prior to the conversion date, but may not be converted if such conversion would cause the holder to own more than 9.9% of outstanding common stock after giving effect to the conversion (which limitation may be removed by the holder upon 61 days advanced notice to the company). In connection with this Convertible Note Payable, the Company recorded a \$32,897 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. This note was bifurcated with the embedded conversion option recorded as a derivative liability at fair value. As of December 30, 2016 this note has not been converted.

In connection with the issuance of the November convertible note payable, the Company issued a warrant to purchase 80,000 shares of common stock at an exercise price of \$0.80 per share. The warrant has an exercise period of two years from the date of issuance. The Black Scholes model was used in valuing the warrants in determining the relative fair value of the warrants issued in connection with the convertible note payable using the following inputs: Expected Term – 2 years, Expected Dividend Rate – 0%, Volatility – 100%, Risk Free Interest Rate -.61%. The Company recorded an additional \$13,783 discount on debt, related to the relative fair value of the warrants issued associated with the note to be amortized over the life of the note.

Promissory note #1:

On December 18, 2015, the Company entered into a borrowing facility with a third party. The initial note value was for a principal balance of \$10,200. The Company is allowed to draw limited additional funds at any time. During 2016 the Company drew an additional \$13,100 in connection with this borrowing facility. The interest due is dependent on a cost schedule that is tied to the date of repayment of the principle. This borrowing facility was paid back in January 2017.

Promissory note #2:

On January 29, 2016, the Company entered into a note payable agreement with a third party. The note was for a principal balance of \$44,850 in exchange for \$29,505 in cash. The initial borrowing was paid back in August 2016. Subsequent to this initial repayment, the Company borrowed an additional \$28,600 in September of 2016. The subsequent borrowing was paid back in April 2017.

Promissory note #3:

On March 30, 2016, the Company provided an agreement to a third party to obtain a \$50,000 promissory note in exchange for 50,000 restricted common shares and \$50,000 in cash. The promissory note has a maturity date of June 30, 2018, and bears interest at 18% per annum. The purchaser did not sign the agreement nor deliver the proper consideration prior to March 31, 2016. The exchange of the \$50,000 in cash consideration by the purchaser and the issuance of the 50,000 restricted common shares by the Company was made in conjunction with delivery of the signed purchase agreement and promissory note on April 5, 2016. The Company recorded a debt discount of \$50,000 related to the relative fair value of the issued shares associated with the note to be amortized over the life of the note.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Promissory note #4:

On September 23, 2016, the Company provided an agreement to a third party to obtain a \$10,000 promissory note in exchange for 100,000 restricted common shares and \$10,000 in cash. The promissory note has a maturity date of October 31, 2017 and bears interest at 24% per annum. The Company recorded a debt discount of \$10,000 related to the relative fair value of the issued shares associated with the note to be amortized over the life of the note.

Promissory note #5:

On September 30, 2016, the Company provided an agreement to a third party to obtain a \$36,100 promissory note in exchange for \$36,100 in cash. The promissory note has a maturity date of October 1, 2017 and bears interest at 25% per annum. The note requires interest only payments of \$752 per month and a balloon payment of \$36,100 for principle upon maturity.

Promissory note #6:

On November 1, 2016, the Company provided an agreement to a third party to obtain a \$5,040 promissory note in exchange for \$5,040 in cash. The promissory note has a maturity date of November 1, 2017 and bears interest at 25% per annum. The note requires interest only payments of \$105 per month. In connection with the issuance of the note payable, the Company issued a warrant to purchase 50,000 shares of common stock at an exercise price of \$0.10 per share. The warrant has an exercise period of four years from the date of issuance. The Black Scholes model was used in valuing the warrants in determining the relative fair value of the warrant using the following inputs: Expected Term – 4 years, Expected Dividend Rate – 0%, Volatility – 329%, Risk Free Interest Rate -1.56%. The Company recorded a discount of \$5,040, related to the relative fair value of the warrants issued associated with the note to be amortized over the life of the note.

Promissory note #7:

On November 1, 2016, the Company provided an agreement to a third party to obtain a \$24,960 promissory note in exchange for \$24,960 in cash. The promissory note has a maturity date of November 1, 2017 and bears interest at 25% per annum. The note requires total payments of \$520 per month and a balloon payment of \$24,960 for principle upon maturity.

Promissory note #8:

On November 1, 2016, the Company provided an agreement to a third party to obtain a \$50,000 promissory note in exchange for \$50,000 in cash. The promissory note has a maturity date of November 1, 2019 and bears interest at 25% per annum. The note requires total payments of \$1,042 per month and a balloon payment of \$50,000 for principle upon maturity.

Promissory note #9:

On January 15, 2017, the Company provided an agreement to a third party to obtain a \$50,400 promissory note in exchange for \$50,400 in cash. The promissory note has a maturity date of January 15, 2018 and bears interest at 25% per annum. The note requires total payments of \$1,042 per month and a balloon payment of \$50,000 for principle upon maturity. The Company recorded a debt discount of \$27,720 related to the value of the issued shares associated with the process of obtaining the note to be amortized over the life of the note.

Promissory note #10:

On February 27, 2017, the Company provided an agreement to a third party to obtain a \$70,000 promissory note in exchange for \$70,000 in cash. The promissory note has a maturity date of February 27, 2020 and bears interest at 25% per annum. The note requires total payments of \$1,458 per month and a balloon payment of \$70,000 for principle upon maturity. The Company recorded a debt discount of \$28,000 related to the value of the issued shares associated with the process of obtaining the note to be amortized over the life of the note.

Promissory note #11:

On March 16, 2017, the Company provided an agreement to a third party to obtain a \$75,000 promissory note in exchange for \$75,000 in cash. The promissory note has a maturity date of March 16, 2020 and bears interest at 25% per annum. The note requires total payments of \$1,563 per month and a balloon payment of \$75,000 for principle upon maturity. The Company recorded a debt discount of \$30,000 related to the value of the issued shares associated with the process of obtaining the note to be amortized over the life of the note.

Royalty note #1:

On January 20, 2016, the company entered into a non-interest bearing note payable and royalty agreement with a third party. Under the note, the Company borrowed \$65,000 and began to repay the principal amount at a rate of approximately \$937 per month with escalations to approximately \$3,531 per month as of February 2017 until the note is paid in full. In addition, starting in February 2018, the Company will pay the lender a royalty fee of five (\$5) dollars per month for every ignition interlock device that the Company has on the road in customers' vehicles up to eight hundred (800) in perpetuity, and for every unit over 800, the Company will owe the lender \$1 per month per device in perpetuity. In connection with this note, the Company recorded a debt discount of \$65,000 relating to the future royalty payments, to be amortized over the life of the note.

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On September 30, 2016, the Company entered into Amendment No. 1 to Royalty note #1 in order to remove a security interest in the Company's assets to secure repayment of the original note and amend the royalty provisions of the original note to be \$1 for each Device on the road beginning in the 25th month after the date of the original note. In connection with this amendment, the Company issued 425,000 shares of restricted common stock. Pursuant to ASC 470 this amendment is a deemed extinguishment of the debt and the resulting revised debt is set up as a new note. In connection therewith, the Company recorded a loss on extinguishment of \$116,541 during the year ended December 31, 2016.

Royalty note #2:

On March 29, 2016, the company consummated a non-interest bearing note payable and royalty agreement with a relative of the CEO with terms almost identical to the note referenced above. Under the note, the Company borrowed \$55,000 and began to repay the principal amount at a rate of approximately \$937 per month with escalations to approximately \$3,531 per month as of April 2017 until the note is paid in full. In addition, starting in February 2018, the Company will pay the lender a royalty fee of five (\$5) dollars per month for every ignition interlock device that the Company has on the road in customers' vehicles up to eight hundred (800) in perpetuity, and for every unit over 800, the Company will owe the lender \$1 per month per device in perpetuity. In connection with this note, the Company recorded a debt discount of \$55,000 relating to the future royalty payments, to be amortized over the life of the note.

On September 30, 2016, the Company entered into Amendment No. 1 to Royalty note #2 to amend the royalty provisions of the original note to be \$1 for each Device on the road beginning in the 25th month after the date of the Royalty note #2. In connection with this amendment, the Company issued 50,000 shares of restricted common stock and recorded an additional debt discount of \$8,959. This amendment was accounted for as a debt modification pursuant to ASC 470.

Royalty note #3:

On September 30, 2016, the Company entered into a Loan and Security Agreement (the "LSA") with Doheny Group, LLC, a Delaware limited liability company ("Doheny"), under which Doheny agreed to loan up to \$542,400 in two phases, to be used to acquire additional parts and supplies to manufacture the Company's proprietary breath alcohol ignition interlock devices. Under the terms of the LSA, the first phase will be a loan of up to \$192,000 to acquire parts and supplies to manufacture 600 Devices; and the second phase will be a loan of up to \$350,400 to acquire parts and supplies to manufacture 1,000 Devices.

The Phase 1 Loan was funded in the amount of \$192,000 by Doheny on September 30, 2016, upon which the Company forwarded the funds to its supplier on or about October 5, 2016, in order to acquire parts and supplies to manufacture 600 Devices. Both the Phase 1 Loan and the Phase 2 Loan mature three years from the date of funding, and are at an interest rate of 25% per annum. The note requires interest only payments of \$4,000 per month. The Company can prepay the Phase 1 Loan and the Phase 2 Loan (if applicable) at any time without penalty. In exchange for Doheny funding the Phase 1 Loan, the Company issued Doheny a promissory note for \$192,000 and also issued Doheny shares of common stock equal to 4.99% of the then-outstanding common stock, pursuant to the terms of a stock purchase agreement. As a result, on or about October 7, 2016, the Company issued Doheny 845,913 shares of common stock. In addition, upon funding of any portion of the Phase 2 loan (Royalty Note #4 below) then the Company is obligated to issue Doheny that number of additional shares of common stock that equals 5% of the then-outstanding common stock. Until the Company repays the Phase 1 Loan and the Phase 2 Loan, as applicable, Doheny has anti-dilution rights for the percentage of stock Doheny owns in the event the Company issues additional shares of common stock during that period. The Company also entered into a Royalty Agreement with Doheny, under which Doheny was granted perpetual royalty rights on all Devices when the Company has 500 or more Devices in service whether leased to end users or distributors. The royalty amounts vary between \$1 and \$2 per Device depending on a variety of factors. The Company recorded a debt discount of \$192,000 related to the relative fair value of the issued shares associated with the Phase 1 note to be amortized over the life of the note.

Royalty note #4:

On November 4, 2016, the Company agreed to fund an initial portion of the Phase 2 loan as described in "Royalty note #3" above. In connection with this funding the common stock ownership percentage of Doheny Group was increased to 9.95%. As also described in "Royalty note #3" above Doheny has anti-dilution privileges to maintain 9.95% of common stock ownership at no additional cost until both Royalty note #3 and Royalty note #4 are paid in full. As of June 30, 2017 the Company has drawn \$325,000 out of the maximum allowance of \$350,400 in connection with Royalty note #4.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Related party promissory note

On February 16, 2014, the Company entered into a note payable agreement with Laurence Wainer, the director, President and sole officer of the Company. The note was for a principal balance of \$160,000 and bears interest at 7.75% per annum. Principal and interest payments are due in 60 equal monthly installments beginning in March 2014 of \$3,205. The Company and Laurence Wainer entered into an additional agreement effective April 2014 suspending loan repayments until January 2015. As of January 2015, the payments have resumed. On March 31, 2017 the Company entered into an agreement with Mr. Wainer to issue to him 1,000,000 Series A Preferred Shares in exchange \$25,537 in accrued salary. On May 19, 2017, the Company amended the March 31, 2017 agreement to forgive \$45,000 in debt owed by Company to Mr. Wainer instead of the forgiveness of \$25,537 in accrued salary. The Company paid back the remaining amounts due under this note in June 2017.

Note 9 – Derivative Financial Instruments

The Company applies the provisions of ASC Topic 815-40, Contracts in Entity's Own Equity ("ASC Topic 815-40"), under which convertible instruments, which contain terms that protect holders from declines in the stock price, may not be exempt from derivative accounting treatment. As a result, embedded conversion options (whose exercise price is not fixed and determinable) in convertible debt (which is not conventionally convertible due to the exercise price not being fixed and determinable) are initially recorded as a liability and are revalued at fair value at each reporting date using the Black Sholes Model.

The Company has a \$7,500 and a \$50,000 convertible note with variable conversion pricing outstanding at June 30, 2017. The following inputs were used in within the Black Sholes Model to determine the initial relative fair value: Expected Term – .85 and 1.11 years, Expected Dividend Rate – 0%, Volatility – 312%, Risk Free Interest Rate - 0.55%.

The Company revalues these derivatives each quarter using the Black Sholes Model. The change in valuation is accounted for as a gain or loss in derivative liability. The following table describes the Derivative liability as of June 30, 2017 and December 31, 2016.

Balance December 31, 2016	\$	73,556
Change in fair market value of derivative		17,492
Balance June 30, 2017 (unaudited)	\$	56,064

Note 10 – Accrued Royalties Payable

In connection with the Royalty Notes number 1-4 as discussed in Note 8 above the Company has estimated the royalties to be paid out in perpetuity. These estimates were performed at the inception for the notes to reflect the associated debt discount. Payments on such royalty notes became due in October 2016 upon the Company hitting certain sales milestones as set forth in the royalty agreements.

Note 11 – Stockholders' Equity

Preferred Stock

The Company's articles of incorporation authorize the Company to issue up to 20,000,000 preferred shares of \$0.001 par value.

Series A Preferred Stock

The Company has been authorized to issue 1,000,000 shares of Series A Preferred Stock. The Series A shares have the following preferences: no dividend rights; no liquidation preference over the Company's common stock; no conversion rights; no redemption rights; no call rights by the Company; each share of Series A Preferred stock will have one hundred (100) votes on all matters validly brought to the Company's common stockholders.

During the three months ended March 31, 2017, the Company entered into a material definitive agreement to issue 1,000,000 shares of series A preferred stock to an officer and director of the Company with a preliminary estimated value of \$350,000. As of June 30, 2017 the total number of preferred shares issued or issuable was 1,000,000.

Common Stock

The Company has authorized 100,000,000 shares of \$.0001. Holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock, subject to the requirements of the Delaware Revised Statutes. The Company has not declared any dividends since incorporation.

During the six months ended June 30, 2017, the Company issued 27,180 shares of \$0.001 par value common stock for services with a value of \$13,910. The Company also issued 195,400 shares, valued at \$85,720, to a related party in connection with obtaining debt financing. Additionally, the Company issued and sold 2,311,218 shares of its common stock to several investors for an aggregate purchase price of \$360,879. In addition the Company issued 364,649 common shares in accordance with the anti-dilution provisions of Royalty notes #3 and #4 (see Note 8). The total number of shares issued or issuable as of June 30, 2017 was 22,474,052.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 12 – Warrants

The Company also sold warrants to purchase 750,000 common shares for an aggregate purchase price of \$55,000.

The following table reflects warrant activity:

	Warrants for Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding and exercisable as of December 31, 2014	-	\$ -	\$ -	\$ -
Granted	110,000	0.72	2.27	-
Exercised	-	-	-	-
Forfeited, cancelled, expired	-	-	-	-
Outstanding as of December 31, 2015	110,000	\$ 0.72	\$ 2.10	-
Granted	50,000	0.10	4.00	-
Exercised	-	-	-	-
Forfeited, cancelled, expired	-	-	-	-
Outstanding as of December 31, 2016	160,000	\$ 0.53	\$ 1.97	5,250
Granted	1,944,426	0.21	4.00	195,700
Exercised	-	-	-	-
Forfeited, cancelled, expired	-	-	-	-
Outstanding as of June 30, 2017	2,104,426	\$ 0.23	\$ 3.15	200,950

Note 13 – Income (Loss) Per Share

Net income (loss) per share is provided in accordance with FASB ASC 260-10, “*Earnings per Share*”. Basic net income (loss) per common share (“EPS”) is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding, assuming all dilutive potential common shares were issued, unless doing so is anti-dilutive.

The following shares are not included in the computation of diluted income (loss) per share, because their inclusion would be anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Preferred shares	-	-	-	-
Convertible notes	409,159	19,038	409,159	19,751
Warrants	2,104,426	110,000	2,104,426	110,000
Options	-	-	-	-
Total anti-dilutive weighted average shares	2,513,585	129,038	2,513,585	129,751

If all dilutive securities had been exercised at June 30, 2017 the total number of common shares outstanding would be as follows:

	June 30, 2017
Common Shares	22,474,052
Preferred Shares	-
Convertible notes	409,159
Warrants	2,104,426
Options	-
Total potential shares	24,987,637

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 14 – Commitments and Contingencies

On December 1, 2016, the Company entered into a four-year lease with Cahuenga Management LLC for a storefront location at 15503 Cahuenga Blvd., North Hollywood, California 91601. Base rent under the lease is \$2,200 per month, with an escalating provision up to \$2,404 throughout the lease term. The rental agreement includes operating expenses such as common area maintenance, property taxes and insurance.

Legal Proceedings

In the ordinary course of business, the Company from time to time is involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon the Company's financial condition and/or results of operations. However, in the opinion of management, other than as set forth herein, matters currently pending or threatened against the Company are not expected to have a material adverse effect on the Company's financial position or results of operations.

Note 15 – Subsequent Events

The Company follows the guidance in FASB ASC Topic 855, *Subsequent Events* ("ASC 855"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before the consolidated financial statements are issued or are available to be issued. ASC 855 sets forth (i) the period after the balance sheet date during which management of a reporting entity evaluates events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its consolidated financial statements, and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

Subsequent to June 30, 2017, and through the date of this filing, the Company has issued a total of 296,576 common shares for an aggregate cash purchase price of \$51,500.21. In connection with these sales of common shares the Company has also issued warrants for 547,338 common shares.

ITEM 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations

Disclaimer Regarding Forward Looking Statements

Our Management’s Discussion and Analysis or Plan of Operations contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.

Although the forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Overview

We are a previous development stage company that was incorporated in the State of Delaware in July 2013. In the year ending December 31, 2016, we generated total revenues of \$359,765, compared to \$30,569 in the year ending December 31, 2015. From July 2, 2013 (inception) to December 31, 2016, we experienced a net loss and accumulated deficit of \$1,531,330 and total liabilities of \$727,812 including \$97,749 in notes payable to our president, Laurence Wainer. For the three months ended June 30, 2017, we had total revenues of \$311,457 and a net loss of \$25,365.

We are in the business of renting a breath alcohol ignition interlock device called the BDI-747/1, which is a mechanism that is installed on the steering column of an automobile and into which a driver exhales. The device in turn provides a blood-alcohol concentration analysis. If the driver’s blood-alcohol content is higher than a certain pre-programmed limit, the device prevents the ignition from engaging and the automobile from starting. We also have the option of in-car camera technology, which some states require for state approval. The in-car camera feature is just one of several anti-circumvention features found on the BDI-747. These devices are often required for use by DUI or DWI (“driving under the influence” or “driving while intoxicated”) offenders as part of a mandatory court or motor vehicle department program.

On June 17, 2015, our BDI-747 Breath Alcohol Ignition Interlock Device, together with our patent pending BDI Model #1 power line filter, were certified by the National Highway Traffic Safety Administration (NHTSA) as meeting or exceeding the 2013 NHSTA guidelines. As a result, on July 27, 2015 we began production of our BDI-747 Breath Alcohol Ignition Interlock Device with the attached BDI Model #1 power line filter.

Since receiving our NHSTA Certification we have submitted applications to a number of states to be considered as a state-certified breath alcohol ignition interlock manufacturer and provider for all Ignition Interlock Mandated DUI/DWI offenders throughout each state. The process to get the device approved varies greatly state-to-state. As of June 30, 2017, the BDI-747/1 was approved for use in eleven states, namely California, Colorado, Oregon, Texas, Arizona, Kentucky, Oklahoma, Tennessee, Pennsylvania, New York, and Kansas. Our plan for the remainder of 2017 is to build our infrastructure in the states where we have approval to ensure we can service all areas of those states, as well as to gain approval in an additional 3-5 states.

In states where the BDI-747/1 is approved as a BAIID, we rent the BDI-747/1 devices to offenders, typically for twelve months, but the time could differ on a case-by-case basis depending on the sentence received by the offender. In some states we market, lease, install and support the devices directly and in other states we sell distributorships to authorized distributors allowing them to lease, install, service, remove and support the BDI-747/1 devices. Currently, we lease the devices directly in eight states and areas – California, Oregon, Colorado, Oklahoma, Tennessee, New York, Kansas and parts of Texas - and license the device to distributors in four different areas – two counties in Texas and in the states of Arizona, Kentucky and Pennsylvania.

In states where we rent the devices directly to consumers, we typically charge between \$159-\$198 in upfront fees for the user (which covers two months of the lease payment), and then between \$59-\$99/month for the remainder of the lease, which differs depending on the state and the individual consumer. After the upfront payments the leases and payments are month-to-month. The payments cover the installation of the device in the consumer's vehicle, the rental of the device, recalibration of the device as required by each state (typically every 30 to 60 days) and the monitoring services for the device, which are then reported to the state in accordance with each state's requirements. In states and areas where we do not have a direct presence, which we only have in Los Angeles, California, we contract with independent service centers, such as car alarm installation companies or other auto services companies, to perform the installations of our BDI-747/1 device, which centers must be approved by the states in which the perform the installations. Because our devices are installed in consumers' vehicles are part of a judicially-mandated program, and since the use of the device controls the individual's driving privileges, collection rates of the monthly leasing fees is close to 100%. The failure to make the payment could be a violation of the consumer's sentence or probation and could cause them to lose the device and their driving privileges.

In areas where we have a distributor, in our typical distributorship arrangement, we charge the distributor a flat fee distributorship territory fee up front (which fee varies based on the size and location of the distributorship), a \$150 per unit registration fee, and then a \$35 monthly fee for each device the distributor has in its inventory. These fees may vary on a case-by-case basis. The relationship with our distributors may either be on an exclusive or non-exclusive basis depending upon the location of the distributorship and the fees charged.

As of June 30, 2017, we had approximately 2,500 units on the road, with approximately 1,000 devices being rented directly from us and approximately 1,500 devices rented through our distributors. As of August 15, 2017, we had approximately 2,700 units on the road, with approximately 1,325 devices being rented directly from us and approximately 1,375 devices rented through our distributors. We plan to refine our manufacturing processes and increase our marketing of the device, and more aggressively pursue sales and distributors once we have funds to manufacture additional units.

Our website is www.blowanddrive.com.

Results of Operations for Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Summary of Results of Operations

	Three Months Ended June 30,	
	2017	2016
Revenue:	\$	\$ -
Monitoring revenue	204,738	95,176
Distributorship revenue	106,719	-
Total revenues	<u>311,457</u>	<u>95,176</u>
Cost of revenue:		
Monitoring cost of revenue	46,085	11,163
Distributorship cost of revenue	2,500	-
Total cost of revenue	<u>48,585</u>	<u>11,163</u>
Gross profit	<u>262,872</u>	<u>84,013</u>
Operating expenses:		
Payroll	98,462	31,518
Professional fees	35,771	36,985
General and administrative expenses	(388,747)	142,402
Depreciation	88,726	6,675
Total operating expenses	<u>(165,788)</u>	<u>(217,580)</u>
Income (loss) from operations	<u>428,660</u>	<u>(133,567)</u>
Other income (expense):		
Interest expense	(150,780)	(42,507)
Change in fair value of derivative liability	1,464	15,122
Loss on extinguishment of debt	(305,000)	(19,612)
Total other income (expense)	<u>(454,025)</u>	<u>(27,385)</u>
Net income (loss)	<u>\$ (25,365)</u>	<u>\$ (160,952)</u>

Operating Loss; Net Income (Loss)

Our net loss decreased by \$135,587, from (\$160,952) to (\$25,365), from the three months ended June 30, 2016 compared to June 30, 2017. Our operating income (loss) increased by \$562,227, from (\$133,567) to \$428,660 for the same periods. The decrease in our net loss for the three months ended June 30, 2017, compared to the prior year period, is primarily a result of a significant decrease in our general and administrative expenses and an increase in our gross profit of \$178,859 for the period, offset by increases in our payroll and depreciation. These changes are detailed below.

Revenue

During the three months ended June 30, 2017 we had \$311,457 in revenues, with \$204,738 coming from revenue from the monthly recurring payments we received from our customers that rent our BDI-747/1 breathalyzer device for the ongoing monitoring services related to the devices, and \$106,719 coming from revenues received from our distributors, compared to \$95,176 and \$0 from these revenue sources for the same period one year ago. We expect the revenue we receive from monitoring our devices on the road will continue to increase as we have more units on the road.

Cost of Revenue

Our cost of revenue for the three months ended June 30, 2017 was \$48,585, compared to \$11,163 for the three months ended June 30, 2016. Our cost of revenue for the three months ended June 30, 2017 was attributed as \$46,085 to monitoring cost of revenue and \$2,500 to distributorship cost of revenue. For the three months ended June 30, 2016, our cost of revenue was completely related to our monthly monitoring services we provide to our customers.

Payroll

Our payroll increased by \$66,944, from \$31,518 to \$98,462, from the three months ended June 30, 2016 compared to June 30, 2017. This increase was largely related to hiring additional personnel as we put more units on the road. We expect our payroll in future quarterly periods will be approximately \$50,000 to \$55,000 per quarter until we are able to expand our operations. If we expand our operations, especially by renting units to individuals directly from us (as opposed to through distributors), we expect our payroll will continue to increase as we put additional units on the road.

Professional Fees

Our professional fees increased during the three months ended June 30, 2017 compared to the three months ended June 30, 2016. Our professional fees were \$35,771 for the three months ended June 30, 2017 and \$36,985 for the three months ended June 30, 2016. These fees are largely related to fees paid for legal, accounting and audit services. We expect these fees to continue grow steadily as our business expands. In the event we undertake an unusual transaction, such as an acquisition, securities offering, or file a registration statement, we would expect these fees to substantially increase during that period.

General and Administrative Expenses

General and administrative expenses decreased significantly for the periods presented, from \$142,402 for the three months ended June 30, 2016 to (\$388,747) for the three months ended June 30, 2017. This significant decrease was related to the fact we paid a settlement of \$50,000 to an ex-employee and removed the higher amount we had accrued for that employee, and we amended our preferred stock purchase agreement with Mr. Laurence Wainer such that his payment for the shares was full satisfaction of approximately \$45,000 of debt owed to him rather than \$25,500 of accrued salary, which was the original payment. In quarters that we do not have similar one-time transactions we expect our general and administrative expenses to be around \$125,000 to \$150,000 per quarter for the foreseeable future.

Depreciation

We had depreciation of \$88,726 for the three months ended June 30, 2017, compared to \$6,675 for the same period one year ago. Our depreciation and amortization expenses in 2016 were primarily related to the depreciation of the BDI-747/1 device. We anticipate our depreciation expense will continue to increase as we manufacture more devices.

Interest Expense

Interest expense increased by \$108,273 from \$42,507 for the three months ended June 30, 2016 to \$150,780 for the three months ended June 30, 2017. For both periods these amounts are largely due to the interest we owe on outstanding debt including amortization of debt discount costs. The interest expense significantly increased for the period ended June 30, 2017, compared to the same period one year ago, due to our increase in outstanding debt compared to one year ago, primarily related to the loans we received from Doheny Group, LLC.

Change in Fair Value of Derivative Liability

During the three months ended June 30, 2017, we had a change in fair value of derivative liability of \$1,464 compared to \$15,122 for the same period in 2016. The change in fair value of derivative liability in the three months ended June 30, 2017, relates to the conversion feature of a promissory note we had outstanding during this period. Since the conversion price on the promissory note is calculated based on a discount to the closing price of our common stock, as our closing price fluctuates it changes the fair value of the derivative liability.

Loss on Extinguishment of Debt

During the three months ended June 30, 2017, we had loss on extinguishment of (\$305,000) compared to (\$19,612) for the same period in 2016. The loss on extinguishment of debt in the three months ended June 30, 2017, relates to debt we retired through the issuance of preferred stock to Laurence Wainer.

Results of Operations for Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Summary of Results of Operations

	Six Months Ended June 30,	
	2017	2016
Revenue:	\$	\$ -
Monitoring revenue	280,058	134,655
Distributorship revenue	195,453	-
Total revenues	<u>475,511</u>	<u>134,655</u>
Cost of revenue:		
Monitoring cost of revenue	54,067	17,718
Distributorship cost of revenue	6,739	-
Total cost of revenue	<u>60,806</u>	<u>17,718</u>
Gross profit	<u>414,705</u>	<u>116,937</u>
Operating expenses:		
Payroll	168,776	65,247
Professional fees	76,902	61,621
General and administrative expenses	327,345	225,959
Depreciation	144,142	16,930
Total operating expenses	<u>717,165</u>	<u>369,757</u>
Loss from operations	<u>(302,560)</u>	<u>(252,820)</u>
Other income (expense):		
Interest expense	(295,089)	(69,925)
Change in fair value of derivative liability	17,492	(19,612)
Loss on extinguishment of debt	(305,000)	(19,612)
Total other income (expense)	<u>(277,597)</u>	<u>(89,537)</u>
Net income (loss)	<u>\$ (884,766)</u>	<u>\$ (342,357)</u>

Operating Loss; Net Income (Loss)

Our net loss increased by \$542,409, from (\$342,357) to (\$884,766), from the six months ended June 30, 2016 compared to June 30, 2017. Our operating loss increased by \$49,740, from (\$252,820) to (\$302,560) for the same periods. The increase in our net loss for the six months ended June 30, 2017, compared to the prior year period, is primarily a result of a increase in our general and administrative expenses, as well as increases in our payroll, professional fees and depreciation, partially offset by an increase in our gross profit of \$297,768 for the period. These changes are detailed below.

Revenue

During the six months ended June 30, 2017 we had \$475,511 in revenues, with \$280,058 coming from revenue from the monthly recurring payments we received from our customers that rent our BDI-747/1 breathalyzer device for the ongoing monitoring services related to the devices, and \$195,453 coming from revenues paid to us from our distributors, compared to \$134,655 and \$0 from these revenue sources for the same period one year ago. We expect the revenue we receive from monitoring our devices on the road will continue to increase as we have more units on the road.

Cost of Revenue

Our cost of revenue for the six months ended June 30, 2017 was \$60,806, compared to \$17,718 for the six months ended June 30, 2016. Our cost of revenue for the six months ended June 30, 2017 was attributed as \$54,067 to monitoring cost of revenue and \$6,739 to distributorship cost of revenue. For the six months ended June 30, 2016, our cost of revenue was completely related to our monthly monitoring services we provide to our customers.

Payroll

Our payroll increased by \$103,529, from \$65,247 to \$168,776, from the six months ended June 30, 2016 compared to June 30, 2017. This increase was largely related to hiring additional personnel as we put more units on the road. We expect our payroll in future quarterly periods will be approximately \$50,000 to \$55,000 per quarter until we are able to expand our operations. If we expand our operations, especially by renting units to individuals directly from us (as opposed to through distributors), we expect our payroll will continue to increase as we put additional units on the road.

Professional Fees

Our professional fees increased during the six months ended June 30, 2017 compared to the six months ended June 30, 2016. Our professional fees were \$76,902 for the six months ended June 30, 2017 and \$61,621 for the six months ended June 30, 2016. These fees are largely related to fees paid for legal, accounting and audit services. We expect these fees to continue grow steadily as our business expands. In the event we undertake an unusual transaction, such as an acquisition, securities offering, or file a registration statement, we would expect these fees to substantially increase during that period.

General and Administrative Expenses

General and administrative expenses increased for the periods presented, from \$225,959 for the six months ended June 30, 2016 to \$327,345 for the six months ended June 30, 2017. This increase would have been larger except for we paid a settlement of \$50,000 to an ex-employee and removed the higher amount we had accrued for that employee, and we amended our preferred stock purchase agreement with Mr. Laurence Wainer such that his payment for the shares was full satisfaction of approximately \$45,000 of debt owed to him rather than \$25,500 of accrued salary, which was the original payment. In quarters that we do not have similar one-time transactions we expect our general and administrative expenses to be around \$125,000 to \$150,000 per quarter for the foreseeable future.

Depreciation

We had depreciation of \$144,142 for the six months ended June 30, 2017, compared to \$16,930 for the same period one year ago. Our depreciation and amortization expenses in 2016 were primarily related to the depreciation of the BDI-747/1 device. We anticipate our depreciation expense will continue to increase as we manufacture more devices.

Interest Expense

Interest expense increased by \$225,164 from \$69,925 for the six months ended June 30, 2016 to \$295,089 for the six months ended June 30, 2017. For both periods these amounts are largely due to the interest we owe on outstanding debt including amortization of debt discount costs. The interest expense significantly increased for the period ended June 30, 2017, compared to the same period one year ago, due to our increase in outstanding debt compared to one year ago, primarily related to the loans we received from Doheny Group, LLC.

Change in Fair Value of Derivative Liability

During the six months ended June 30, 2017, we had a change in fair value of derivative liability of \$17,492 compared to (\$19,612) for the same period in 2016. The change in fair value of derivative liability in the six months ended June 30, 2017, relates to the conversion feature of a promissory note we had outstanding during this period. Since the conversion price on the promissory note is calculated based on a discount to the closing price of our common stock, as our closing price fluctuates it changes the fair value of the derivative liability.

Loss on Extinguishment of Debt

During the six months ended June 30, 2017, we had loss on extinguishment of (\$305,000) compared to (\$19,612) for the same period in 2016. The loss on extinguishment of debt in the six months ended June 30, 2017, relates to debt we retired through the issuance of preferred stock to Laurence Wainer.

Liquidity and Capital Resources for Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Introduction

During the six months ended June 30, 2017 and 2016, because of our operating losses, we did not generate positive operating cash flows. Our cash on hand as of June 30, 2017 was \$58,448 and our cash used in operations is approximately \$13,000 per month. As a result, we have short term cash needs. These needs are being satisfied through proceeds from the sales of our securities and loans from both related parties and third parties. We currently do not believe we will be able to satisfy our cash needs from our revenues for some time.

Our cash, current assets, total assets, current liabilities, and total liabilities as of June 30, 2017 and as of December 31, 2016, respectively, are as follows:

	June 30, 2017	December 31, 2016	Change
Cash	\$ 58,448	\$ 116,309	\$ 57,861
Total Current Assets	138,659	180,561	(41,902)
Total Assets	1,064,512	793,161	271,351
Total Current Liabilities	608,176	531,006	77,170
Total Liabilities	\$ 1,018,187	\$ 727,812	\$ 290,375

Our current assets decreased as of June 30, 2017 as compared to December 31, 2016, primarily due to us having less cash on hand, offset slightly by higher accounts receivable, net as of June 30, 2017. The increase in our total assets between the two periods was primarily related to the increase accounts receivable, net, as well as an increase in furniture and equipment as of June 30, 2017.

Our current liabilities increased by \$77,170, as of June 30, 2017 as compared to December 31, 2016. This decrease was primarily due to increases in our accrued expenses and accrued interest, offset by slight decreases in our accounts payable, derivative liability, and royalty notes payable, net of debt discount.

In order to repay our obligations in full or in part when due, we will be required to raise significant capital from other sources. There is no assurance, however, that we will be successful in these efforts.

Sources and Uses of Cash

Operations

We had net cash used in operating activities of \$43,480 for the six months ended June 30, 2017, as compared to (\$116,892) for the six months ended June 30, 2016. For the period in 2017, the net cash used in operating activities consisted primarily of our net income (loss) of (\$884,766), adjusted primarily by change in fair value of derivative liability of (\$17,492), shares issued for services of \$13,913, amortization of debt discount of \$186,477, and depreciation of \$144,142, as well as changes in, accrued expenses of \$37,944, accounts receivable, net of (\$15,320), prepaid expenses of (\$639), deposits of \$53,850, deferred revenue of \$49,193, accounts payable of \$52,003, income taxes payable of \$1,600, accrued royalties payable of \$1,015, and accrued interest of \$29,240. For the period in 2016, the net cash used in operating activities consisted primarily of our net income (loss) of (\$342,357), adjusted primarily by change in fair value of derivative liability of \$19,612, shares issued for services of \$117,362, amortization of debt discount of \$54,005, and depreciation and amortization of \$16,930, as well as changes in, accrued expenses of (\$2,662), deferred revenue of \$38,999, deposits of (\$14,600), accounts payable of \$23,456, and accounts receivable of (\$29,484).

Investments

We had cash used in investing activities in the six months ended June 30, 2017 of \$511,245, compared to \$138,932 for June 30, 2016. For the period ended June 30, 2017, the cash used in investing activities related to purchases of furniture and equipment of (\$661,245) partially offset by deposits on units of \$150,000. For the period ended June 30, 2016, the cash used in investing activities related to purchases of furniture and equipment.

Financing

Our net cash provided by financing activities for the six months ended June 30, 2017 was \$497,224, compared to \$287,838 for the six months ended June 30, 2016. For the six months ended June 30, 2017, our net cash from financing activities consisted of proceeds from notes payable of \$195,400 and proceeds from issuance of common stock of \$416,110, partially offset by repayments of notes payable of (\$114,286). For the six months ended June 30, 2016, our net cash from financing activities consisted of proceeds from notes payable of \$209,099 and proceeds from issuance of common stock of \$157,500, partially offset by repayments of notes payable of (\$78,761).

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Commitments and Contingent Liabilities

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. As of June 30, 2017, we have no contingent liability that is required to be recorded nor disclosed.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to rules adopted by the Securities and Exchange Commission we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to rules promulgated under the Securities Exchange Act of 1934. This evaluation was done as of the end of June 30, 2017 under the supervision and with the participation of our principal executive officer and our principal financial officer.

Based upon our evaluation, our principal executive and financial officer concluded that, as of June 30, 2017, our existing disclosure controls and procedures were not effective. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. With only two officers in charge of such reporting controls, there is no backup to the oversight of such individual and thus such disclosure controls and procedures may not be considered effective.

We have engaged outside accounting and finance advisors to assist us in better implementing effective disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our first quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting in accordance with Rule 13a-15 of the Securities Exchange Act of 1934. Our president conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2017, based on the criteria establish in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was ineffective as of June 30, 2017, based on those criteria. A control system can provide only reasonably, not absolute, assurance that the objectives of the control system are met and no evaluation of controls can provide absolute assurance that all control issues have been detected.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2017 and identified the following material weaknesses, which are outlined further in our Annual Report on Form 10-K for the year ended December 31, 2016:

Inadequate segregation of duties: We have an inadequate number of personnel to properly implement control procedures.

We have not documented our internal controls: We have limited policies and procedures that cover the recording and reporting of financial transactions and accounting provisions. As a result we may be delayed in our ability to calculate certain accounting provisions.

We do not have effective controls over the control environment. A formally adopted written code of business conduct and ethics that governs our employees, officers, and directors was not in place. Additionally, management has not developed and effectively communicated to our employees its accounting policies and procedures. This has resulted in inconsistent practices. We also do not have independent members on our Board of Directors.

We have not been able to timely and accurately record convertible debt transactions, deferred revenue, and derivative liabilities in the financial statements. As a result, we have needed additional time, beyond the filing deadlines, to file our periodic reports.

PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

In the ordinary course of business, we are from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations. However, in the opinion of our management, other than as set forth herein, matters currently pending or threatened against us are not expected to have a material adverse effect on our financial position or results of operations.

ITEM 1A Risk Factors

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2017, we issued the following unregistered securities:

During the quarter ended June 30, 2017, we issued an aggregate of 450,500 shares of our common stock to five non-affiliated investors in exchange for \$102,825. These shares were issued pursuant to stock purchase agreements and were issued with a standard restrictive legend. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the investors are sophisticated investors, known to our management and familiar with our operations.

During the three months ended June 30, 2017, we issued a warrant to purchase 750,000 shares of our common stock to a non-affiliated investor in exchange for \$55,000. The warrant is exercisable at \$0.10 per share and expires on June 19, 2021. The issuance was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the investor is a sophisticated investor, known to our management and familiar with our operations.

During the three months ended June 30, 2017, we issued two warrants to purchase an aggregate of 261,000 shares of our common stock to two non-affiliated investors as part of the investors purchase of our common stock.. The warrant is exercisable at \$0.23 per share and expire four years after date of issuance. The issuance was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the investor is a sophisticated investor, known to our management and familiar with our operations.

During the three months ended June 30, 2017, we issued an aggregate of 799,801 shares of our common stock to Doheny Group, LLC and to Gnosiis International, LLC, pursuant to the anti-dilution rights they have under separate agreements with us. These shares will be issued with a standard restrictive legend. The issuances will be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the purchasers are sophisticated investors, known to our management and familiar with our operations. Pursuant to a Termination of Services Agreement we entered into with Mr. Abraham Summers and Gnosiis International, LLC, an entity controlled by Mr. Summers on June 19, 2017, Gnosiis International no longer has anti-dilution rights for future stock issuances.

As of June 30, 2017, we were obligated to issue an aggregate of 45,050 shares of our common stock to Doheny Group, LLC, pursuant to the anti-dilution rights they have under separate agreements with us, but have not yet issued the shares. These shares will be issued with a standard restrictive legend. The issuances will be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the purchasers are sophisticated investors, known to our management and familiar with our operations.

ITEM 3 Defaults Upon Senior Securities

There have been no events which are required to be reported under this Item.

ITEM 4 Mine Safety Disclosures

There have been no events which are required to be reported under this Item.

ITEM 5 Other Information

Series A Preferred Stock

On March 7, 2017, we entered into an Debt Conversion and Series A Preferred Stock Purchase Agreement (the “SPA”) with Laurence Wainer, one of our officers and directors, under which we agreed to create a new series of non-convertible preferred stock entitled “Series A Preferred Stock,” with One Million (1,000,000) shares authorized and the following rights: (i) no dividend rights; (ii) no liquidation preference over the Company’s common stock; (iii) no conversion rights; (iv) no redemption rights; (v) no call rights by the Company; (vi) each share of Series A Convertible Preferred stock will have one hundred (100) votes on all matters validly brought to the Company’s common stockholders; and Mr. Wainer agreed to acquire 1,000,000 shares of our Series A Preferred Stock, once created, in exchange for Mr. Wainer forgiving \$25,537 in accrued salary we owed to him as of December 31, 2016. When issued, the issuance will be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact Wainer is one of our officers and directors, is a sophisticated investor and familiar with our operations. On May 19th, 2017, we entered into an amendment No. 1 to the SPA under which we agreed to accept \$45,000 in extinguished debt owed to Mr. Wainer as the purchase price for the Series A Preferred shares rather than the \$25,527 in accrued salary.

Abraham Summers

On May 10, 2017, Abraham Summers informed our Chief Executive Officer that he would no longer be performing his job responsibilities as our Chief Financial Officer. On May 18, 2017, our Board of Directors appointed Laurence Wainer, our current Chief Executive Officer, to the position of Interim Chief Financial Officer (our Principal Accounting Officer). Mr. Wainer will serve in this capacity until a replacement Chief Financial Officer can be hired.

On June 19, 2017, we entered into a Termination of Services Agreement with Mr. Summers and Gnosiis International, LLC, an entity controlled by Mr. Summers. Under the terms of the agreement: (i) we agreed with Mr. Summers that his Employment Agreement dated November 15, 2016, his employment with us, and Gnosiis' independent contractor relationship with us, were all terminated effective May 10, 2017, (ii) we agreed to pay Mr. Summers \$50,000 and issue him 294,321 shares of our common stock, restricted in accordance with Rule 144, (iii) Mr. Summers relinquished any rights he had to serve on our Board of Directors, (iv) Mr. Summers and Gnosiis agreed to relinquish any anti-dilution rights that would entitle Mr. Summers or Gnosiis additional shares of our common stock, including under the Employment Agreement or otherwise, (v) we agreed to reimburse Mr. Summers \$5,000 for his attorney's fees related to the agreement, and (vi) we entered into a mutual general release with Mr. Summers and Gnosiis with all parties releasing any and all claims they may have against another party, whether those claims are currently known or not.

Doheny Group Transaction

As previously reported, on September 30, 2016, we entered into an Loan and Security Agreement (the "LSA") with Doheny Group, LLC, a Delaware limited liability company ("Doheny"), under which Doheny agreed to loan us up to \$542,400 in two phases, to be used by us to acquire additional parts and supplies to allow us to manufacture our proprietary breath alcohol ignition interlock devices (the "Devices"). At that time we also entered into a Royalty Agreement with Doheny, under which we granted Doheny perpetual royalty rights on all Devices that we receive money from customers or distributors after we have 500 Devices leased to end users or distributors. The royalty amounts vary between \$1 and \$2 per Device depending on a variety of factors.

On June 3, 2017, we entered into Amendment No. 1s to the LSA and the Royalty Agreement with Doheny, under we amended the LSA and the Royalty Agreement to change the royalty amounts from variable amount between \$1 and \$2 per Device per month, to a flat royalty rate of \$1.30 per Unit per month without regard as to whether the Device is a retail Device or a Wholesale Device with such rate being paid on all Devices that we collect money from the client for that month.

ITEM 6 Exhibits

Item No.	Description
3.1 (1)	Certificate of Incorporation of Jam Run Acquisition Corporation dated June 28, 2013
3.2	Articles of Amendment to Articles of Incorporation to Jam Run Acquisition Corporation dated February 6, 2014 (changing corporate name to Blow & Drive Interlock Corporation)
3.3 (1)	Bylaws of Jam Run Acquisition Corporation (now Blow & Drive Interlock Corporation) dated June 2013
10.1 (2)	Agreement between Tiber Creek Corporation and Laurence Wainer dated January 25, 2014
10.2 (2)	Promissory Note between the Company and Laurence Wainer dated February 16, 2014
10.3 (3)	Lease Agreement by and between Marsel Plaza LLC and Laurence Wainer and Blow and Drive Interlock Corporation dated January 21, 2015
10.4 (4)	Exclusive Distributorship Agreement with Theenk Inc. dated August 21, 2015
10.5 (4)	Exclusive Distributorship Agreement with Jay Lopez dated July 24, 2015
10.6 (4)	Independent Contractor Agreement with Laurence Wainer dated September 11, 2015
10.7 (5)	Exclusive Distributorship Agreement with Stephen Ferraro dated November 9, 2015
10.4 (6)	Supply Agreement by and between BDI Manufacturing, Inc., an Arizona corporation, and C4 Development Ltd. dated June 29, 2015
10.5 (7)	Securities Purchase Agreement with David Stuart Petlak entered into on November 19, 2015
10.6 (7)	Convertible Promissory Note issued to David Stuart Petlak dated November 19, 2015
10.7 (7)	Common Stock Warrant issued to David Stuart Petlak dated November 19, 2015
10.8 (8)	Exclusive Distributorship Agreement with dba Blow & Drive Houston dated January 11, 2016
10.9 (9)	Secured Promissory Note and Agreement with Ira Silver dated January 20, 2016
10.10 (9)	Secured Promissory Note and Agreement with Chaim K. Wainer dated October 29, 2015
10.11 (10)	Securities Purchase Agreement with Dr. Oren Azulay dated March 30, 2016
10.12 (10)	Common Stock Purchase Agreement with Gustavo Arceo dated April 2016
10.13 (10)	Common Stock Purchase Agreement with LGL LLC dated May 6, 2016
10.14 (11)	Loan and Security Agreement with Doheny Group, LLC dated June 30, 2017
10.15 (11)	Phase 1 Loan Agreement with Doheny Group, LLC dated June 30, 2017
10.16 (11)	Royalty Agreement with Doheny Group, LLC dated June 30, 2017
10.17 (11)	Common Stock Purchase Agreement with Doheny Group, LLC dated June 30, 2017

10.18 (11) Agreement with Abraham Summers and Gnossis International, LLC

10.19 (12) Termination of Services Agreement by and between Blow & Drive Interlock Corporation, Abraham Summers and Gnosiis International, LLC dated June 19, 2017

10.20* Amendment No. 1 to Debt Conversion and Series A Preferred Stock Purchase Agreement dated May 17, 2017

10.21* Amendment No. 1 to Loan and Security Agreement with Doheny Group, LLC dated June 3, 2017

10.22* Amendment No. 1 to Royalty Agreement with Doheny Group, LLC dated June 3, 2017

31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Accounting Officer (filed herewith).

32.1 Section 1350 Certification of Chief Executive Officer (filed herewith).

32.2 Section 1350 Certification of Chief Accounting Officer (filed herewith).

101.INS ** XBRL Instance Document

101.SCH ** XBRL Taxonomy Extension Schema Document

101.CAL ** XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF ** XBRL Taxonomy Extension Definition Linkbase Document

101.LAB ** XBRL Taxonomy Extension Label Linkbase Document

101.PRE ** XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

- (1) Incorporated by reference from our Registration Statement on Form 10, filed with the Commission on September 30, 2013.
- (2) Incorporated by reference from our Registration Statement on Form S-1, filed with the Commission on July 24, 2014.
- (3) Incorporated by reference from our Annual Report on Form 10-K, filed with the Commission on March 30, 2015.
- (4) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on September 11, 2015.
- (5) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on November 12, 2015.

- (6) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Commission on August 13, 2015.
- (7) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on September 11, 2015.
- (8) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on February 22, 2016.
- (9) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on March 17, 2016.
- (10) Incorporated by reference from our Quarterly Report on Form 10-Q filed with the Commission on August 22, 2016.
- (11) Incorporated by reference from our Quarterly Report on Form 10-Q filed with the Commission on August 21, 2017.
- (12) Incorporated by reference from our Current Report on Form 10-Q filed with the Commission on July 3, 2017.

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.

Blow & Drive Interlock Corporation

Dated: August 21, 2017

By: /s/ Laurence Wainer

Laurence Wainer
Chief Executive Officer

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

I, Laurence Wainer, certify that:

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

Dated: August 21, 2017

By: /s/ Laurence Wainer

Laurence Wainer
Chief Executive Officer

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

I, Laurence Wainer, certify that:

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

Dated: August 21, 2017

By: */s/ Laurence Wainer*

Laurence Wainer

Interim Chief Financial Officer and Chief Accounting Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Blow & Drive Interlock Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Laurence Wainer, President of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 21, 2017

By: /s/ Laurence Wainer

Laurence Wainer
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Blow & Drive Interlock Corporation and will be retained by Blow & Drive Interlock Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Blow & Drive Interlock Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Laurence Wainer, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 21, 2017

By: /s/ Laurence Wainer

Laurence Wainer

Interim Chief Financial Officer and Chief Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Blow & Drive Interlock Corporation and will be retained by Blow & Drive Interlock Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

AMENDMENT NO. 1
TO
DEBT CONVERSION AND SERIES A PREFERRED STOCK
PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO DEBT CONVERSION AND SERIES A PREFERRED STOCK PURCHASE AGREEMENT (this “*Amendment*”) is made and entered into as of May 19, 2017, by and between **BLOW & DRIVE INTERLOCK CORPORATION**, a Delaware corporation (the “**Company**”), and **LAURENCE WAINER**, an individual (the “**Purchaser**”). Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Stock Purchase Agreement (as defined below).

RECITALS

WHEREAS, Company and Purchaser are parties to that certain Debt Conversion and Series A Preferred Stock Purchase Agreement dated March 7, 2017 (the “**Stock Purchase Agreement**”), relating to Purchaser’s acquisition of shares of Company’s Series A Preferred Stock in exchange for forgiveness of \$25,537 in accrued salary Company owes Purchaser as set forth in the Stock Purchase Agreement;

WHEREAS, Purchaser has requested that Company agree to amend the Stock Purchase Agreement in order to accept Purchaser agreeing to the full satisfaction of \$45,000 in debt owed to Purchaser in exchange for the Shares of Series A Preferred Stock instead of the forgiveness of \$25,537 in accrued salary as is currently set forth in the Stock Purchase Agreement;

WHEREAS, Company believes it is in its best interest to remove \$45,000 in debt owed to Purchaser from its financial statements rather than \$25,537 in accrued salary owed to Purchaser;

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to the Stock Purchase Agreement hereby agree as follows:

1. The parties agree to modify the terms of the Stock Purchase Agreement as necessary to signify the parties’ agreement that the Purchase Price for the Shares of Series A Preferred Stock is Purchaser agreeing to forgive \$45,000 in debt owed by Company to Purchaser instead of the forgiveness of \$25,537 in accrued salary.

2. This Amendment is being made pursuant to Section 6(f) of the Stock Purchase Agreement.

3. Scope. This Amendment relates only to the specific matters expressly covered herein. In all other respects, the Stock Purchase Agreement shall remain in full force and effect in accordance with its terms.

4. Counterparts. This Amendment may be executed in one or more counterparts, each of which when executed shall be deemed an original, but all of which taken together shall constitute one and the same instrument. A signed copy of this Amendment delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Amendment. No party shall raise the use of facsimile, e-mail or other means of electronic transmission or similar format to deliver a signature page as a defense to the formation of a contract and each such party forever waives any such defense.

5. Applicable Law; Jurisdiction. This Amendment shall be governed by, and construed in accordance with, the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. In any action between any of the parties arising out of or relating to this Amendment each of the parties irrevocably and unconditionally consents and submits to the exclusive jurisdiction of the appropriate federal or state court having jurisdiction over Los Angeles County, California.

IN WITNESS WHEREOF, each of the undersigned has duly executed and delivered this Amendment No. 1 to the Stock Purchase Agreement as of the date first above written.

BLOW & DRIVE INTERLOCK CORPORATION

LAURENCE WAINER

By: /s/ Laurence Wainer
Name: Laurence Wainer
Title: Chief Executive Officer

By: /s/ Laurence Wainer
Name: Laurence Wainer

Signature Page to Amendment No. 1 to Stock Purchase Agreement

**AMENDMENT NO. 1 TO
LOAN AND SECURITY AGREEMENT**

This Amendment No. 1 ("Amendment No. 1") is dated this 3rd day of August, 2017, by and between Blow & Drive Interlock Corporation, a Delaware corporation ("BDIC"), on the one hand; and The Doheny Group, LLC, a Nevada limited liability company (the "Lender"), on the other hand, to document, in writing, an oral agreement between the parties on November 9, 2016 to amend the terms of that certain Loan and Security Agreement entered into by and between the parties dated September 30, 2016 (the "LSA"). BDIC and Lender shall be referred to herein as a "Party" and collectively as the "Parties". In the event the terms of the LSA and this Amendment No. 1 conflict, the terms of this Amendment No. 1 control. Any defined terms herein that are not defined herein have the meaning set forth in the LSA.

WHEREAS, in the LSA and affiliated documents, Lender agreed to loan BDIC approximately \$500,000 in several phases;

WHEREAS, under Section 3.2 of the LSA, in addition to payments of principal and interest due under the LSA and any corresponding promissory notes, BDIC agreed to pay the Lender variable royalty payments depending upon a variety of factors, including, but not limited to, the number of Units BDIC is receiving cash or other consideration from a Client and whether the Units were Retail Units or Wholesale Units, as detailed in the LSA (the "Royalty Payments");

WHEREAS, on November 9, 2016, the Parties agreed the calculation of the Royalty Payments under the LSA were too complex and difficult to calculate and orally-agreed to that BDIC would pay the Lender a flat royalty of \$1.30 per Unit that BDIC receives cash or other consideration from or on behalf of a Client, beginning with the first Unit BDIC had on the road and regardless of whether a Unit is a Retail Unit or a Wholesale Unit; and

WHEREAS, the Parties desire to document in writing their previous oral agreement to amend the terms of the LSA as set forth herein.

AMENDMENT

1. In consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the LSA as follows:

I. Section 3.2 of the LSA is hereby amended by deleting Section 3.2 in its entirety and replacing Section 3.2 with the following:

" 3.2 Royalties .

(a) In consideration of Lender agreeing to extend credit to Borrower in connection with the Loan, and in lieu of other fees and charges associated with the Loan, concurrent with the execution and delivery of this Agreement and without further consideration, Borrower shall promptly enter into and deliver to Lender that certain Royalty Agreement in favor of Lender, a copy of which is attached hereto as **Exhibit E** (the "**Royalty Agreement**"), the terms and conditions of which are incorporated herein and made a part hereof.

(b) As more fully set forth in the Royalty Agreement, Borrower agrees to grant Lender the following per calendar month cumulative royalties in perpetuity on Total Units: \$1.30 per Unit without regard as to whether the Unit is a Retail Unit or a Wholesale Unit or other Device.

(c) Pursuant to the terms and conditions of the Royalty Agreement, the royalty payment obligation shall commence from and after the Effective Date and will be payable on all Units on the road, beginning with the first Unit, as further detailed in this Section (the “Royalty Commencement Date”). After the Effective Date, then beginning on the first calendar month thereafter, and for every subsequent calendar month thereafter in perpetuity, Borrower will pay the applicable royalty payments per calendar month for each of the Total Units in accordance with the above schedule based on each Total Unit for which Borrower received cash or other consideration from or on behalf of the Client thereof (or for which Borrower voluntarily elected to waive any right to payment or other consideration from the Client thereof). Such payments will be payable to Lender on the 15th of each calendar month following the Royalty Commencement Date in perpetuity, even after all Obligations due under the Loan Documents (other than the Royalty Agreement) have been indefeasibly paid in full (and not subject to disgorgement or recovery).

(d) In connection with each royalty payment, Borrower shall provide a statement setting forth the calculation of the royalty amount, along with such supporting documentation as reasonable and appropriate or as may be reasonably requested from time to time by Lender. The parties expressly acknowledge and agree that (1) to the extent that Borrower elects to forgo, defer or waive any such payment due from a Client with respect to a Device, or receive other consideration concerning said Device, such amount shall nonetheless be included in the determination of royalties due thereunder, and (2) each will meet on no less than an annual basis to work in good faith to “true up” the amount of royalties due under the Royalty Agreement, and in connection therewith, to the extent that an adjustment is needed (either because too little or too much was paid in royalties in a given year (or other period), either Borrower will promptly advance additional liquid funds to Lender, or Borrower will offset present or future royalties due Lender under the Royalty Agreement, as the case may be.

(e) By way of illustration and not of limitation, Borrower will only pay royalties to Lender for each of the Total Units from and after the Royalty Commencement Date that it receives payment or other consideration from the Client of said Total Unit (or for which Borrower voluntarily elected to waive any right to payment or other consideration from the Client thereof). Solely for the avoidance of doubt, for purposes of determining the proper amount of royalties under the Royalty Agreement, (1) in the event that Borrower receives an advance payment from a Client (for example, \$1,200 for twelve monthly payments due from a Retail Unit Client of \$100 per month), then in such a situation, the amount of royalties due with respect to said Total Unit shall be \$15.60, all of which is payable on the 15th day of the calendar month immediately following receipt of said \$1,200, (2) in the event that Borrower does not receive payment from a client until after the Device has been provided to said Client (for example, a Device representing a Retail Unit is given to a Client on January 1 for a 12 month period, the rental amount is \$100/month, and payment is not received by Borrower until December 20th of said year), then in such a situation, the amount of royalties due with respect to said Total Unit shall be \$15.60, all of which is payable on January 15 of the following year, and (3) assuming the same facts as set forth in subsection 3.2(d)(1) above, except that the Client returns the Device within 6 months and is permitted to recover the remaining 6 months of payments (representing a refund of \$600 from Borrower to said Client), then in such a situation, Lender and Borrower will “true up” the amount of royalties due, and in this situation, Borrower will offset present or future royalties due Lender by the amount of \$7.80, representing the 6 months advanced by said Client which was refunded from amounts received by Borrower at the commencement of the lease of said Total Unit.

(f) Pursuant to the terms and conditions of the Royalty Agreement, Borrower shall provide Lender with, among other things, (i) financial statements and reports consistent with Section 7.1 below, and (ii) audit and inspection rights consistent with Section 7.2 below, to permit Lender to ascertain Borrower’s compliance with the terms and conditions of the Royalty Agreement, which obligations shall survive the expiration of the Term and the indefeasible payment in full of the Obligations hereunder.

(g) Pursuant to the terms and conditions of the Royalty Agreement, in the event that Borrower enters into any transaction (regardless of form) or upon the occurrence whereby (x) Borrower sells, conveys, transfers or assigns (in any manner, including, without limitation, pursuant to a license, lease, assignment for the benefit of creditors, merger or other consolidation) all or substantially all of the Devices and/or its assets, or (y) all or substantially all of the equity of Borrower is sold, conveyed, transferred, or assigned, or (z) Borrower transfers, sells, assigns or conveys in any manner the Business and/or control of Borrower and/or the Business, then, as an express condition of said transaction or occurrence, Borrower expressly acknowledges and agrees that it shall cause the acquirer/surviving Person (the “Acquirer”) to include in any acquisition/merger/transfer document a requirement that the royalty obligations of Borrower under the Royalty Agreement are expressly assumed by such Acquirer, who shall be liable with respect to the royalties due under the Royalty Agreement as if an original party thereto. Without limiting any of its rights or remedies whatsoever, to the extent that the Acquirer is not bound by and/or does not honor the terms and conditions of the Royalty Agreement, then, Borrower shall pay to Lender as a “liquidated damage” resulting therefrom in one lump sum an amount equal to the product of the last 12 calendar months of royalty payments pursuant to the Royalty Agreement, multiplied by 100.”

II. BDIC expressly represents and warrants that, as of the date of this Amendment No. 1, it has materially complied with all the terms and conditions (including, without limitation, the representations, warranties, covenants and agreements) contained in the LSA and the other Loan Documents, and that no Event of Default has occurred, except to the extent the LSA or other Loan Documents have been modified by the Parties.

III. BDIC expressly reaffirms all of its obligations under the LSA and other Loan Documents.

IV. BDIC and Lender represent and warrant that they have due authority to enter into, deliver their signatures to, and perform the terms as set forth in, Amendment No. 1, and that upon such delivery, this Amendment No. 1 will be a valid and binding agreement enforceable against such Party in accordance with its terms and conditions.

V. The parties acknowledge and agree that the LSA and the other Loan Documents are and remain valid and enforceable in accordance with their terms except to the extent of the modification to Section 3.2 of the LSA as expressly set forth herein

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers or other authorized signatory, have executed this Amendment No. 1 as of the date first above written. This Amendment No. 1 may be signed in counterparts and facsimile signatures are treated as original signatures.

“BDIC”

Blow & Drive Interlock Corporation
a Delaware corporation

By: /s/ Laurence Wainer
Laurence Wainer
Its: Chief Executive Officer

“Lender”

Doheny Group, LLC
a Nevada limited liability company

By: /s/ David Haridim
David Haridim
Its: Manager

AMENDMENT NO. 1 TO
ROYALTY AGREEMENT

This Amendment No. 1 ("Amendment No. 1") is dated this 3rd day of August, 2017, by and between Blow & Drive Interlock Corporation, a Delaware corporation ("BDIC"), on the one hand; and The Doheny Group, LLC, a Nevada limited liability company (the "Lender"), on the other hand, to document, in writing, an oral agreement between the parties on November 9, 2016 to amend the terms of that certain Royalty Agreement entered into by and between the parties dated September 30, 2016 (the "ROYALTY AGREEMENT"). BDIC and Lender shall be referred to herein as a "Party" and collectively as the "Parties". In the event the terms of the ROYALTY AGREEMENT and this Amendment No. 1 conflict, the terms of this Amendment No. 1 control. Any defined terms herein that are not defined herein have the meaning set forth in the ROYALTY AGREEMENT.

WHEREAS, in the ROYALTY AGREEMENT and affiliated documents, Lender agreed to loan BDIC approximately \$500,000 in several phases;

WHEREAS, under Section 2.2 of the ROYALTY AGREEMENT, BDIC agreed to pay the Lender variable royalty payments depending upon a variety of factors, including, but not limited to, the number of Units BDIC is receiving cash or other consideration from a Client and whether the Units were Retail Units or Wholesale Units, as detailed in the ROYALTY AGREEMENT (the "Royalty Payments");

WHEREAS, on November 9, 2016, the Parties agreed the calculation of the Royalty Payments under the ROYALTY AGREEMENT were too complex and difficult to calculate and orally-agreed to that BDIC would pay the Lender a flat royalty of \$1.30 per Unit that BDIC receives cash or other consideration from or on behalf of a Client, beginning with the first Unit BDIC had on the road and regardless of whether a Unit is a Retail Unit or a Wholesale Unit; and

WHEREAS, the Parties desire to document in writing their previous oral agreement to amend the terms of the ROYALTY AGREEMENT as set forth herein.

AMENDMENT

1. In consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the ROYALTY AGREEMENT as follows:

I. Section 2.2 of the ROYALTY AGREEMENT is hereby amended by deleting Section 2.2 in its entirety and replacing Section 2.2 with the following:

“ **2.2 Determination of Royalty Amounts.** The amount of Royalties due to TDG shall be determined as follows calendar month cumulative royalties in perpetuity on Total Units: \$1.30 per Unit without regard as to whether the Unit is a Retail Unit or a Wholesale Unit or other Device.”

II. Section 2.3 of the ROYALTY AGREEMENT is hereby amended by deleting Section 2.3 in its entirety and replacing Section 2.3 with the following:

“ **2.3 Payment of Royalties.**

(a) The Royalty payment obligation shall commence from and after the Effective Date and will be payable on all Units on the road, beginning with the first Unit, as further detailed in this Section (the “ **Royalty Commencement Date**”). After the Effective Date, then beginning on the first calendar month thereafter, and for every subsequent calendar month thereafter in perpetuity, Borrower will pay the applicable royalty payments per calendar month for each of the Total Units in accordance with the above schedule based on each Total Unit for which Borrower received cash or other consideration from or on behalf of the Client thereof (or for which Borrower voluntarily elected to waive any right to payment or other consideration from the Client thereof). Such payments will be payable to Lender on the 15th of each calendar month following the Royalty Commencement Date in perpetuity, even after all Obligations due under the Loan Documents (other than the Royalty Agreement) have been indefeasibly paid in full (and not subject to disgorgement or recovery).

(b) In connection with each royalty payment, Borrower shall provide a statement setting forth the calculation of the royalty amount, along with such supporting documentation as reasonable and appropriate or as may be reasonably requested from time to time by Lender. The parties expressly acknowledge and agree that (1) to the extent that Borrower elects to forgo, defer or waive any such payment due from a Client with respect to a Device, or receive other consideration concerning said Device, such amount shall nonetheless be included in the determination of royalties due thereunder, and (2) each will meet on no less than an annual basis to work in good faith to “true up” the amount of royalties due under the Royalty Agreement, and in connection therewith, to the extent that an adjustment is needed (either because too little or too much was paid in royalties in a given year (or other period), either Borrower will promptly advance additional liquid funds to Lender, or Borrower will offset present or future royalties due Lender under the Royalty Agreement, as the case may be.

(c) By way of illustration and not of limitation, Borrower will only pay royalties to Lender for each of the Total Units from and after the Royalty Commencement Date that it receives payment or other consideration from the Client of said Total Unit (or for which Borrower voluntarily elected to waive any right to payment or other consideration from the Client thereof). Solely for the avoidance of doubt, for purposes of determining the proper amount of royalties under the Royalty Agreement, (1) in the event that Borrower receives an advance payment from a Client (for example, \$1,200 for twelve monthly payments due from a Retail Unit Client of \$100 per month), then in such a situation, the amount of royalties due with respect to said Total Unit shall be \$15.60, all of which is payable on the 15th day of the calendar month immediately following receipt of said \$1,200, (2) in the event that Borrower does not receive payment from a client until after the Device has been provided to said Client (for example, a Device representing a Retail Unit is given to a Client on January 1 for a 12 month period, the rental amount is \$100/month, and payment is not received by Borrower until December 20th of said year), then in such a situation, the amount of royalties due with respect to said Total Unit shall be \$15.60, all of which is payable on January 15 of the following year, and (3) assuming the same facts as set forth in subsection 3.2(d)(1) above, except that the Client returns the Device within 6 months and is permitted to recover the remaining 6 months of payments (representing a refund of \$600 from Borrower to said Client), then in such a situation, Lender and Borrower will “true up” the amount of royalties due, and in this situation, Borrower will offset present or future royalties due Lender by the amount of \$7.80, representing the 6 months advanced by said Client which was refunded from amounts received by Borrower at the commencement of the lease of said Total Unit.

(d) All payments by BDI Group hereunder shall be made in the lawful money of the United States of America in immediately available funds on the date specified herein and shall be delivered to TDG or its designee as follows:

(i) If via wire transfer, pursuant to wire instructions provided from time to time by TDG for deposit into an account designated from time to time by TDG for TDG’s benefit;

(ii) If via check, to the following address: **THE DOHENY GROUP, LLC**, _____, Los Angeles, CA 9____, Attention: David Haridim, Managing Member, or to such other address or to the attention of such other person as specified by prior written notice to BDIC.

(e) Time is of the essence in all obligations of BDI Group hereunder, including, without limitation, payment of the Royalties as expressly provided herein.”

III. BDIC expressly represents and warrants that, as of the date of this Amendment No. 1, it has materially complied with all the terms and conditions (including, without limitation, the representations, warranties, covenants and agreements) contained in the ROYALTY AGREEMENT and the other Loan Documents, and that no Event of Default has occurred, except to the extent the ROYALTY AGREEMENT or other Loan Documents have been modified by the Parties.

IV. BDIC expressly reaffirms all of its obligations under the ROYALTY AGREEMENT and other Loan Documents.

V. BDIC and Lender represent and warrant that they have due authority to enter into, deliver their signatures to, and perform the terms as set forth in, Amendment No. 1, and that upon such delivery, this Amendment No. 1 will be a valid and binding agreement enforceable against such Party in accordance with its terms and conditions.

VI. The parties acknowledge and agree that the ROYALTY AGREEMENT and the other Loan Documents are and remain valid and enforceable in accordance with their terms except to the extent of the modification to Sections 2.2 and 2.3 of the ROYALTY AGREEMENT as expressly set forth herein

IN WITNESS WHEREOF, the parties hereto, by their duly authorized officers or other authorized signatory, have executed this Amendment No. 1 as of the date first above written. This Amendment No. 1 may be signed in counterparts and facsimile signatures are treated as original signatures.

“BDIC”

Blow & Drive Interlock Corporation
a Delaware corporation

By: /s/ Laurence Wainer
Laurence Wainer
Its: Chief Executive Officer

“Lender”

Doheny Group, LLC
a Nevada limited liability company

By: /s/ David Haridim
David Haridim
Its: Manager
