

BLOW & DRIVE INTERLOCK CORP

FORM 10-K (Annual Report)

Filed 04/17/17 for the Period Ending 12/31/16

Address	137 SOUTH ROBERTSON BOULEVARD SUITE 129 BEVERLY HILLS, CA 90211
Telephone	818-299-0653
CIK	0001586495
Symbol	BDIC
SIC Code	3714 - Motor Vehicle Parts and Accessories
Industry	Industrial Machinery & Equipment
Sector	Industrials
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____.

Commission file number 000-55053

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, California

(Address of principal executive offices)

91601

(Zip Code)

Registrant's telephone number, including area code (877) 238-4492

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

Title of each class
None

Name of each exchange on which registered
None

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

Common Stock, par value \$0.0001
(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 and post such files). Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Aggregate market value of the voting stock held by non-affiliates: \$2,810,745 as based on last reported sales price of such stock on June 30, 2016. The voting stock held by non-affiliates on that date consisted of 6,692,250 shares of common stock the closing stock price was \$0.42.

Applicable Only to Registrants Involved in Bankruptcy Proceedings During the Preceding Five Years:

Indicate by check mark whether the registrant has 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 []

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of April 14, 2017, there were 21,152,453 shares of common stock, \$0.0001 par value, issued and outstanding.

Documents Incorporated by Reference

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). **None.**

Blow & Drive Interlock Corporation

TABLE OF CONTENTS

<u>PART I</u>	
<u>ITEM 1 – BUSINESS</u>	2
<u>ITEM 1A – RISK FACTORS</u>	7
<u>ITEM 1B – UNRESOLVED STAFF COMMENTS</u>	10
<u>ITEM 2 - PROPERTIES</u>	11
<u>ITEM 3 - LEGAL PROCEEDINGS</u>	11
<u>ITEM 4 – MINE SAFETY DISCLOSURES</u>	11
<u>PART II</u>	
<u>ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	12
<u>ITEM 6 – SELECTED FINANCIAL DATA</u>	14
<u>ITEM 7 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION</u>	14
<u>ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	20
<u>ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	20
<u>ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	20
<u>ITEM 9A – CONTROLS AND PROCEDURES</u>	20
<u>ITEM 9B – OTHER INFORMATION</u>	22
<u>PART III</u>	
<u>ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	23
<u>ITEM 11 – EXECUTIVE COMPENSATION</u>	27
<u>ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	30
<u>ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	31
<u>ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	32
<u>PART IV</u>	
<u>ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES</u>	33

PART I

Explanatory Note

Forward Looking Statements

This Annual Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (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 possible or assumed future results of operations of the Company set forth under the heading “Management’s Discussion and Analysis of Financial Condition or Plan of Operation.” 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. The Company’s 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 – BUSINESS

Corporate History

We were incorporated under the name Jam Run Acquisition Corporation on July 2, 2013 in the State of Delaware. From inception through early February 2014, we were a blank check company and qualified as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act which became law in April, 2012, with a business plan of entering into a transaction with a foreign or domestic private company in order for that company to become a reporting company as part of the process toward the public trading of its stock.

On February 6, 2014, we issued 9,700,000 shares of our common stock, representing approximately 97% of our then-outstanding shares to Laurence Wainer for \$1,970. In connection with this transaction, we changed our name Blow & Drive Interlock Corporation and Mr. Wainer became our sole officer and director.

Our offices are located at 5503 Cahuenga Blvd., #203, Los Angeles, California, telephone number (877) 238-4492.

Business Overview

General

We manufacture, market, lease, install and monitor a Breath Alcohol Ignition Interlock Device (BAIID) we developed known as the BDI-747 Ignition Interlock Device (the “BDI-747/1”), which is a mechanism that is installed on the steering column of an automobile and into which a driver exhales prior to starting their vehicle. 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 BDI-747/1 has met the 2013 National Highway Traffic Safety Administration (NHTSA) guidelines for Breath Alcohol Ignition Interlock Devices [Federal Register Volume 78, Number 89] as an authorized BAIID [Element Materials Technology/Report # ESP018444P June 17, 2015]. The BDI-747/1 is manufactured by BDI Manufacturing Inc., a subsidiary of Blow & Drive Interlock, Inc., from parts and supplies from C4 Development Ltd.

The primary market for the BDI-747/1 Ignition Interlock Device is as a breathalyzer device to be used by persons convicted of a driving under the influence of alcohol. In order for the BDI-747/1 to be used in states for persons convicted of driving under the influence the device must be approved by each individual state. The process to get the device approved varies greatly state-to-state. As of December 31, 2016, 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 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 lease 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 three different areas – two counties in Texas and in the states of Arizona, Kentucky and Pennsylvania.

In states where we lease 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 other ten months of the lease for the typical one year lease. The lease payment covers 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 they 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 December 31, 2016, we had approximately 1,075 units on the road, with approximately 327 devices being leased directly from us and approximately 748 devices leased through our distributors. As of March 31, 2017, we have approximately 1,701 units on the road, with approximately 281 devices being leased directly from us and approximately 1,420 devices leased through our distributors. We plan to 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.

Principal Products and Services

Our only product is the BDI-747/1 Breath Alcohol Ignition Interlock Device. The BDI-747/1 device is used to detect alcohol in a person's system by measuring the level of alcohol in a person's breath by having them blow into the device and determining whether that level is over or under a preset level set by the installer or a trained technician. The pre-determined level differs by state, but is typically around .02. The device is approximately the size of a smartphone which is installed directly onto a vehicle's steering column. The device requires the driver to exhale into the device prior to starting the vehicle. The device will prevent the vehicle from starting if the driver's blood-alcohol content exceeds the predetermined set level.



(photo of BDI-747/1)

Our device, designed by Well Electric, incorporates the latest technology and design in the market for such devices. The device has both GPS and video capabilities. The device has a fuel cell sensor and a color display screen. The external camera mounting can wrap around the automobile's rear view mirror. The device is powered by either an internal battery or a power cable from a control box which supports both 24V and 12V batteries. The device has both USB communication capabilities and WiFi (with approval from service provider).

The specifications for our ignition interlock device are as follows:

Sample head	
Sensor	Fuel cell
Working Temperature	-40°C to 85°C
Display Screen	Color screen
Memory and Save	80,000 events with pictures save and download form sample head
Communication	USB, WiFi, 3G(user need to get US approval with service provider)
Communication with control box	Wireless
Power supply	Internal battery or power cable from control box
Human checking	Flow sensing, air temperature sensing
External	
Camera	External camera mounting around the review mirror
Night photo	White LED, and IR light
Control box	Support 24V and 12V
Motor Start Checking	Ignition checking, power checking, moving checking
PC software	One client side software, which able to set sample and input user information. Picture and events may also be downloaded. This is not web or server side software

The BDI-747/1 unit takes about 30-45 minutes to install in a vehicle, depending on the vehicle. The ignition interlock component is installed on the steering column. Currently, our cost to order the requisite supplies and assemble the BDI-747/1 units is approximately \$350-\$500 per unit depending on the specifications of the unit. The device requires recalibration in accordance with state requirements, typically every 30 to 60 days.

Marketing

To date, most of our marketing has consisted of getting approval for our BDI-747/1 device in as many states as possible. By gaining approval in a state our BDI-747/1 device appears on that state's list of approved breathalyzer ignition interlock devices. Someone convicted of driving under the influence that is required to use a breathalyzer ignition interlock device must choose one from the list of state-approved devices. As a result, by gaining approvals in states, our device is automatically disseminated to our targeted consumers by the state. In addition to trying to obtain approvals in as many states as we can, our other marketing efforts related to our BDI-747/1 device have largely consisted of speaking with various individuals and companies that are in the breathalyzer ignition interlock device industry, such as companies in the business of conducting educational courses for individuals convicted of driving under the influence of alcohol, companies in the business of installing ignition interlock devices, and individuals involved in the approval process for breathalyzer ignition interlock devices.

In addition to marketing our BDI-747/1 device directly to consumers, we have also marketed our distributorship opportunities to various individuals and companies that are in the breathalyzer ignition interlock device industry. In the past, the efforts have included radio and television advertisements of our distributorship program. Although we are not currently running any radio or television advertisements for our distributorship program, we may do so again in the future. We have also discussed these opportunities with various companies and individuals in the industry, similar to what we have done with our marketing of our BDI-747/1 device.

In the future, we may also attempt to market the BDI-747/1 device to the voluntary commercial vehicle market, such as trucking companies, taxi cab companies, limousine companies, and bus companies. We believe our device would be valuable to these industries since they have direct financial and non-financial interests in ensuring the drivers of these vehicles are not under the influence of alcohol when they get behind the wheel. We also believe our device would be of interest to parents of vehicles operated by a minor child or by a family member with a past alcohol issue. Currently, we are not marketing the BDI-747/1 device to these industries but we may in the future.

Manufacturing

We are the primary manufacturer of our BDI-747/1 device, through our wholly-owned subsidiary, BDI Manufacturing, Inc., an Arizona corporation. However, we do utilize a supply and assembly company called C4 Development Ltd., a Hong Kong corporation ("C4 Development"). On June 29, 2015, we entered into a Supply Agreement with C4 Development, under which C4 Development supplies us with a part known as the "PCB with Alcohol Tester." This device has certain parts utilized in our BDI-747/1 device, but the PCB with Alcohol Tester is not a device, by itself, that is capable of obtaining approval from the NHTSA as a breath alcohol interlock device. Once we obtain these parts for a device from C4 Development, we add the additional components to the devices at our facility in Los Angeles, California in order to create our BDI-747/1 device.

Competition

The business of breathalyzer ignition interlock device industry is competitive, and from time-to-time new companies may appear on the list of approved providers in various states, however, there is a high barrier to entry due to the cost of development fees, manufacturing fees, NHSTA-approved testing, and state field testing. We compete with a number of successful companies in the industry, including, but not limited to, LifeSafer®, Smart Start®, Intoxalock®, Guardian Interlock Systems and Dräger. These larger companies have greater financial resources than we do, have approval in most (if not all) states, and likely have 50,000 of their respective ignition interlock devices on the road each. By comparison we currently have approval in eleven states and have approximately 1,700 units on the road. Although we believe our BDI-747/1 device compares favorably to the interlock devices provided by our competitors, we will need to raise significant capital and gain approval in most states in order to capitalize on our BDI-747/1 device. We believe if we do this we will be able to compete better with these larger competitors.

Due to the state approvals necessary to service the judicially-mandated breath analyzer ignition interlock market we believe there is a barrier to entry that will discourage too many other companies from entering the industry. Not only must a new entrant develop and manufacture a breathalyzer device, it must meet the NHTSA requirements, and then get approved by state regulators, all of which can be costly. The complexities and costs of meeting all these steps should keep new entrants into the industry to a minimum.

Intellectual Property

We currently have a utility patent for our BDI Model #1 power line filter, which is used with our BDI-747 Breath Alcohol Ignition Interlock Device to prevent interference from electromagnetic waves. Although we do not have any other formal intellectual property protection over our BDI-747/1 device (such as device patents or trademarks), we do have general intellectual property protections provided by federal and state laws that prohibit unfair business practices, etc.

Government Regulation

Ignition interlock devices must be certified by the states in which a company intends to market and lease the devices. Before applying for certification to any state, the devices are sent to an independent laboratory for testing and certification that the device meets or exceeds the guidelines published by the National Highway Traffic Safety Administration as the Model Specifications for Breath Alcohol Ignition Interlock Devices. Each state has its own set of certification guidelines that must be met. Typically the requirements for state certification are met once the device is certified by an independent laboratory as meeting or exceeding the National Highway Traffic Safety Administration's published guidelines.

Our BDI-747/1 device was certified by an independent testing laboratory in June 2015 and we are currently approved in eleven states as an authorized breath interlock device: California, Colorado, Oregon, Texas, Arizona, Kentucky, Oklahoma, Tennessee, Pennsylvania, New York, and Kansas.

In addition to approval of our ignition interlock device, we applied to the State of California Bureau of Automotive Repair (BAR) and successfully received a BAR license in August 2015 in order to install and remove the devices. The process for such approval requires submitting an application to the Department of Consumer Affairs and payment of a \$200 application fee. A representative from that department visited our facility on January 11, 2016 to ensure that there is the necessary space for the auto repair work intended to be performed. It does not certify or otherwise approve workmanship. The only auto repair work to be performed by us will be to install and remove the devices. Such work does not involve more than attaching the device to the steering column..

Employees

As of April 14, 2017, we had seven full-time employees, one of which, Mr. Abraham Summers is our Chief Financial Officer, with the rest employed to primarily install, calibrate, remove and monitor our BDI-747/1 devices. Mr. Laurence Wainer, our President and Secretary, is an independent contractor. We have approximately 100 installers and technicians working in the states where we approved that are independent contractors.

Available Information

We are a fully reporting issuer, subject to the Securities Exchange Act of 1934. Our Quarterly Reports, Annual Reports, and other filings can be obtained from the SEC's Public Reference Room at 100 F Street, NE., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. You may also obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission at <http://www.sec.gov>.

ITEM 1A. – RISK FACTORS.

As a smaller reporting company we are not required to provide a statement of risk factors. However, we believe this information may be valuable to our shareholders for this filing. We reserve the right to not provide risk factors in our future filings. Our primary risk factors and other considerations include:

We have a limited operating history and historical financial information upon which you may evaluate our performance.

You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages of development. We may not successfully address these risks and uncertainties or successfully implement our existing and new products. If we fail to do so, it could materially harm our business and impair the value of our common stock. Even if we accomplish these objectives, we may not generate the positive cash flows or profits we anticipate in the future. We were incorporated in Delaware on July 2, 2013. Our business to date business focused on developing, manufacturing, and getting independent certification and state approvals for our BDI-747/1 device, hiring management and staff personnel, contracting with distributors and leasing and servicing our products. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business and developing new products. These include, but are not limited to, inadequate funding, lack of consumer acceptance, competition, product development, and inadequate sales and marketing. The failure by us to meet any of these conditions would have a materially adverse effect upon us and may force us to reduce or curtail operations. No assurance can be given that we can or will ever operate profitably.

We may not be able to meet our future capital needs.

To date, we have not generated sufficient revenue to meet our capital needs, and we may not be able to in the future. Our future capital requirements will depend on many factors, including our ability to develop our products, cash flow from operations, and competing market developments. We will need additional capital in the near future. Any equity financings will result in dilution to our then-existing stockholders. Sources of debt financing may result in high interest expense. Any financing, if available, may be on unfavorable terms. If adequate funds are not obtained, we will be required to reduce or curtail operations.

If we cannot obtain additional funding, our product development and commercialization efforts may be reduced or discontinued and we may not be able to continue operations.

We have historically experienced negative cash flows from operations since our inception and we expect the negative cash flows from operations to continue for the foreseeable future. Unless and until we are able to generate higher revenues, we expect such losses to continue for the foreseeable future. As discussed in our financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

Product manufacturing and development efforts are highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity or debt.

In addition, we may also raise additional capital through additional equity offerings, and licensing our future products in development. While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that we will be successful in licensing our future products. Based on our current projections, we believe we have insufficient cash on hand to meet our obligations as they become due based on current assumptions. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Current economic conditions and capital markets are in a period of disruption and instability which could adversely affect our ability to access the capital markets, and thus adversely affect our business and liquidity.

The current economic conditions and financial crisis have had, and will continue to have, a negative impact on our ability to access the capital markets, and thus have a negative impact on our business and liquidity. The shortage of liquidity and credit combined with the substantial losses in worldwide equity markets could lead to an extended worldwide recession. We may face significant challenges if conditions in the capital markets do not improve. Our ability to access the capital markets has been and continues to be severely restricted at a time when we need to access such markets, which could have a negative impact on our business plans. Even if we are able to raise capital, it may not be at a price or on terms that are favorable to us. We cannot predict the occurrence of future disruptions or how long the current conditions may continue.

Because we face intense competition, we may not be able to operate profitably in our markets.

The market for our product is highly competitive and is becoming more so, which could hinder our ability to successfully market our products. We may not have the resources, expertise or other competitive factors to compete successfully in the future. We expect to face additional competition from existing competitors and new market entrants in the future. Many of our competitors have greater name recognition and more established relationships in the industry than we do. As a result, these competitors may be able to:

- develop and expand their product offerings more rapidly;
- adapt to new or emerging changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- devote greater resources to the marketing and sale of their products and adopt more aggressive pricing policies than we can.

If our products do not gain state approvals and/or expected market acceptance, prospects for our sales revenue may be affected.

We use the BDI-747/1 device in the judicially-mandated market for DUI offenders. The judicially-mandated market is where a breathalyzer device is required by law as a punishment for the committing a crime. As a result, sales and servicing of our product is dependent upon us gaining approval in each individual state and/or locality where we want to lease our products. This result can be expensive and time-consuming and there is no guarantee we will be successful in obtaining approval in all the states where we apply and if we don't get approval in a sufficient number of states the market for our products will suffer. Additionally, even if we gain state approval, there is no guarantee our product will be chosen by a sufficient number of DUI offenders in those states to provide us with sufficient revenues to pay our expenses.

We plan to lease the BDI-747/1 device in many states through third-party distributors. If we are unsuccessful in finding qualified distributors or our distributors do not perform well, our business could suffer.

While we have a retail location in Los Angeles, California, and may open more in the future, under our current business plan we plan to lease the BDI-747/1 device through third-party distributors in many regions and states. If we are unable to find qualified distributors in certain regions and/or states, and/or the distributors we contract with do not perform well, then we may not lease and service as many of our BDI-747/1 devices as we anticipate, and our business would suffer as a result.

If critical components become unavailable or our suppliers delay their production of our key components, our business will be negatively impacted.

Currently, we rely on a primary supplier to supply us with the primary components for our BDI-747/1 device, which we then use to complete the assembly at our location in Los Angeles, California. As a result, the stability of component supply is crucial to our ability to get sufficient supplies to manufacture our products. Due to the fact we currently assemble our device from “off the shelf” parts and components, some of our critical devices and components are supplied by certain third-party manufacturers, and we may be unable to acquire necessary amounts of key components at competitive prices.

If we are successful in our growth, outsourcing the production of certain parts and components would be one way to reduce manufacturing costs. We plan to select these particular manufacturers based on their ability to consistently produce these products according to our requirements in an effort to obtain the best quality product at the most cost effective price. However, the loss of all or one of these suppliers or delays in obtaining shipments would have an adverse effect on our operations until an alternative supplier could be found, if one may be located at all. If we get to that stage of growth, such loss of manufacturers could cause us to breach any contracts we have in place at that time and would likely cause us to lose sales.

If our contract manufacturers fail to meet our requirements for quality, quantity and timeliness, our business growth could be harmed.

We obtain the primary components for the BDI-747/1 device from a third party supplier. This supplier likely procures most of the raw materials to make our device from third parties. If these companies were to terminate their agreements with our supplier, or our supplier with us, without adequate notice, or fail to provide the required capacity and quality on a timely basis, we would be delayed in our ability or unable to process and deliver our products to our customers.

Our products could contain defects or they may be installed or operated incorrectly, which could reduce sales of those products or result in claims against us.

Although we have quality assurance practices to ensure good product quality, defects still may be found in the future in our future products.

End-users could lose their confidence in our products and us if they unexpectedly use defective products or use our products improperly. This could result in loss of revenue, loss of profit margin, or loss of market share. Moreover, because our products may be employed in the automotive industry, if one of our products is a cause, or perceived to be the cause, of injury or death in a car accident, we would likely be subject to a claim. If we were found responsible it could cause us to incur liability which could interrupt or even cause us to terminate some or all of our operations.

If we are unable to recruit and retain qualified personnel, our business could be harmed.

Our growth and success highly depend on qualified personnel. Competition in the industry could cause us difficulty in recruiting or retaining a sufficient number of qualified technical personnel, which could harm our ability to develop new products. If we are unable to attract and retain necessary key talents, it would harm our ability to develop competitive product and retain good customers and could adversely affect our business and operating results.

As of December 31, 2016, our internal controls were not effective which led to material weaknesses in our internal controls over financial reporting and, as a result, we may not be able to report our financial results accurately or timely and in the future could have a problem to detecting fraud, which could have a material adverse effect on our business.

An effective internal control environment is necessary for us to produce reliable financial reports and is an important part of our effort to prevent financial fraud. We are required to periodically evaluate the effectiveness of the design and operation of our internal controls over financial reporting. Based on these evaluations, we may conclude that enhancements, modifications, or changes to internal controls are necessary or desirable. While management evaluates the effectiveness of our internal controls on a regular basis, these controls may not always be effective, and as of December 31, 2016 they were not effective. There are inherent limitations on the effectiveness of internal controls, including collusion, management override, and failure of human judgment. In addition, control procedures are designed to reduce rather than eliminate business risks. If we fail to maintain an effective system of internal controls, or if management or our independent registered public accounting firm discovers material weaknesses in our internal controls, we may be unable to produce reliable financial reports or prevent fraud, which could have a material adverse effect on our business, including subjecting us to sanctions or investigation by regulatory authorities, such as the Securities and Exchange Commission. Any such actions could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline or limit our access to capital.

Our common stock has been thinly traded and we cannot predict the extent to which a trading market will develop.

Our common stock is quoted on the OTCQB-tier of OTC Markets. Our common stock is thinly traded compared to larger more widely known companies. Thinly traded common stock can be more volatile than common stock trading in an active public market. We cannot predict the extent to which an active public market for our common stock will develop or be sustained after this offering.

Because we are subject to the “penny stock” rules, the level of trading activity in our stock may be reduced.

Our common stock is traded on the OTC Markets. Broker-dealer practices in connection with transactions in “penny stocks” are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks, like shares of our common stock, generally are equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on NASDAQ. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer’s presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer’s account. In addition, broker-dealers who sell these securities to persons other than established customers and “accredited investors” must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security subject to the penny stock rules, and investors in our common stock may find it difficult to sell their shares.

ITEM 1B – UNRESOLVED STAFF COMMENTS

This Item is not applicable to us as we are not an accelerated filer, a large accelerated filer, or a well-seasoned issuer; however, we have not received written comments from the Commission staff regarding our periodic or current reports under the Securities Exchange Act of 1934 within the last 180 days before the end of our last fiscal year.

ITEM 2 – PROPERTIES

Our executive offices, consisting of approximately 1,200 square feet, are located at 5503 Cahuenga Blvd. #203, Los Angeles, CA 91601. We currently complete the assembly of our BDI-747/1 devices at our offices. Under our lease of this premises, we pay \$2,000 per month and our current lease runs through January 31, 2021.

ITEM 3 - LEGAL PROCEEDINGS

We are not current involved in any 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 4 – MINE SAFETY DISCLOSURES

There is no information required to be disclosed under this Item.

PART II

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

Market Information

Our common stock is currently quoted on the OTCQB-tier of OTC Markets under the symbol "BDIC." We were listed on June 30, 2015 but did not have a quoted bid price until the fourth quarter of 2015. The following table sets forth the high and low bid information for each quarter within the fiscal years ended December 31, 2016 and 2015, as best we could estimate from publicly-available information. The information reflects prices between dealers, and does not include retail markup, markdown, or commission, and may not represent actual transactions.

Fiscal Year Ended December 31,	Period	Bid Prices	
		High	Low
2015	First Quarter	N/A	N/A
	Second Quarter	N/A	N/A
	Third Quarter	N/A	N/A
	Fourth Quarter	\$ 3.55	\$ 0.40
2016	First Quarter	\$ 1.25	\$ 0.70
	Second Quarter	\$ 1.05	\$ 0.40
	Third Quarter	\$ 0.53	\$ 0.15
	Fourth Quarter	\$ 0.53	\$ 0.10

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

We have not adopted any stock option or stock bonus plans.

Holders

As of December 31, 2016, there were 19,289,687 shares of our common stock outstanding held by 59 holders of record and numerous shares held in brokerage accounts. As of April 14, 2017, there were 21,152,453 shares of our common stock outstanding held by 68 holders of record. Of these shares, 12,288,453 were held by non-affiliates. As of June 30, 2016, we had 6,692,250 shares held by non-affiliates. On the cover page of this filing we value the 6,692,250 shares held by non-affiliates as of June 30, 2016 at \$2,810,745. These shares were valued at \$0.42 per share, based on our closing share price on June 30, 2016.

Warrants

We currently have three warrants outstanding to purchase our common stock:

On November 1, 2016, we issued Mr. David Haridim a warrant to acquire 50,000 shares of our 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 issuance of the warrant was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor was sophisticated, familiar with our operations, and there was no solicitation.

On August 7, 2015, we issued LGL, LLC a warrant to purchase 30,000 shares of our common stock at an exercise price of \$0.50 per share. The warrant has an exercise period of three years from the date of issuance. The issuance of the promissory note and warrant was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor was sophisticated, familiar with our operations, and there was no solicitation.

On November 25, 2015, we issued Mr. Petlak a warrant to purchase 80,000 shares of our 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 issuance of the promissory note and warrant was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor was sophisticated, familiar with our operations, and there was no solicitation.

Dividends

There have been no cash dividends declared on our common stock, and we do not anticipate paying cash dividends in the foreseeable future. Dividends are declared at the sole discretion of our Board of Directors.

Securities Authorized for Issuance Under Equity Compensation Plans

There are no outstanding options or warrants to purchase shares of our common stock under any equity compensation plans.

Currently, we do not have any equity compensation plans. As a result, we did not have any options, warrants or rights outstanding under equity compensation plans as of December 31, 2016.

Recent Issuance of Unregistered Securities

During the three months ended December 31, 2016, we issued the following unregistered securities. All such securities were issued pursuant exemptions from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction by an issuer not involving any public offering, as noted below.

On November 1, 2016, we issued Mr. David Haridim a warrant to acquire 50,000 shares of our 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 issuance of the warrant was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933. The investor was sophisticated, familiar with our operations, and there was no solicitation.

If our stock is listed on an exchange we will be subject to the Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

ITEM 6 – SELECTED FINANCIAL DATA

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

ITEM 7 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Disclaimer Regarding Forward Looking Statements

In this document we make a number of statements, referred to as “forward-looking statements”, that are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. The safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 does not apply to us. We note, however, that these forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to us and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe to be appropriate in the circumstances. You can generally identify forward-looking statements through words and phrases such as “seek,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “budget,” “project,” “may be,” “may continue,” “may likely result,” and similar expressions. When reading any forward looking-statement you should remain mindful that all forward-looking statements are inherently uncertain as they are based on current expectations and assumptions concerning future events or future performance of our company, and that actual results or developments may vary substantially from those expected as expressed in or implied by that statement for a number of reasons or factors, including those relating to:

- whether or not our breath alcohol ignition interlock device receives the necessary certifications;
- whether or not markets for our products develop and, if they do develop, the pace at which they develop;
- our ability to attract and retain the qualified personnel to implement our growth strategies;
- our ability to fund our short-term and long-term operating needs;
- changes in our business plan and corporate strategies; and
- other risks and uncertainties discussed in greater detail in the sections of this document.

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this document as well as other public reports filed with the Securities and Exchange Commission. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this document to reflect new events or circumstances unless and to the extent required by applicable law.

Overview and Outlook

We are a previous development stage company that was incorporated in the State of Delaware in July 2013. In the current 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 \$1,531,300 and total liabilities of \$727,812 including \$97,749 in notes payable to our president, Laurence Wainer.

We market distributorships and lease 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. 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.

We paid Well Electric, a company located in China with experience in design and manufacture of ignition interlock devices, \$30,000 to design and manufacture the prototype ignition interlock device for us. Well Electric produced six prototype devices for us which we received in November 2014.

At July 27, 2015 we began production of our patent pending BDI Model #1 power line filter to attach to our BDI-747 Breath Alcohol Ignition Interlock Device which together were certified by NHSTA on June 17, 2015 to work together to meet or exceed 2013 NHSTA guidelines.

Since receiving our NHSTA Certification and as of July 24, 2015, we have been approved as a state-certified breath alcohol ignition interlock manufacturer and provider in eleven states, and hope to be approved in an additional 3-5 states in 2017.

We have opened our initial storefront location in Los Angeles County, California and hired six qualified personnel to install, calibrate, remove and monitor the devices. Our business plan includes growth of the company by continuing to complete and submit more state applications and to build up our service infrastructure by utilizing our own retail infrastructure, distributors and franchisees.

As of December 31, 2016, we had approximately 1,075 units on the road, with approximately 327 devices being rented directly from us and approximately 748 devices rented through our distributors. As of March 31, 2017, we have approximately 1,701 units on the road, with approximately 281 devices being rented directly from us and approximately 1,420 devices rented through our distributors. We plan to increase our marketing of the device, and more aggressively pursue sales and distributors once we have funds to manufacture additional units.

Results of Operations for the Years Ended December 31, 2016 and 2015

	Year Ended December 31,	
	2016	2015
Monitoring revenue	\$ 212,128	\$ 20,569
Distributorship revenues	147,637	10,000
Total revenues	359,765	30,569
Monitoring cost of revenue	38,276	5,050
Distributorship cost of revenues	2,892	5,194
Total cost of revenues	41,168	10,244
Gross profit	318,597	20,325
Operating expenses:		
Payroll	147,231	150,114
Professional fees	92,705	99,846
General and administrative	458,351	161,714
Research and development	-	59,519
Depreciation	65,449	2,901
Impairment of asset	-	17,500
Total operating expenses	763,736	491,594
Loss from operations	(445,139)	(471,269)
Interest expense	(214,708)	(19,915)
Change in fair value of derivative liability	(22,231)	(12,658)
Gain (loss) on extinguishment of debt	(116,541)	-
Total other income (expense)	(353,480)	(32,573)
Net loss	\$ (800,219)	(505,442)

Operating Loss; Net Loss

Our net loss increased by \$294,777, from \$505,442 to \$800,219 from the year ended 2015 compared to 2016. Our operating loss decreased by \$26,130, from \$471,269 to \$445,139 for the same periods. The change in our net loss for the year ended December 31, 2016, compared to the prior year is primarily a result of an increase in our operating expenses and other expenses, partially offset by an increase in our revenues. These changes are detailed below.

Revenue

During the year ended December 31, 2016 we had \$359,765 in revenues, with \$212,128 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 \$147,637 coming from revenues paid to us from our distributors, compared to \$20,569 and \$10,000 from these revenue sources for the same period one year ago. We expect the revenue we receive from monitoring our devices on the road, as well as revenue from distributors, will continue to increase as we have more units on the road.

Cost of Revenue

Our cost of revenue for the year ended December 31, 2016 was \$41,168, compared to \$10,244 for the year ended December 31, 2015. Our cost of revenue for the year ended December 31, 2016 was \$38,276 for the revenue we received for the ongoing maintenance for units we lease to customers, and \$2,892 related to the revenue we received from distributors. Our cost of revenue for the year ended December 31, 2015 was \$5,050 for the revenue we received for the ongoing maintenance for units we lease to customers, and \$5,194 related to the revenue we received from distributors.

Payroll

Our payroll decreased by \$2,883, from \$150,114 to \$147,231, from the year ended December 31, 2015 compared to December 31, 2016. We expect our payroll in future quarterly periods will be approximately \$120,000 to \$160,000 per year until we are able to expand our operations.

Professional Fees

Our professional fees decreased slightly during the year ended December 31, 2016 compared to the year ended December 31, 2015. Our professional fees were \$92,705 for the year ended December 31, 2016 and \$99,846 for the year ended December 31, 2015. 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 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 by \$296,637, from \$161,714 for the year ended December 31, 2015 to \$458,351 for the year ended December 31, 2016. This increase was primarily related to increases in advertising, consulting services and certain public company compliance costs.

Research and Development

We did not incur any research and development expenses in the year ended December 31, 2016, compared to \$59,519 for the year ended December 31, 2015. Our research and development expenses in 2015 were related to our design and development of the BDI-747/1 device. Since the device is now developed we did not incur any such expenses in the year ended December 31, 2016.

Depreciation

We had depreciation of \$65,449 for the year ended December 31, 2016, compared to \$2,901 for the same period one year ago. Our depreciation expense in 2016 was primarily related to the depreciation of the BDI-747/1 devices.

Interest Expense

Interest expense increased by \$194,793 from \$19,915 for the year ended December 31, 2015 to \$214,708 for the year ended December 31, 2016. 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 December 31, 2016, compared to the same period one year ago, due to our increase in outstanding debt compared to one year ago, and the related accretion of the substantial amount of debt discount associated with the debt.

Change in Fair Value of Derivative Liability

During the year ended December 31, 2016, we had a change in fair value of derivative liability of \$22,231 compared to \$12,658 for the same period in 2015. The change in fair value of derivative liability for both periods, 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 year ended December 31, 2016, we had a loss on extinguishment of debt of \$116,541 compared to \$0 for the same period in 2015. The loss on extinguishment of debt in the year ended December 31, 2016, relates to the deemed extinguishment of royalty note #1 as discussed in Note 6 to the financial statements.

Liquidity and Capital Resources for Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Introduction

During the year ended December 31, 2016 and 2015, because of our operating losses, we did not generate positive operating cash flows. Our cash on hand as of December 31, 2016 was \$116,309 and our cash used in operations is approximately \$40,000 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 December 31, 2016 and as of December 31, 2015, respectively, are as follows:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>		<u>Change</u>
Cash	\$ 116,309	\$	9,103	\$	107,206
Total Current Assets	180,561		23,632		156,929
Total Assets	793,161		75,504		717,657
Total Current Liabilities	531,006		267,888		263,118
Total Liabilities	\$ 727,812	\$	366,568	\$	361,244

Our current assets increased significantly as of December 31, 2016 as compared to December 31, 2015, due to us having more cash on hand, and more accounts receivable, net. The increase in our total assets between the two periods was also related to the increase in our cash on hand, accounts receivable, net, as well as an increase in furniture and equipment as of December 31, 2016. The higher deposits and furniture and equipment, net is a result of us owning more BDI-747/1 breathalyzer devices.

Our current liabilities increased by \$263,118, as of December 31, 2016 as compared to December 31, 2015. This increase was primarily due to increases in our accrued expenses, deferred revenue, and 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 \$431,021 for the year ended December 31, 2016, as compared to \$371,990 for the year ended December 31, 2015. For the period in 2016, the net cash used in operating activities consisted primarily of our net income (loss) of (\$800,219), adjusted primarily by change in fair value of derivative liability of \$22,231, shares issued for services of \$236,933, amortization of debt discount of \$158,665, depreciation of \$65,449, and loss on extinguishment of debt of \$116,541 as well as changes in, accrued expenses of \$14,914, deferred revenue of \$24,657, deposits of (\$250,029), accounts payable of \$17,883, and accounts receivable of (\$46,659). For the period in 2015, the net cash used in operating activities consisted primarily of our net income (loss) of (\$505,442), adjusted primarily by change in fair value of derivative liability of \$12,658, depreciation of \$2,901, impairment of asset of \$17,500, and amortization of debt discount of \$4,937, as well as changes in, accrued expenses of \$29,481, deferred revenue of \$81,674, accrued expenses of \$29,481, deposits of (\$6,225), accrued interest of (\$7,412), and accounts receivable of (\$1,591).

Investments

We had cash used in investing activities in the year ended December 31, 2016 of \$376,148, compared to \$63,648 for December 31, 2015. For both periods the cash used in investing activities related to purchases of furniture and equipment, which was primarily our acquisition of additional BDI-747/1 breathalyzer devices.

Financing

Our net cash provided by financing activities for the year ended December 31, 2016 was \$914,375, compared to \$172,049 for the year ended December 31, 2015. For the year ended December 31, 2016, our net cash from financing activities consisted of proceeds from notes payable of \$876,200 and proceeds from issuance of common stock of \$187,500, partially offset by repayments of notes payable of (\$149,325). For the year ended December 31, 2015, our net cash from financing activities consisted of proceeds from notes payable of \$75,200, proceeds from issuance of common stock of \$85,000, and shareholder contributions \$29,235, partially offset by repayments of notes payable of (\$17,386).

Contractual Obligations

As of December 31, 2016, we had the following contractual obligations for 2017 through 2021:

	<u>2017 (1)</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Debt obligations	\$ 172,304	\$ 244,567	\$ 591,960	\$ -	\$ -	\$ 1,008,831
Capital leases	-	-	-	-	-	-
Operating leases	26,840	26,465	27,249	28,078	2,404	111,036
	<u>\$ 199,144</u>	<u>271,032</u>	<u>619,209</u>	<u>28,078</u>	<u>2,404</u>	<u>1,119,867</u>

(1) The interest amount for the contractual obligation for 2017 has been estimated.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

ITEM 7A – 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 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For a list of financial statements and supplementary data filed as part of this Annual Report, see the Index to Financial Statements beginning at page F-1 of this Annual Report.

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

There are no items required to be reported under this Item.

ITEM 9A - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (our Principal Accounting Officer), of the effectiveness of our disclosure controls and procedures (as defined) in Exchange Act Rules 13a – 15(c) and 15d – 15(e). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer, who are our principal executive officer and principal financial officers, respectively, concluded that, as of the end of the period ended December 31, 2016, our disclosure controls and procedures were not effective (1) to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to us, including our chief executive and chief financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer (our Principal Accounting Officer) do not expect that our disclosure controls or internal controls will prevent all error and all fraud. No matter how well conceived and operated, our disclosure controls and procedures can provide only a reasonable level of assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Furthermore, smaller reporting companies face additional limitations. Smaller reporting companies employ fewer individuals and find it difficult to properly segregate duties. Often, one or two individuals control every aspect of the company’s operation and are in a position to override any system of internal control. Additionally, smaller reporting companies tend to utilize general accounting software packages that lack a rigorous set of software controls.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, as amended, as a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer (our Principal Financial Officer), and effected by our board of directors, management and other personnel, 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 in the United States and includes those policies and procedures that:

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, Management has identified the following three material weaknesses that have caused management to conclude that, as of December 31, 2016, our disclosure controls and procedures, and our internal control over financial reporting, were not effective at the reasonable assurance level:

1. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

2. 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. While we believe these provisions are accounted for correctly in the attached audited financial statements our lack of internal controls could lead to a delay in our reporting obligations. We are required to provide written documentation of key internal controls over financial reporting. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

3. Effective controls over the control environment were not maintained. Specifically, 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. Further, our Board of Directors does not currently have any independent members and no director qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.

4. Currently, we do not have ability systematic approach to timely and accurately record unearned revenue and revenue, convertible debt transactions, deferred revenue, and derivative liabilities in the financial statements and have needed additional time, beyond the filing deadlines set by the Commission, to file our periodic reports.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that the consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

(c) Remediation of Material Weaknesses

In order to remediate the material weakness in our documentation, evaluation and testing of internal controls, we hope to hire additional qualified and experienced personnel to assist us in remedying this material weakness.

(d) Changes in Internal Control over Financial Reporting

There are no changes to report during our fiscal quarter ended December 31, 2016.

ITEM 9B – OTHER INFORMATION

There are no events required to be disclosed by the Item.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table sets forth the names and ages of our directors, director nominees, and executive officers as of December 31, 2016, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The executive officers of the Company are elected annually by the Board of Directors. The directors serve one-year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation, or removal by the Board of Directors. Unless described below, there are no family relationships among any of the directors and officers.

Name	Age	Position(s)
Laurence Wainer	50	President, Chief Executive Officer, Secretary (2014) and a Director (2014)
Abraham Summers	31	Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer (2016)

Business Experience

The following is a brief account of the education and business experience of each director and executive officer during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he was employed.

Laurence Wainer serves as our sole director and our President, Chief Executive Officer and Secretary. Mr. Wainer has built his career as an entrepreneur in Southern California beginning with a vending business which he started while attending San Diego State University. From 2009 to 2011 Mr. Wainer built a tax resolution company, Authorized Tax Relief, located in Los Angeles, California. From 2011 to September 2013, Mr. Wainer was employed as a consultant for LWIN Consulting. Mr. Wainer founded Blow & Drive Interlock Corporation in 2014 as a result of his commitment to help create safer roads for sober drivers, having been personally affected by drunk drivers.

Abraham Summers serves as our Chief Financial Officer. Mr. Summers is the principal and owner of Gnosiis International, LLC, a consulting firm specializing in the use of micro and macro economic analysis as well as urban planning, economic and financial research and modeling to provide advice and guidance to companies, investors and business partners. Mr. Summers founded Gnosiis International, LLC in 2011. Prior to founding Gnosiis International, Mr. Summers founded Gnosiis Media (2008-2011), a marketing consulting firm that advised entertainment companies with regard to valuation and structuring of sponsorship and brand-integration. Mr. Summers received his Bachelors of Science in Public Policy, Management, and Urban Planning (PMPL) with a concentration in Real Estate Development from the University of Southern California.

Term of Office

Our directors hold office until the next annual meeting or until their successors have been elected and qualified, or until they resign or are removed. Our board of directors appoints our officers, and our officers hold office until their successors are chosen and qualify, or until their resignation or their removal.

Family Relationships

There are no family relationships among our directors or officers.

Involvement in Certain Legal Proceedings

Our directors and executive officers have not been involved in any of the following events during the past ten years:

1. Other than the involuntary bankruptcy proceeding mentioned herein, no bankruptcy petition has been filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;
4. being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
5. being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
6. being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Committees

All proceedings of the board of directors for the year ended December 31, 2016 were conducted by resolutions consented to in writing by the board of directors and filed with the minutes of the proceedings of our board of directors. Our company currently does not have nominating, compensation or audit committees or committees performing similar functions nor does our company have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes that the functions of such committees can be adequately performed by the board of directors.

We do not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. The board of directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our company does not currently have any specific or minimum criteria for the election of nominees to the board of directors and we do not have any specific process or procedure for evaluating such nominees. The board of directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our board of directors may do so by directing a written request addressed to our president at the address appearing on the first page of this annual report.

Audit Committee Financial Expert

Our board of directors has determined that it does not have an audit committee member that qualifies as an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K. We believe that the audit committee members are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. In addition, we believe that retaining an independent director who would qualify as an “audit committee financial expert” would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated revenues to date.

Nomination Procedures For Appointment of Directors

As of December 31, 2016, we did not effect any material changes to the procedures by which our stockholders may recommend nominees to our board of directors.

Code of Ethics

We do not have a code of ethics.

Section 16(a) Beneficial Ownership

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s directors and executive officers and persons who own more than ten percent of a registered class of the Company’s equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

During the most recent fiscal year, to the Company’s knowledge, the following delinquencies occurred:

Name	No. of Late Reports	No. of Transactions Reported Late	No. of Failures to File
Laurence Wainer	0	0	0
Abraham Summers	0	0	1

Indemnification of Directors and Officers

Article Fourteen of our Articles of Incorporation provides that, to the fullest extent permitted by law, no director or officer shall be personally liable to the corporation or its shareholders for damages for breach of any duty owed to the corporation or its shareholders. In addition, the corporation shall have the power, in its bylaws or in any resolution of its stockholders or directors, to indemnify the officers and directors of the corporation against any liability as may be determined to be in the best interests of this corporation, and in conjunction therewith, to buy, at the corporation’s expense, policies of insurance.

Article XI of our Bylaws further addresses indemnification of our directors and officers and allows us to indemnify our directors and officers to the fullest extent permitted by the General Corporation Law of Delaware.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

ITEM 11 - EXECUTIVE COMPENSATION

The particulars of compensation paid to the following persons:

- (a) all individuals serving as our principal executive officer during the year ended December 31, 2016;
- (b) each of our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers at December 31, 2016 who had total compensation exceeding \$100,000; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at December 31, 2016,

who we will collectively refer to as the named executive officers, for the years ended December 31, 2016 and 2014, are set out in the following summary compensation table:

Summary Compensation

The following table provides a summary of the compensation received by the persons set out therein for each of our last three fiscal years:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Laurence Wainer President, COO, Secretary ⁽¹⁾	2016	52,000	-0-	-0-	-0-	-0-	-0-	-0-	52,000
	2015	16,300	-0-	-0-	-0-	-0-	-0-	-0-	16,300
	2014	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Abraham Summers, CFO ⁽²⁾	2016	3,500	-0-	-0-(4)	-0-	-0-	-0-	-0-	3,500
James Cassidy (former President, Director) ⁽³⁾	2014	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
James McKillop (former Vice President, Director) ⁽³⁾	2014	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

(1) Mr. Wainer was appointed President, Chief Executive Officer, Secretary and Director on February 6, 2014.

(2) Mr. Summers was appointed Chief Financial Officer on November 15, 2016.

(3) Mr. Cassidy and Mr. McKillop each resigned as officers and directors effective February 6, 2014.

(4) During 2016, Gnosiis International, LLC, an entity-controlled by Mr. Summers, received 533,100 shares of our common stock under the terms of a Finder's Fee Agreement between us and Gnosiis International, LLC. Since those shares were paid as a finder's fee for a transaction that closed prior to Mr. Summer's appointment as our Chief Financial Officer, the value of those shares is not included in this table.

Employment Contracts

On November 15, 2016, we entered into an employment agreement with Mr. Abraham Summers through Gnosiis International, LLC. Under the terms of the employment agreement, we agreed to employ Mr. Summers as our Chief Financial Officer until terminated by either party. Under the employment agreement we agreed to compensate Gnosiis and Mr. Summers an aggregate of 80% of the compensation paid by us to Mr. Laurence Wainer, our President, with 50% of the compensation paid to Mr. Summers as an employee and 50% paid to Gnosiis for consulting services. The compensation is to be paid weekly and shall be at least \$500 per week.

In September 11, 2015 we entered into an independent contract agreement with Mr. Laurence Wainer for his services as our sole executive officer. Under the terms of the agreement, we agreed to pay Mr. Wainer \$4,000 per month for his services as our sole executive officer. The agreement is for an initial term of one year, which will automatically renew for one year periods unless terminated in accordance with the agreement.

Long-Term Incentive Plans. We do not provide its officers or employees with pension, stock appreciation rights, long-term incentive or other plans and has no intention of implementing any of these plans for the foreseeable future.

Employee Pension, Profit Sharing or other Retirement Plans. We do not have a defined benefit, pension plan, profit sharing or other retirement plan, although it may adopt one or more of such plans in the future.

Director Compensation

The following table sets forth director compensation for 2016:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Laurence Wainer	-0-	-0-	-0-	-0-	-0-	-0-	-0-

No director received compensation for the fiscal years December 31, 2016 and December 31, 2015. We have no formal plan for compensating our directors for their service in their capacity as directors, although such directors are expected in the future to receive stock options to purchase common shares as awarded by our board of directors or (as to future stock options) a compensation committee which may be established. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. Our board of directors may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding stock awards held by the Named Executive Officers on December 31, 2016:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Laurence Wainer	-0-	-0-	-0-	N/A	N/A	-0-	-0-	-0-	-0-
Abraham Summers	-0-	-0-	-0-	N/A	N/A	-0-	-0-	-0-	-0-

Outstanding Equity Awards at Fiscal Year-End

There were no outstanding stock options or stock appreciation rights granted to our executive officers and directors at December 31, 2016.

Aggregated Option Exercises

There were no options exercised by any officer or director of our company during our twelve month period ended December 31, 2016.

Long-Term Incentive Plan

Currently, our company does not have a long-term incentive plan in favor of any director, officer, consultant or employee of our company.

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

The following table sets forth, as of April 14, 2017, certain information with respect to our equity securities owned of record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than 5% of each class of the Company’s outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

Common Stock

Title of Class	Name and Address of Beneficial Owner ⁽²⁾	Nature of Beneficial Ownership	Amount	Percent of Class ⁽¹⁾	Percent of Voting Rights ⁽³⁾
Common Stock	Laurence Wainer ⁽⁴⁾	President, CEO, Secretary and Director	8,924,000	42.2%	7.4%
Common Stock	Abraham Summers ⁽⁴⁾⁽⁵⁾	CFO	523,100	2.5%	>1%
Common Stock	Lucky Draw, LLC P.O. Box 328 Glendo, WY 82213	5% Shareholder	1,400,000	6.7%	1.2%
Common Stock	The Doheny Group, LLC ⁽⁶⁾	5% Shareholder	1,693,521	8.0%	7.4%
Common Stock	All Officers and Directors as a Group (2 persons)		9,568,250	63.0%	7.9%

- (1) Unless otherwise indicated, based on 21,152,453 shares of common stock issued and outstanding. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for the purposes of computing the percentage of any other person.
- (2) Unless indicated otherwise, the address of the shareholder is 1080 La Cienega Boulevard, Suite 304 Los Angeles, California 90035.
- (3) Includes all voting securities of the company, common stock with any series of preferred stock.
- (4) Indicates one of our officers or directors.
- (5) Includes 513,100 shares of our common stock held by Gnosiis International, LLC, an entity controlled by Mr. Summers. Gnosiis is owed additional shares of our common stock in accordance with certain anti-dilution rights Gnosiis has requiring us to issue additional shares of common stock to Gnosiis when we issue any shares of our common stock. Those anti-dilution shares have not been issued and are not included in the shares owned by Mr. Summers.
- (6) The Doheny Group, LLC is owed additional shares of our common stock in accordance with certain anti-dilution rights The Doheny Group, LLC has requiring us to issue additional shares of common stock to The Doheny Group, LLC when we issue any shares of our common stock. Those anti-dilution shares have not been issued and are not included in the shares owned by the Doheny Group, LLC.

Series A Preferred Stock

Title of Class	Name and Address of Beneficial Owner ⁽²⁾	Nature of Beneficial Ownership	Amount	Percent of Class ⁽¹⁾	Percent of Voting Rights ⁽³⁾
Preferred Stock	Laurence Wainer ⁽⁴⁾	President, CEO, Secretary and Director	1,000,000	100%	82.5%
Common Stock	Abraham Summers ⁽⁴³⁾	CFO	-0-	0%	0%
Common Stock	All Officers and Directors as a Group (2 persons)		1,000,000	100%	82.5%

- (1) Unless otherwise indicated, based on 1,000,000 shares of our Series A Preferred Stock issued and outstanding. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for the purposes of computing the percentage of any other person.
- (2) Unless indicated otherwise, the address of the shareholder is 1080 La Cienega Boulevard, Suite 304 Los Angeles, California 90035.
- (3) Includes all voting securities of the company, common stock with any series of preferred stock. Each share of our Series A Preferred Stock has 100 votes on any matter brought before our common stockholders for a vote.
- (4) Indicates one of our officers or directors.

The issuer is not aware of any person who owns of record, or is known to own beneficially, ten percent or more of the outstanding securities of any class of the issuer, other than as set forth above. The issuer is not aware of any person who controls the issuer as specified in Section 2(a)(1) of the 1940 Act. There are no classes of stock other than common stock issued or outstanding. The Company does not have an investment advisor.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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 (“Wainer”), 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 Wainer agreed to acquire 1,000,000 shares of our Series A Preferred Stock, once created, in exchange for Wainer forgiving \$25,537 in accrued salary we owed to him as of December 31, 2016.

As additional consideration for Wainer’s acquisition of the Series A Preferred Shares we entered into a Lockup Agreement with Wainer dated March 7, 2017 (the “Lockup Agreement”). Under the Lockup Agreement we required Wainer to agree to refrain selling 8,000,000 out of the approximately 9,700,000 shares of our common stock he owns until the expiration of the Lockup Period, as defined in the Lockup Agreement. The description of the Lockup Agreement set forth in this report is qualified in its entirety by reference to the full text of that document, which is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

On November 30, 2015, we entered into a Finder’s Fee Agreement with Gnosiis International, LLC, a Wyoming entity controlled by Mr. Abraham Summers, who is now our Chief Financial Officer. Under the Finder’s Fee Agreement we agreed to contract with Gnosiis to assist us with finding financing for the company, as well as for consulting services in connection with economics, project management and business development. Under the agreement, we agreed to pay Gnosiis one share for every dollar in financing closed by us as a result of Gnosiis’ efforts. On September 30, 2016, in connection with the Loan and Security Agreement we entered into with The Doheny Group, LLC, we issued Gnosiis 533,100 shares of our common stock. We also compensate Gnosiis weekly for consulting services provided to us.

On November 15, 2016, we entered into an employment agreement with Mr. Abraham Summers through Gnosiis. Under the terms of the employment agreement, we agreed to employ Mr. Summers as our Chief Financial Officer until terminated by either party. Under the employment agreement we agreed to compensate Gnosiss and Mr. Summers an aggregate of 80% of the compensation paid by us to Mr. Laurence Wainer, our President, with 50% of the compensation paid to Mr. Summers as an employee and 50% paid to Gnosiis for consulting services. The compensation is to be paid weekly and shall be at least \$500 per week.

In September 11, 2015 we entered into an independent contract agreement with Mr. Laurence Wainer for his services as our sole executive officer. Under the terms of the agreement, we agreed to pay Mr. Wainer \$4,000 per month for his services as our sole executive officer. The agreement is for an initial term of one year, which will automatically renew for one year periods unless terminated in accordance with the agreement.

Corporate Governance

As of December 31, 2016, our Board of Directors consisted of Laurence Wainer. As of December 31, 2016, we did not have any directors that qualified as “independent directors” as the term is used in NASDAQ rule 5605(a)(2).

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit fees

The aggregate fees billed for the two most recently completed fiscal periods ended December 31, 2016 and December 31, 2015 for professional services rendered by Redwitz, Inc. for the audit of our annual consolidated financial statements, quarterly reviews of our interim consolidated financial statements and services normally provided by the independent accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended December 31, 2016	Year Ended December 31, 2015
Audit Fees and Audit Related Fees	\$ 49,000	\$ 22,500
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0
Total	\$ 49,000	\$ 22,500

In the above table, “audit fees” are fees billed by our company’s external auditor for services provided in auditing our company’s annual financial statements for the subject year. “Audit-related fees” are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of our company’s financial statements. “Tax fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All other fees” are fees billed by the auditor for products and services not included in the foregoing categories.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors

The board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the board of directors before the respective services were rendered.

The board of directors has considered the nature and amount of fees billed by Redwitz, Inc. and believes that the provision of services for activities unrelated to the audit is compatible with maintaining Redwitz, Inc. independence.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

For a list of financial statements and supplementary data filed as part of this Annual Report, see the Index to Financial Statements beginning at page F-1 of this Annual Report.

(a)(2) Financial Statement Schedules

We do not have any financial statement schedules required to be supplied under this Item.

(a)(3) Exhibits

Refer to (b) below.

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*	Loan and Security Agreement with Doheny Group, LLC dated September 30, 2016
10.15*	Phase 1 Loan Agreement with Doheny Group, LLC dated September 30, 2016
10.16*	Royalty Agreement with Doheny Group, LLC dated September 30, 2016
10.17*	Common Stock Purchase Agreement with Doheny Group, LLC dated September 30, 2016
10.18*	Agreement with Abraham Summers and Gnosis International, LLC
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.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Blow & Drive Interlock Corporation

Dated: April 17, 2017

/s/ Laurence Wainer

By: Laurence Wainer
Its: President (Principal Executive Officer)

Dated: April 17, 2017

/s/ Abraham Summers

By: Abraham Summers
Its: Chief Financial Officer and Principal Accounting Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: April 17, 2017

/s/ Laurence Wainer

By: Laurence Wainer, Director, President, and Secretary

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX

	Page
Financial Statements:	
Report of Independent Registered Public Accounting Firm	F-2
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheet	F-3
Consolidated Statement of Operations	F-4
Consolidated Statements of Changes in Stockholders' Equity	F-5
Consolidated Statement of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7
Supplementary Data	
Not applicable	

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Blow & Drive Ignition Interlock Corporation
and subsidiary:

We have audited the accompanying consolidated balance sheets of Blow & Drive Ignition Interlock Corporation and subsidiary (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blow & Drive Ignition Interlock Corporation and subsidiary as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has incurred recurring losses from operations and has limited cash resources, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Redwitz, Inc.
Irvine, California
April 17, 2017

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

BLOW & DRIVE INTERLOCK CORPORATION
Consolidated Balance Sheets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Assets		
Current Assets		
Cash	\$ 116,309	\$ 9,103
Accounts receivable, net	51,241	1,591
Prepaid expenses	2,361	2,573
Inventories	10,650	10,365
Total Current Assets	180,561	23,632
Other Assets		
Deposits	256,254	6,225
Furniture and equipment, net	356,346	45,647
Total Assets	\$ 793,161	\$ 75,504
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 28,250	\$ 10,367
Accrued expenses	68,795	53,881
Accrued interest	10,110	2,000
Income taxes payable	5,700	4,100
Deferred revenue	106,331	81,674
Derivative liability	73,556	51,325
Notes payable, net of debt discount of \$15,018 and \$0 at December 31, 2016 and 2015, respectively	125,351	10,200
Notes payable - related party	49,396	54,341
Convertible notes payable, net of debt discount of \$23,724 and \$0 at December 31, 2016 and 2015, respectively	33,775	-
Royalty notes payable, net of debt discount of \$87,036 and \$0 at December 31, 2016 and 2015, respectively	29,742	-
Total Current Liabilities	531,006	267,888
Long term liabilities		
Notes payable, net of debt discount of \$32,292 and \$0 at December 31, 2016 and 2015, respectively	17,708	-
Notes payable - related party, net of debt discount of \$0 and \$52,386 at December 31, 2016 and 2015, respectively	48,353	86,066
Convertible notes payable	-	12,614
Royalty notes payable, net of debt discount of \$574,294 and \$0 at December 31, 2016 and 2015, respectively	8,778	-
Accrued royalties payable	121,967	-
Total Liabilities	727,812	366,568
Stockholders' Equity (Deficit)		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized, none outstanding	-	-
Common stock, par value \$0.0001, 100,000,000 shares authorized 19,575,605 and 15,006,750 shares issued or issuable and outstanding as of December 31, 2016 and 2015, respectively	1,958	1,500
Additional paid-in capital	1,594,721	438,547
Accumulated deficit	(1,531,330)	(731,111)
Total Stockholders' Equity (Deficit)	65,349	(291,064)
Total Liabilities and Stockholders' Equity	\$ 793,161	\$ 75,504

The accompanying notes are an integral part of the financial statements

BLOW & DRIVE INTERLOCK CORPORATION
Consolidated Statements of Operations

	Years Ended December 31,	
	2016	2015
Monitoring revenues	\$ 212,128	\$ 20,569
Distributorship revenues	147,637	10,000
Total revenues	359,765	30,569
Monitoring cost of revenue	38,276	5,050
Distributorship cost of revenues	2,892	5,194
Total cost of revenues	41,168	10,244
Gross Profit	318,597	20,325
Operating expenses:		
Payroll	147,231	150,114
Professional fees	92,705	99,846
General and administrative expenses	458,351	161,714
Research and development	-	59,519
Depreciation	65,449	2,901
Impairment of asset	-	17,500
Total operating expenses	763,736	491,594
Loss from operations	(445,139)	(471,269)
Other income (expense):		
Interest expense	(214,708)	(19,915)
Change in fair value of derivative liability	(22,231)	(12,658)
Gain (loss) on extinguishment of debt	(116,541)	-
Total other income (expense)	(353,480)	(32,573)
Income (loss) before provision for income taxes	(798,619)	(503,842)
Provision for income taxes	1,600	1,600
Net Income (loss)	\$ (800,219)	\$ (505,442)
Basic and dilutive loss per common share	\$ (0.05)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	16,478,128	14,973,866

The accompanying notes are an integral part of the financial statements

BLOW & DRIVE INTERLOCK CORPORATION
Consolidated Statements of Stockholders' Deficit

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>			
Balance December 31, 2014	14,852,500	\$ 1,485	\$ 305,671	\$ (225,669)	\$ 81,487
Shares issued for cash	154,250	15	84,985	-	85,000
Warrants issued	-	-	18,656	-	18,656
Shareholder contributions	-	-	29,235	-	29,235
Net loss	-	-	-	(505,442)	(505,442)
Balance December 31, 2015	15,006,750	\$ 1,500	\$ 438,547	\$ (731,111)	\$ (291,064)
Shares issued for services	667,517	67	236,866	-	236,933
Shares issued for cash	1,273,576	127	187,373	-	187,500
Shares issued related to debt	2,531,485	254	731,945	-	732,199
Shares issued related to anti-dilution	96,277	10	(10)	-	-
Net loss	-	-	-	(800,219)	(800,219)
Balance December 31, 2016	19,575,605	\$ 1,958	\$ 1,594,721	\$ (1,531,330)	\$ 65,349

The accompanying notes are an integral part of the financial statements

BLOW & DRIVE INTERLOCK CORPORATION
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (800,219)	\$ (505,442)
Adjustments to reconcile from net loss to net cash used in operating activities:		
Depreciation	65,449	2,901
Shares issues for services	236,933	-
Loss on extinguishments of debt	116,541	-
Amortization of debt discount	158,665	4,937
Change in fair value of derivative liability	22,231	12,658
Impairment of asset	-	17,500
Changes in operating assets and liabilities		
Accounts receivable, net	(49,650)	(1,591)
Prepaid expenses	212	(2,573)
Inventories	(285)	(10,365)
Deposits	(250,029)	(6,225)
Accounts payable	17,883	10,367
Accrued expenses	14,914	29,481
Accrued interest	8,110	(7,412)
Income taxes payable	1,600	2,100
Deferred revenue	24,657	81,674
Accrued royalties payable	1,967	-
Net cash used in operating activities	(431,021)	(371,990)
Cash flows from investing activities:		
Purchases of furniture and equipment	(376,148)	(63,648)
Net cash used in investing activities	(376,148)	(63,648)
Cash flows from financing activities:		
Proceeds from notes payable	876,200	75,200
Repayments of notes payable	(149,325)	(17,386)
Proceeds from issuance of common stock	187,500	85,000
Shareholder contributions	-	29,235
Net cash provided by financing activities	914,375	172,049
Net increase (decrease) in cash	107,206	(263,589)
Cash, beginning of period	9,103	272,692
Cash, end of period	\$ 116,309	\$ 9,103
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 48,032	\$ 22,291
Income taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Common stock issued for services	\$ 236,933	\$ -
Establishment of debt discount for accrued royalties payable	\$ 120,000	\$ -

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.

During the year ended December 31, 2015, the Company began to license others to distribute 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 four 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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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 December 31, 2016, the Company had an accumulated deficit of \$1,531,330. 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
- 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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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.

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 December 31, 2016 and 2015.

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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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

	Years Ended December 31,	
	2016	2015
Segment gross profit (a):		
Monitoring	\$ 173,852	\$ 15,519
Distributorships	144,745	4,806
Gross Profit	<u>318,597</u>	<u>20,325</u>
Identifiable segment operating income (b):		
Monitoring	154,556	13,615
Distributorships	100,606	4,315
	<u>255,162</u>	<u>17,930</u>
Reconciliation of identifiable segment income to corporate income (c):		
Payroll	147,231	150,114
Professional fees	92,705	99,846
General and administrative expenses	458,351	161,714
Research and development	-	59,519
Depreciation	2,014	506
Impairment of asset	-	17,500
Interest expense	214,708	19,915
Change in fair value of derivative liability	22,231	12,658
Gain (loss) on extinguishment of debt	116,541	-
	<u>(798,619)</u>	<u>(503,842)</u>
Income (loss) before provision for income taxes		
Provision for income taxes	1,600	1,600
Net Income (loss)	<u>\$ (800,219)</u>	<u>\$ (505,442)</u>
Total net property, plant, and equipment assets		
Monitoring	107,702	34,789
Distributorships	246,365	8,966
Corporate	2,279	1,892
	<u>356,346</u>	<u>45,647</u>

(a) Segment gross profit includes segment net sales less segment cost of sales

(b) Identifiable segment operating income consists of segment gross profit, less identifiable depreciation expense

(c) General corporate expense consists of all other non-identifiable expenses

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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 December 31, 2016 and December 31, 2015 is adequate, but actual write-offs could exceed the recorded allowance.

Inventories

Inventories are valued at the first-in first-out method and at December 31, 2016 and 2015 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 recorded 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.

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.

As of December 31, 2016 and 2015, the Company did not have any level 3 assets or liabilities. As of December 31, 2016 and 2015, the derivative liabilities are considered level 2 items.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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 in accordance with FASB ASC Topic 718.

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 December 31, 2016, and is actively engaging more in new markets. However, for the year ended December 31, 2016, one distributor, licensed in four states, makes up approximately 90% percent of all revenues from distributors, and 93% of accounts receivable at December 31, 2016. 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 December 31, 2015, 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.

Blow & Drive Interlock Corporation
Notes to the Consolidated Financial Statements

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 November 2015, the FASB issued guidance related to the presentation of deferred income taxes. The guidance requires that deferred tax assets and liabilities are classified as non-current in a consolidated balance sheet. This guidance is effective in the first quarter of 2017 and is not expected to materially impact financial position or net earnings.

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 – Furniture and Equipment

Furniture and equipment consist of the following:

	December 31, 2016	December 31, 2015
Monitoring Units	\$ 419,898	\$ 46,150
Furniture, Fixtures, and Equipment	4,798	2,398
Total Assets	424,696	48,548
Less: accumulated depreciation	(68,350)	(2,901)
Furniture and Equipment, net	356,346	45,647

Depreciation expense for the years ended December 31, 2016 and 2015 were \$65,449 and \$2,901, respectively.

Note 4 – Deposits

Deposits consist of the following:

	December 31, 2016	December 31, 2015
Deposit for BDI-747 units	\$ 250,000	\$ -
Other	6,254	6,225
Total	\$ 256,254	\$ 6,225

Note 5 – Accrued Expenses

Accrued Expense consist of the following:

	December 31, 2016	December 31, 2015
Accrued professional fees	\$ 3,503	\$ 27,013
Accrued wages	32,700	1,949
Accrued payroll taxes	32,592	7,419
Refundable distributorship deposit	-	17,500
Total	\$ 68,795	\$ 53,881

Note 6 - 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 December 30, 2016 and December 31, 2015 deferred revenue totaled \$106,331 and 81,674, with \$2,500, and \$50,000, respectively, related to distributorship agreements. The remaining deferred revenue relates to Company serviced ignition interlock monitoring customers.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 7 – Notes Payable

Notes payable consist of the following:

	December 31, 2016		December 31, 2015	
	Principal	Accrued Interest	Principal	Accrued Interest
Convertible notes				
Convertible note #1	7,500	31	15,000	-
Debt Discount	(3,104)	-	(8,426)	-
Convertible note #2	50,000	1,617	50,000	1,667
Debt Discount	(20,620)	-	(43,960)	-
Subtotal convertible notes net	<u>33,776</u>	<u>1,648</u>	<u>12,614</u>	<u>1,667</u>
Promissory notes				
Promissory note #1	990	-	10,200	333
Promissory note #2	13,278	-	-	-
Debt Discount	(3,510)	-	-	-
Promissory note #3	50,000	-	-	-
Debt Discount	(32,292)	-	-	-
Promissory note #4	10,000	400	-	-
Debt Discount	(7,308)	-	-	-
Promissory note #5	36,100	3,581	-	-
Promissory note #6	5,040	106	-	-
Debt Discount	(4,200)	-	-	-
Promissory note #7	24,960	-	-	-
Promissory note #8	50,000	-	-	-
Subtotal promissory notes	<u>143,058</u>	<u>4,087</u>	<u>10,200</u>	<u>333</u>
Royalty notes				
Royalty note #1	46,876	-	-	-
Debt Discount	(45,903)	-	-	-
Royalty note #2 - related party	48,938	-	-	-
Debt Discount - related party	(41,133)	-	-	-
Royalty note #3	192,000	-	-	-
Debt Discount	(176,000)	-	-	-
Royalty note #4	325,000	4,375	-	-
Debt Discount	(311,258)	-	-	-
Subtotal royalty notes	<u>38,520</u>	<u>4,375</u>	<u>-</u>	<u>-</u>
Related party promissory note				
Related party promissory note	97,749	-	140,407	-
Total	<u>313,103</u>	<u>10,110</u>	<u>163,221</u>	<u>2,000</u>
Current portion	<u>238,264</u>	<u>10,110</u>	<u>66,541</u>	<u>2,000</u>
Long-term portion	<u>\$ 74,839</u>	<u>\$ -</u>	<u>\$ 96,680</u>	<u>\$ -</u>

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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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 (See Note 7). 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. Due dates for each draw are 6 months from the draw date and range through 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 borrow an additional \$28,600 in September of 2016. The current borrowing is paid back via daily ACH debits for \$204 per business day with a target extinguishment in March 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.

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 total payments of \$1,150 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. 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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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.

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 begin 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 devise 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.

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.

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 begin 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 devise 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

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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

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 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 December 31, 2016 the Company has drawn \$325,000 out of the maximum allowance of \$350,400 in connection with Royalty note #4.

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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 8 – 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 December 31, 2016. 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 December 31, 2016 and 2015.

Balance December 31, 2015	\$ 51,325
Change in fair market value of derivative	22,231
Balance December 31, 2016	\$ 73,556

Note 9 – Accrued Royalties Payable

In connection with the Royalty Notes number 1-4 as discussed in Note 6 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 10 – Stockholders' Equity

Preferred Stock

The Company's articles of incorporation authorize the Company to issue up to 50,000,000 preferred shares of \$0.001 par value, having preferences to be determined by the Board of Directors for dividends, and liquidation of the Company's assets. As of December 31, 2016 and 2015, the Company had no preferred shares outstanding.

Common Stock

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 year ended December 31, 2016, the Company issued 667,517 shares of \$0.001 par value common stock for services with a value of \$236,933, including 533,100 shares to a related party for services valued at \$129,580. The Company also issued shares in connection with debt of 2,531,485 for an aggregate fair value of \$732,199. Additionally, the Company issued and sold 1,273,576 shares of its common stock to several investors for an aggregate purchase price of \$187,500. The total number of shares issued or issuable as of December 31, 2016 was 19,575,605.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 11 – Warrants

The following table reflects warrant activity as during the year ended December 31, 2016:

	Warrants for Common Shares	Weighted Average Exercise Price
Outstanding as of December 31, 2015	110,000	\$ 0.72
Granted	50,000	0.10
Exercised	-	-
Forfeited, cancelled, expired	-	-
Outstanding as of September 30, 2016	160,000	\$ 0.53

Note 12 – 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:

	Years Ended December 31,	
	2016	2015
Preferred shares	-	-
Convertible notes	202,789	2,449
Warrants	160,000	-
Options	-	-
Total anti-dilutive weighted average shares	362,789	2,449

If all dilutive securities had been exercised at December 31, 2016 the total number of common shares outstanding would be as follows:

	December 31, 2016
Common Shares	19,575,605
Preferred Shares	-
Convertible notes	194,008
Warrants	160,000
Options	-
Total potential shares	19,929,613

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 13 – 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. Total rent expense, which is reflected in general and administrative expenses in the accompanying consolidated statements of operations, was \$19,987 and \$20,555 during the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments under operating leases are as follows:

Years ending December 31,	
2017	\$ 24,200
2018	26,465
2019	27,249
2020	28,078
2021	2,404
Total:	<u>108,396</u>

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.

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 14 – Income Taxes

The Company had net operating loss carryforwards (“NOLs”) as of December 31, 2016 of approximately \$1,397,000 for federal and state tax purposes, portions of which are expiring at various years through 2034. The Company may be able to utilize its NOLs to reduce future federal and state income tax liabilities. However, these NOLs are subject to various limitations under Internal Revenue Code (“IRC”) Section 382. IRC Section 382 limits the use of NOLs to the extent there has been an ownership change of more than 50 percentage points. In addition, the NOL carryforwards are subject to examination by the taxing authority and could be adjusted or disallowed due to such exams. Although the Company has not undergone an IRC Section 382 analysis, it is possible that the utilization of the NOLs could be significantly limited.

Components of net deferred tax assets (liabilities), including a valuation allowance, are as follows at December 31:

	Years Ended December 31,	
	2016	2015
Deferred tax assets:		
Deferred revenue	\$ 42,500	\$ 32,000
Net operating loss carryforwards	559,000	259,000
Total deferred tax assets	<u>\$ 601,500</u>	<u>\$ 291,000</u>
Deferred tax liabilities:		
Depreciation	-	-
Total deferred tax liabilities	<u>-</u>	<u>-</u>
Net deferred tax assets before valuation allowance	\$ 601,500	\$ 291,000
Valuation allowance	(601,500)	(291,000)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

BLOW & DRIVE INTERLOCK CORPORATION
Notes to the Consolidated Financial Statements

Note 14 – Subsequent Events

In January 2017 the Company completed orders of 150 and 850 additional interlock units at an aggregate cost of \$325,000. The Company also has pulled 91 units from service to repair.

On January 23, 2017, the Company issued a third party marketing firm 27,180 shares of common stock for services with an aggregate fair value of \$13,913.

On January 15, 2017 the Company entered into a Promissory note for \$50,400 in cash with an interest rate of 25% per annum, and maturity date of January 15, 2018. Monthly interest payments of \$1,050 are due under this note as well as a balloon payment for principal upon maturity.

Subsequent to December 31, 2016, and through the date of this filing, the Company has issued a total of 2,113,785 common shares for an aggregate cash purchase price of \$287,675.

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

I, Laurence Wainer, certify that:

I have reviewed this Annual Report on Form 10-K of Blow & Drive Interlock Corporation;

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;

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;

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

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: April 17, 2017

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

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

I, Abraham Summers, certify that:

I have reviewed this Annual Report on Form 10-K of Blow & Drive Interlock Corporation;

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;

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;

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

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: April 17, 2017

By: /s/ Abraham Summers
Abraham Summers
Chief Financial Officer

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

In connection with the Annual Report of Blow & Drive Interlock Corporation (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Laurence Wainer, Chief Executive 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: April 17, 2017

/s/ Laurence Wainer

By: Laurence Wainer
Its: 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.

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

In connection with the Annual Report of Blow & Drive Interlock Corporation (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Laurence Wainer, 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: April 17, 2017

/s/ Abraham Summers

By: Abraham Summers
Its: Chief Financial 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.
