

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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

For the transition period from _____ to _____.

Commission file number: 000-55053

BLOW & DRIVE INTERLOCK CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-3590850

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

**5503 Cahuenga Blvd, #203
Los Angeles, CA**

(Address of principal executive offices)

91601

(Zip Code)

(877) 238-4492

Registrant's telephone number, including area code

(Former address, if changed since last report)

(Former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

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

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

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

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

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of January 31, 2018, there were 25,201,266 shares of common stock, \$0.0001 par value, issued and outstanding .

CAUTIONARY STATEMENT

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q (this "Form 10-Q"), other than statements or characterizations of historical fact, are "forward-looking statements" within the meaning of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). Examples of forward-looking statements include, but are not limited to, statements concerning projected sales, costs, expenses and gross margins; our accounting estimates, assumptions and judgments; the prospective demand for our products; the projected growth in our industry; the competitive nature of and anticipated growth in our industry; and our prospective needs for, and the availability of, additional capital. These forward-looking statements are based on our current expectations, estimates, approximations and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by such words as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are set forth in the "Risk Factors" section of our Report on Form 10-K filed on April 7, 2017, as updated through our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 and this Report, which could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from prior results, which in turn could, among other things, cause the price of our common stock to fluctuate substantially. These forward-looking statements speak only as of the date of this report. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

BLOW & DRIVE INTERLOCK CORPORATION

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PART I – FINANCIAL INFORMATION

ITEM 1 Financial Statements

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

BLOW & DRIVE INTERLOCK CORPORATION
CONSOLIDATED BALANCE SHEETS

	<u>September 30, 2017</u> (unaudited)	<u>December 31, 2016</u>
ASSETS		
Current Assets		
Cash	\$ 84,370	\$ 116,309
Accounts receivable, net of allowance for doubtful accounts of \$5,412 and \$0 at September 30, 2017 and December 31, 2016, respectively	39,069	51,241
Prepaid expenses	1,569	2,361
Inventory	10,650	10,650
Total current assets	<u>135,658</u>	<u>180,561</u>
Property and equipment, net	925,728	356,346
Deposits	5,131	256,254
Total assets	<u>\$ 1,066,517</u>	<u>\$ 793,161</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	\$ 102,791	\$ 28,250
Accrued expenses	235,398	68,795
Accrued royalty payable	145,317	-
Accrued interest	41,078	10,110
Income taxes payable	5,929	5,700
Deferred revenue	91,057	106,331
Derivative liability	62,537	73,556
Notes payable, net of debt discount of \$22,431 and \$15,018 at September 30, 2017 and December 31, 2016, respectively	154,069	125,351
Notes payable – related party	-	49,396
Convertible notes payable, net of debt discount of \$3,115 and \$23,724 at September 30, 2017 and December 31, 2016, respectively	54,385	33,775
Royalty notes payable, net of debt discount of \$29,393 and \$574,294 at September 30, 2017 and December 31, 2016, respectively	892	29,742
Total current liabilities	<u>893,453</u>	<u>531,006</u>
Notes payable, net of debt discount of \$46,750 and \$32,292 at September 30, 2017 and December 31, 2016, respectively	148,250	17,708
Notes payable – related party	-	48,353
Royalty notes payable, net of debt discount of \$353,894 and \$574,294 at September 30, 2017 and December 31, 2016, respectively	163,106	8,778
Accrued royalty payable	1,786	121,967
Total Liabilities	<u>1,206,595</u>	<u>727,812</u>
Stockholders' Equity (Deficit)		
Preferred stock, par value \$0.001, 20,000,000 shares authorized, 1,000,000 and 0 shares issued or issuable and outstanding as of September 30, 2017 and December 31, 2016, respectively	1,000	-
Common stock, par value \$0.0001, 100,000,000 shares authorized, 24,057,961 and 19,575,605 shares issued or issuable and outstanding as of September 30, 2017 and December 31, 2016, respectively	2,406	1,958
Additional paid-in capital	2,696,281	1,594,721
Accumulated (deficit)	(2,839,765)	(1,531,330)
Total stockholders' equity (deficit)	<u>(140,078)</u>	<u>65,349</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 1,066,517</u>	<u>\$ 793,161</u>

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

BLOW & DRIVE INTERLOCK CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Monitoring revenues	\$ 394,139	\$ 65,533	\$ 674,197	\$ 200,188
Distributorship revenues	42,276	78,225	237,729	78,225
Total revenues	436,415	143,758	911,926	278,413
Monitoring cost of revenue	57,817	8,899	111,884	26,617
Distributorship cost of revenue	1,000	-	7,739	-
Total cost of revenue	58,817	8,899	119,623	26,617
Gross profit	377,598	134,859	792,303	251,796
Operating Expenses				
Payroll	272,900	32,391	457,288	103,666
Professional fees	16,603	4,266	93,505	65,887
General and administrative	269,039	114,217	579,172	332,547
Depreciation	90,512	16,041	234,654	32,971
Total operating expenses	649,054	166,914	1,364,619	535,071
Loss from Operations	(271,456)	(32,055)	(572,316)	(283,275)
Other Income (Expense)				
Interest expense, net	(145,740)	(41,789)	(440,538)	(111,714)
Change in fair value of derivative liability	(6,474)	16,814	11,018	(2,798)
Gain (loss) on extinguishment of debt	-	(116,541)	(305,000)	(116,541)
Total other income (expenses)	(152,214)	(141,516)	(734,520)	(231,053)
Loss before provision for income taxes	(423,670)	(173,571)	(1,306,836)	(514,328)
Provision for income taxes	-	-	1,600	1,600
Net loss	\$ (423,670)	\$ (173,571)	\$ (1,308,436)	\$ (515,928)
Basic and Diluted Loss Per Common Share	\$ (0.02)	\$ (0.01)	\$ (0.06)	\$ (0.03)
Basic and Diluted Weighted-Average Common Shares Outstanding	22,856,861	16,333,870	21,922,340	15,646,423

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

BLOW & DRIVE INTERLOCK CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	<u>Preferred Stock - Series A</u>		<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>	<u>Shares</u>	<u>Amount</u>			
Balance December 31, 2016	-	\$ -	19,575,605	\$ 1,958	\$ 1,594,720	\$ (1,531,329)	\$ 65,349
Shares issued for services			27,180	3	13,910		13,913
Warrants issued for services					278		278
Shares issued related to debt	1,000,000	1,000	195,400	19	434,700		435,719
Shares issued for cash			3,736,894	374	652,725		653,099
Shares issued related to anti-dilution			522,882	52	(52)		0
Net loss						(1,308,436)	(1,308,436)
Balance September 30, 2017 (unaudited)	<u>1,000,000</u>	<u>\$ 1,000</u>	<u>24,057,961</u>	<u>\$ 2,406</u>	<u>\$ 2,696,281</u>	<u>\$ (2,839,765)</u>	<u>\$ (140,078)</u>

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

BLOW & DRIVE INTERLOCK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,308,436)	\$ (515,928)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	234,654	32,971
Loss on fixed assets disposals	12,989	-
Shares issued for services	14,188	166,883
Allowance for doubtful accounts	5,412	-
Loss on extinguishments of debt	305,000	116,541
Amortization of debt discount	275,465	89,109
Change in fair value of derivative liability	(11,019)	2,798
Changes in operating assets and liabilities:		
Accounts receivable	6,760	(47,898)
Prepaid expenses	792	(327)
Deposits	1,123	(12,000)
Accounts payable	74,541	10,767
Accrued expenses	193,409	(8,397)
Accrued interest	30,968	1,452
Deferred revenue	(15,274)	(18,121)
Net cash used in operating activities	(179,428)	(182,150)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(817,026)	(176,433)
Deposits on units	250,000	-
Net cash used in investing activities	(567,026)	(176,433)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of notes payable	195,400	471,199
Principal payments of notes payable	(14,268)	(66,259)
Principal payments of royalty notes payable	(65,529)	(13,749)
Principal payments of related party note payable	(54,187)	(19,340)
Proceeds from issuance of common stock	653,099	172,500
Net cash provided by financing activities	714,515	544,351
NET INCREASE (DECREASE) IN CASH	(31,939)	185,768
CASH – beginning of period	116,309	9,103
CASH – end of period	\$ 84,370	\$ 194,871
ADDITIONAL CASH FLOW INFORMATION		
Interest paid	\$ 134,105	\$ 21,288
Income taxes paid	\$ -	\$ -

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

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

	Nine Months Ended September 30,	
	2017	2016
Common stock and warrants issued for services	\$ 14,188	\$ 166,883
Establishment of debt discount for accrued royalties payable	\$ -	\$ 120,000
Preferred stock issued for debt reduction and services	\$ 350,000	\$ -

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

BLOW AND DRIVE INTERLOCK CORPORATION
NOTES TO UNAUDITED FINANCIAL STATEMENTS
September 30, 2017

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

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

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

Basis of Presentation

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

Going Concern

The Company’s unaudited condensed consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. As of September 30, 2017, the Company had an accumulated deficit of \$2,839,765. 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 to, 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.

Revenue Recognition

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Inventories

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

Convertible Debt and Warrants Issued with Convertible Debt

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

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

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

Fair Value of Financial Instruments

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

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

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

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

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

	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Balance December 31, 2016	\$ -	\$ 73,556	\$ -
Change in fair value of derivative liability	-	(11,019)	-
Balance September 30, 2017 (unaudited)	\$ -	\$ 62,537	\$ -

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 parts for 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 September 30, 2017, and is actively engaging more in new markets. However, for the three and nine months ended September 30, 2017, one distributor, licensed in four states, makes up approximately 100% and 91% percent of all revenues from distributors, respectively, and 100% of accounts receivable at September 30, 2017. The loss of this distributor would have a material impact on the Company's revenues. Per an agreement dated January 21, 2018 that memorialized a September 30, 2017 oral agreement, the Company and its largest distributor cancelled their distributorship agreement dated September 5, 2015. See Note 15 below.

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 September 30, 2017, which consist of convertible instruments and rights to shares of the Company's common stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

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

Convertible Instruments

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

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

Recently Issued Accounting Pronouncements

In September 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-13, *Revenue Recognition, Revenue from Contracts with Customers, Leases*. The ASU adds SEC paragraphs to the new revenue and leases sections of the Accounting Standards Codification (ASC or Codification) on the announcement the SEC Observer made at the 20 July 2017 EITF meeting. The SEC Observer said that the SEC staff would not object if entities that are considered public business entities only because their financial statements or financial information is required to be included in another entity’s SEC filing use the effective dates for private companies when they adopt ASC 606, Revenue from Contracts with Customers, and ASC 842, Leases. This would include entities whose financial statements are included in another entity’s SEC filing because they are significant acquirees under Rule 3-05 of Regulation S-X, significant equity method investees under Rule 3-09 of Regulation S-X and equity method investees whose summarized financial information is included in a registrant’s financial statement notes under Rule 4-08(g) of Regulation S-X. The Company is currently evaluating the impact of adopting this guidance.

In July 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-11, *Earnings Per Share; Distinguishing Liabilities from Equity; Derivatives and Hedging; Accounting for Certain Financial Instruments with Down Round Features; Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. An entity will no longer have to consider “down round” features (i.e., a provision in an equity-linked financial instrument or an embedded feature that reduces the exercise price if the entity sells stock for a lower price or issues an equity-linked instrument with a lower exercise price) when determining whether certain equity-linked financial instruments or embedded features are indexed to its own stock. An entity that presents earnings per share (EPS) under ASC 260 will recognize the effect of a down round feature in a freestanding equity-classified financial instrument only when it is triggered. The effect of triggering such a feature will be recognized as a dividend and a reduction to income available to common shareholders in basic EPS. The new guidance will require new disclosures for financial instruments with down round features and other terms that change conversion or exercise prices. The ASU also replaces today’s indefinite deferral of the guidance in ASC 480-10 for certain mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests with a scope exception. This change does not require any transition guidance because it does not have an accounting effect. The Company is currently evaluating the impact of adopting this guidance.

In October 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-16, *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*. The ASU eliminates the deferral of the tax effects of intra-entity asset transfers other than inventory. As a result, the tax expense from the intercompany sale of assets, other than inventory, and associated changes to deferred taxes will be recognized when the sale occurs even though the pre-tax effects of the transaction have not been recognized. The effect of the adoption of the standard will depend on the nature and amount of any future transactions.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows; Classification of Certain Cash Receipts and Cash Payments*. The new standard addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The eight issues are: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned insurance policies; distribution received from equity method investees; beneficial interests in securitization transactions; separately identifiable cash flows and application of the predominance principle. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within fiscal periods beginning after December 15, 2019. The Company is currently evaluating the impact of adopting this guidance.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers*. The new standard clarifies the implementation guidance on principal versus agent considerations in Topic 606, *Revenue from Contracts with Customers*. Topic 606 addresses that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. When an entity is a principal (that is, if it controls the specific good or service before that good or service is transferred to a customer) and satisfies a performance obligation, the entity recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specific good or service transferred to the customer. When an entity is an agent and satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specific good or service to be provided by the other party. The new standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued ASU No. 2016-2, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. Similarly, lessors will be required to classify leases as sales-type, finance or operating, with classification affecting the pattern of income recognition. Classification for both lessees and lessors will be based on an assessment of whether risks and rewards as well as substantive control have been transferred through a lease contract. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. A modified retrospective transition approach is required for leases for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of adopting this guidance.

Note 3 – Segment Reporting

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

Monitoring fees on Company installed units

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

Distributorships

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Segment gross profit (a)				
Monitoring	\$ 336,322	\$ 56,634	\$ 562,313	\$ 173,571
Distributorships	41,276	78,225	229,990	78,225
Gross profit	<u>377,598</u>	<u>134,859</u>	<u>792,303</u>	<u>251,796</u>
Identifiable segment operating expenses (b)				
Monitoring	86,543	5,911	143,955	21,468
Distributorships	3,552	9,810	89,642	9,810
	<u>90,095</u>	<u>15,721</u>	<u>233,597</u>	<u>31,278</u>
Identifiable segment operating income (c)				
Monitoring	249,779	50,723	418,358	152,103
Distributorships	37,724	68,415	140,348	68,415
	<u>287,503</u>	<u>119,138</u>	<u>558,706</u>	<u>220,518</u>
Reconciliation of identifiable segment income to corporate income (d)				
Payroll	288,512	32,391	457,288	103,666
Professional fees	16,603	4,266	93,505	65,887
General and administrative expenses	253,427	114,216	579,172	332,547
Depreciation	417	320	1,057	1,693
Interest expense	145,740	41,790	440,538	111,715
Change in fair value of derivative liability	6,474	(16,814)	(11,018)	2,798
Loss on extinguishment of debt	-	116,541	305,000	116,541
Loss before provision for income taxes	<u>(423,670)</u>	<u>(173,572)</u>	<u>(1,306,836)</u>	<u>(514,329)</u>
Provision for income taxes	-	-	1,600	1,600
Net loss	<u>\$ (423,670)</u>	<u>\$ (173,572)</u>	<u>\$ (1,308,436)</u>	<u>\$ (515,929)</u>
Total net property, plant, and equipment assets				
Monitoring			\$ 562,542	\$ 127,815
Distributorships			350,298	58,410
Corporate			12,889	2,599
			<u>\$ 925,729</u>	<u>\$ 188,824</u>

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

Note 4 – Furniture and Equipment

Furniture and equipment consist of the following:

	September 30, 2017	December 31, 2016
Monitoring Units	\$ 1,198,057	\$ 419,898
Furniture, Fixtures, and Equipment	4,798	4,798
Software	11,667	-
Total Assets	1,214,522	424,696
Less: Accumulated Depreciation	(288,794)	(68,350)
Furniture and Equipment, net	\$ 925,728	\$ 356,346

Depreciation expense for the three and nine months ended September 30, 2017 and 2016 were \$90,512 and \$16,041, and \$234,654 and \$32,971, respectively. \$27,200 in monitoring units and \$14,211 in related accumulated depreciation were disposed of in the three months ended September 30, 2017.

Note 5 – Deposits

Deposits consist of the following:

	September 30, 2017	December 31, 2016
Deposit for BDI-747 units	\$ -	\$ 250,000
Other	5,131	6,254
Total	\$ 5,131	\$ 256,254

Note 6 – Accrued Expenses

Accrued Expenses consist of the following:

	September 30, 2017	December 31, 2016
Accrued payroll and payroll taxes	\$ 218,975	\$ 65,292
Miscellaneous	16,423	3,503
Total	\$ 235,398	\$ 68,795

Note 7 - Deferred revenue

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

	September 30, 2017	December 31, 2016
Monitoring deferred revenues	\$ 91,057	\$ 103,831
Distributorship deferred revenues	-	2,500
Total	\$ 91,057	\$ 106,331

Note 8 – Notes Payable

Notes payable consist of the following:

	September 30, 2017		December 31, 2016	
	Principal	Accrued interest	Principal	Accrued interest
Convertible notes				
Convertible note #1	\$ 7,500	\$ 208	\$ 7,500	\$ 31
Debt discount	-	-	(3,104)	-
Convertible note #2	50,000	2,034	50,000	1,617
Debt discount	(3,115)	-	(20,620)	-
Subtotal convertible notes net	<u>54,385</u>	<u>2,242</u>	<u>33,776</u>	<u>1,648</u>
Promissory notes				
Promissory note #1	-	-	990	-
Promissory note #2	-	-	13,278	-
Debt discount	-	-	(3,510)	-
Promissory note #3	50,000	1,500	50,000	-
Debt discount	(13,542)	-	(32,292)	-
Promissory note #4	10,000	2,200	10,000	400
Debt discount	(384)	-	(7,308)	-
Promissory note #5	36,100	1,504	36,100	3,581
Promissory note #6	5,040	-	5,040	106
Debt discount	(420)	-	(4,200)	-
Promissory note #7	24,960	2,629	24,960	-
Promissory note #8	50,000	2,083	50,000	-
Promissory note #9	50,400	1,050	-	-
Debt discount	(8,085)	-	-	-
Promissory note #10	70,000	2,917	-	-
Debt discount	(22,166)	-	-	-
Promissory note #11	75,000	3,411	-	-
Debt discount	(24,583)	-	-	-
Subtotal promissory notes net	<u>302,320</u>	<u>17,294</u>	<u>143,058</u>	<u>4,087</u>
Royalty notes				
Royalty note #1	15,107	-	46,876	-
Debt discount	(14,549)	-	(45,903)	-
Royalty note #2	15,178	-	48,938	-
Debt discount	(14,844)	-	(41,133)	-
Royalty note #3	192,000	8,000	192,000	-
Debt discount	(128,000)	-	(176,000)	-
Royalty note #4	325,000	13,542	325,000	4,375
Debt discount	(225,894)	-	(311,258)	-
Subtotal royalty notes net	<u>163,997</u>	<u>21,542</u>	<u>38,520</u>	<u>4,375</u>
Related party promissory note				
Related party promissory note	-	-	97,749	-
Total notes	<u>\$ 520,702</u>	<u>\$ 41,078</u>	<u>\$ 313,103</u>	<u>\$ 10,110</u>
Current portion				
Current portion	<u>\$ 209,346</u>	<u>\$ 41,078</u>	<u>\$ 238,264</u>	<u>\$ 10,110</u>
Long-term portion				
Long-term portion	<u>\$ 311,356</u>	<u>-</u>	<u>\$ 74,839</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 9). On May 6, 2016 the note holder elected to convert \$7,500 in principal into 30,000 shares of common stock. The note is currently in default.

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

Convertible note #2

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

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

Promissory note #1:

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

Promissory note #2:

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

Promissory note #3:

On March 30, 2016, the Company entered into a borrowing agreement with a third party. The note was for a principal balance of \$50,000 and included 50,000 restricted common shares. 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 had a maturity date of October 31, 2017 and bears interest at 24% per annum. On October 31, 2017, the note was amended to extend the maturity date to October 31, 2018. There are no other changes to the note. 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 had a maturity date of October 1, 2017 and bears interest at 25% per annum. The note required interest only payments of \$752 per month and a balloon payment of \$36,100 for principle upon maturity. The note, along with promissory notes #7, #8, #9, #10, and #11(collectively "The Notes" and all to the same note holder), were amended November 1, 2017 and principal payments on The Notes is to be in sixty monthly payments of \$15,000 principal and \$10,000 monthly fee to commence December 1, 2018.

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 had a maturity date of November 1, 2017 and bears interest at 25% per annum. On November 1, 2017, the note was amended to extend the maturity date to November 1, 2018. There are no other changes to the note. The note requires interest only payments of \$105 per month. In connection with the issuance of the note payable, the Company issued a warrant to purchase 50,000 shares of common stock at an exercise price of \$0.10 per share. The warrant has an exercise period of four years from the date of issuance. The Black Scholes model was used in valuing the warrants in determining the relative fair value of the warrant using the following inputs: Expected Term – 4 years, Expected Dividend Rate – 0%, Volatility – 329%, Risk Free Interest Rate -1.56%. The Company recorded a discount of \$5,040, related to the relative fair value of the warrants issued associated with the note to be amortized over the life of the note.

Promissory note #7:

On November 1, 2016, the Company provided an agreement to a third party to obtain a \$24,960 promissory note in exchange for \$24,960 in cash. The promissory note had a maturity date of November 1, 2017 and bears interest at 25% per annum. The note required total payments of \$520 per month and a balloon payment of \$24,960 for principle upon maturity. The note, along with promissory notes #5, #8, #9, #10, and #11(collectively "The Notes" and all to the same note holder), were amended November 1, 2017 and principal payments on The Notes is to be in sixty monthly payments of \$15,000 principal and \$10,000 monthly fee to commence December 1, 2018.

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 had a maturity date of November 1, 2019 and bears interest at 25% per annum. The note required total payments of \$1,042 per month and a balloon payment of \$50,000 for principle upon maturity. The note, along with promissory notes #5, #7, #9, #10, and #11 (collectively “The Notes” and all to the same note holder), were amended November 1, 2017 and principal payments on The Notes is to be in sixty monthly payments of \$15,000 principal and \$10,000 monthly fee to commence December 1, 2018.

Promissory note #9:

On January 15, 2017, the Company provided an agreement to a third party to obtain a \$50,400 promissory note in exchange for \$50,400 in cash. The promissory note had a maturity date of January 15, 2018 and bears interest at 25% per annum. The note required total payments of \$1,042 per month and a balloon payment of \$50,000 for principle upon maturity. The Company recorded a debt discount of \$27,720 related to the value of the issued shares associated with the process of obtaining the note to be amortized over the life of the note. The note, along with promissory notes #5, #7, #8, #10, and #11 (collectively “The Notes” and all to the same note holder), were amended November 1, 2017 and principal payments on The Notes is to be in sixty monthly payments of \$15,000 principal and \$10,000 monthly fee to commence December 1, 2018.

Promissory note #10:

On February 27, 2017, the Company provided an agreement to a third party to obtain a \$70,000 promissory note in exchange for \$70,000 in cash. The promissory note had a maturity date of February 27, 2020 and bears interest at 25% per annum. The note required total payments of \$1,458 per month and a balloon payment of \$70,000 for principle upon maturity. The Company recorded a debt discount of \$28,000 related to the value of the issued shares associated with the process of obtaining the note to be amortized over the life of the note. The note, along with promissory notes #5, #7, #8, #9, and #11 (collectively “The Notes” and all to the same note holder), were amended November 1, 2017 and principal payments on The Notes is to be in sixty monthly payments of \$15,000 principal and \$10,000 monthly fee to commence December 1, 2018.

Promissory note #11:

On March 16, 2017, the Company provided an agreement to a third party to obtain a \$75,000 promissory note in exchange for \$75,000 in cash. The promissory note had a maturity date of March 16, 2020 and bears interest at 25% per annum. The note required total payments of \$1,563 per month and a balloon payment of \$75,000 for principle upon maturity. The Company recorded a debt discount of \$30,000 related to the value of the issued shares associated with the process of obtaining the note to be amortized over the life of the note. The note, along with promissory notes #5, #7, #8, #9, and #11 (collectively “The Notes” and all to the same note holder), were amended November 1, 2017 and principal payments on The Notes is to be in sixty monthly payments of \$15,000 principal and \$10,000 monthly fee to commence December 1, 2018.

Royalty note #1:

On January 20, 2016, the company entered into a non-interest bearing note payable and royalty agreement with a third party. Under the note, the Company borrowed \$65,000 and began to repay the principal amount at a rate of approximately \$937 per month with escalations to approximately \$3,531 per month as of February 2017 until the note is paid in full. In addition, starting in February 2018, the Company will pay the lender a royalty fee of five (\$5) dollars per month for every ignition interlock 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, to be amortized over the life of the note.

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

Royalty note #2:

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

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

Royalty note #3:

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

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

On August 3, 2017, the Company entered into an amendment (“Amendment No. 1 to Royalty Agreement”) with Doheny Group, LLC. The amendment amends the calculation of royalty amounts to a monthly calculation of \$1.30 per unit (whether retail or wholesale unit) on the total number of units each month in perpetuity. The amendment also amends the payment of royalties to commence from and after the effective date of the amendment on all units at customers, beginning with the first unit.

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 September 30, 2017, 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. On March 31, 2017 the Company entered into an agreement with Mr. Wainer to issue to him 1,000,000 Series A Preferred Shares in exchange \$25,537 in accrued salary. On May 19, 2017, the Company amended the March 31, 2017 agreement to forgive \$45,000 in debt owed by Company to Mr. Wainer instead of the forgiveness of \$25,537 in accrued salary. The Company paid back the remaining amounts due under this note in June 2017.

Note 9 – Derivative Financial Instruments

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

The Company has a \$7,500 and a \$50,000 convertible note with variable conversion pricing outstanding at September 30, 2017. The following inputs were used 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 September 30, 2017 and December 31, 2016.

Balance December 31, 2016	\$	73,556
Change in fair market value of derivatives		(11,019)
Balance September 30, 2017 (unaudited)	\$	<u>62,537</u>

Note 10 – Accrued Royalties Payable

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

Note 11 – Stockholders' Equity

Preferred Stock

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

Series A Preferred Stock

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

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

Common Stock

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

During the nine months ended September 30, 2017, the Company issued 27,180 shares of \$0.001 par value common stock for services with a value of \$13,913. The Company also issued 195,400 shares, valued at \$85,720, to a related party in connection with obtaining debt financing. Additionally, the Company issued and sold 3,737,154 shares of its common stock to several investors for an aggregate purchase price of \$653,098. In addition, the Company issued 447,914 common shares in accordance with the anti-dilution provisions of Royalty notes #3 and #4 (see Note 8). The total number of shares issued or issuable as of September 30, 2017 was 24,057,961.

Note 12 – Warrants

The Company issued warrants in individual sales and in connection with common stock purchase agreements. The warrants have expiration dates ranging from three to four years from the date of grant and exercise prices ranging from \$0.10 to \$0.35.

The Company issued 1,000 warrants for services rendered. The warrants have expiration dates of four years from the date of grant and an exercise price of \$1.00. 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 – 286%, Risk Free Interest Rate -1.54%.

A summary of warrant activity for the periods presented is as follows:

	Warrants for Common Shares	Weighted Average		Aggregate Intrinsic Value
		Weighted Average Exercise Price	Remaining Contractual Term	
Outstanding and exercisable as of December 31, 2014	-	\$ -	\$ -	\$ -
Granted	110,000	0.72	2.27	-
Exercised	-	-	-	-
Forfeited, cancelled, expired	-	-	-	-
Outstanding as of December 31, 2015	110,000	\$ 0.72	\$ 2.10	-
Granted	50,000	0.10	4.00	-
Exercised	-	-	-	-
Forfeited, cancelled, expired	-	-	-	-
Outstanding as of December 31, 2016	160,000	\$ 0.53	\$ 1.97	5,250
Granted	4,977,298	0.46	4.00	407,614
Exercised	-	-	-	-
Forfeited, cancelled, expired	-	-	-	-
Outstanding as of September 30, 2017	5,137,298	\$ 0.46	\$ 3.38	412,864

Note 13 – Income (Loss) Per Share

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Preferred shares	-	-	-	-
Convertible notes	375,082	194,008	375,082	205,737
Warrants	5,137,298	110,000	5,137,298	110,000
Options	-	-	-	-
Total anti-dilutive weighted average shares	5,512,380	304,008	5,512,380	315,737

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

Common Shares	24,057,961
Preferred Shares	-
Convertible notes	375,082
Warrants	5,137,298
Options	-
Total potential shares	<u>29,570,341</u>

Note 14 – Commitments and Contingencies

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

On August 28, 2017, the Company entered into a one-year lease with B3 Investments, LLC for a storefront location at Suites D104 and D105, 2406 24th Street, South Phoenix, Arizona. Base rent under the lease is \$1,350 per month plus 2% (\$27) rental tax. The rental agreement includes operating expenses such as common area maintenance, property taxes and insurance.

Legal Proceedings

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

Note 15 – Settlement with Distributor

On January 21, 2018, the Company and its major distributor memorialized a September 30, 2017 oral agreement that terminated their September 5, 2015 distributorship agreement. The distributor had failed to timely make required monthly payments. The Company agreed to not pursue amounts due it from the distributor under the distributorship agreement. However, in the settlement agreement, the parties agreed Lopez would pay the Company the amounts it would have been entitled to under the distributorship agreement if Lopez is paid any amounts from customers or sub-distributors for periods prior to the termination of the distributorship agreement. The Company agreed to assist the distributor in attempting to collect from any sub-distributors that have not paid the distributor amounts owed. The Company has sent letters to all customers of the distributor and believes that it will retain most, if not all, customers. If customers are not retained, the customers will need to have the interlock device removed and returned to the Company. The Company had approximately 900 interlock units rented to the distributor. As of September 30, 2017, \$35,979 in distributor revenue and accounts receivable were reversed out.

Note 16 – Subsequent Events

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

Subsequent to September 30, 2017, and through the date of this filing, the Company has issued a total of 1,072,536 common shares for an aggregate cash purchase price of \$142,300. In connection with these sales of common shares the Company has also issued warrants for 284,600 common shares.

On November 1, 2017, the Company and the Doheny Group entered into an amendment to their November 1, 2016 loan agreement. The new loan agreement extends the term of the loan for sixty months and is to be paid back in sixty equal monthly payments of \$25,000 consisting of \$15,000 principal payment and a monthly fee of \$10,000 to commence on December 1, 2018.

On November 1, 2017, the Company and Joseph Haridim entered into an amendment to their October 31, 2016 loan agreement. The new loan agreement extends the term of the loan for twelve months and the loan is now due in full on November 1, 2018.

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

Disclaimer Regarding Forward Looking Statements

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

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

Overview

We are a previous development stage company that was incorporated in the State of Delaware in July 2013. In the year ending December 31, 2016, we generated total revenues of \$359,765, compared to \$30,569 in the year ending December 31, 2015. From July 2, 2013 (inception) to December 31, 2016, we experienced a net loss and accumulated deficit of \$1,531,330 and total liabilities of \$727,812 including \$97,749 in notes payable to our president, Laurence Wainer. For the three and nine months ended September 30, 2017, we had total revenues of \$436,414 and \$911,926, respectively, and a net loss of \$423,670 and \$1,308,436, respectively.

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

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

Since receiving our NHSTA Certification we have submitted applications to a number of states to be considered as a state-certified breath alcohol ignition interlock manufacturer and provider for all Ignition Interlock Mandated DUI/DWI offenders throughout each state. The process to get the device approved varies greatly state-to-state. As of September 30, 2017, the BDI-747/1 was approved for use in eleven states, namely California, Colorado, Oregon, Texas, Arizona, Kentucky, Oklahoma, Tennessee, Pennsylvania, New York, and Kansas. Our plan for 2018 is to build our infrastructure in the states where we have approval to ensure we can service all areas of those states, as well as to gain approval in an additional 3-5 states.

In states where the BDI-747/1 is approved as a BAIID, we rent the BDI-747/1 devices to offenders, typically for twelve months, but the time could differ on a case-by-case basis depending on the sentence received by the offender. In most states where our device is approved we market, rent, install and support the devices directly and in other states we may sell distributorships to authorized distributors allowing them to rent, install, service, remove and support the BDI-747/1 devices. Currently, we rent the devices directly in eight states and areas – California, Oregon, Colorado, Oklahoma, Tennessee, New York, Kansas, Arizona, Kentucky and Pennsylvania and parts of Texas - and license the device to distributors in one area – Lubbock County, Texas–. We plan to rent and support our devices directly in most states, but will utilize distributors in states and territories where we believe it will be beneficial to us.

In states where we rent the devices directly to consumers, we typically charge between \$159-\$198 in upfront fees for the user (which covers two months of the rent payment), and then between \$59-\$99/month for the remainder of the rental period, which differs depending on the state and the individual consumer. After the upfront payments the rent and payments are month-to-month. The payments cover the installation of the device in the consumer’s vehicle, the rental of the device, recalibration of the device as required by each state (typically every 30 to 60 days) and the monitoring services for the device, which are then reported to the state in accordance with each state’s requirements. In states and areas where we do not have a direct presence, which we have in Los Angeles, California and Phoenix, Arizona, we contract with independent service centers, such as car alarm installation companies or other auto services companies, to perform the installations of our BDI-747/1 device, which centers must be approved by the states in which the perform the installations. Because our devices are installed in consumers’ vehicles are part of a judicially-mandated program, and since the use of the device controls the individual’s driving privileges, collection rates of the monthly leasing fees are 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 January 16, 2018, we had approximately 2,947 units on the road, with approximately 2,872 devices being rented directly from us and approximately 75 devices rented through our distributors. We plan to refine our manufacturing processes and increase our marketing of the device, and more aggressively pursue sales and distributors once we have funds to manufacture additional units.

Our website is www.blowanddrive.com.

Results of Operations

Three Months Ended September 30, 2017 (Unaudited) Compared to Three Months Ended September 30, 2016 (Unaudited)

	For the three months ended September 30,	
	2017	2016
Revenue		
Monitoring revenue	\$ 394,139	\$ 65,533
Distributorship revenue	42,276	78,225
Total revenue	436,415	143,758
Monitoring cost of revenue	57,817	8,899
Distributorship cost of revenue	1,000	-
Total cost of revenue	58,817	8,899
Gross profit	377,598	134,859
Operating expenses		
Payroll	272,900	32,391
Professional fees	16,603	4,266
General and administrative expenses	269,039	114,217
Depreciation	90,512	16,040
Total operating expenses	649,054	166,914
Loss from operations	(271,456)	(32,055)
Other income (expense)		
Interest expense	(145,740)	(41,789)
Change in fair value of derivative liability	(6,474)	16,814
Gain (loss) on extinguishment of debt	-	(116,541)
Total other income (expense)	(152,214)	(141,516)
Net loss	\$ (423,670)	\$ (173,571)

Operating Loss; Net Loss

Our net loss increased by \$250,099, from (\$173,571) for the three months ended September 30, 2016 to (\$423,670) for the three months ended September 30, 2017. Our operating loss increased by \$239,401, from (\$32,055) to (\$271,456) for the same periods. The increase in our net loss for the three months ended September 30, 2017, compared to the three months ended September 30, 2016, is the result of an increase in our payroll expenses of \$240,509, our general and administrative expenses of \$154,822, our depreciation expense of \$74,472, our professional fees of \$12,337, our interest expense of \$103,951, and our change in fair value of derivative liability of \$23,288, offset by an increase in our gross profit of \$242,739 for the period and a decrease in loss on debt extinguishment of \$116,541. These changes are detailed below.

Revenue

During the three months ended September 30, 2017 we had \$436,415 in revenues, with \$394,139 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 \$42,276 coming from revenues received from our distributors, compared to \$65,533 and \$78,225 from these revenue sources for the same period one year ago, respectively. We expect the revenue we receive from monitoring our devices on the road will continue to increase as we have more units on the road. In September 2017, we terminated our agreement dated September 5, 2015 with our major distributor. We sent letters to all customers of the distributor and believe that we will retain most, if not all, of the distributor's customers.

Cost of Revenue

Our cost of revenue for the three months ended September 30, 2017 was \$58,817, compared to \$8,899 for the three months ended September 30, 2016. Our cost of revenue for the three months ended September 30, 2017 was attributed as \$57,817 to monitoring cost of revenue and \$1,000 to distributorship cost of revenue. For the three months ended September 30, 2016, our cost of revenue was completely related to our monthly monitoring services we provide to our customers.

Payroll

Our payroll increased by \$240,509 from \$32,391 for the three months ended September 30, 2016 to \$272,900 for the three months ended September 30, 2017. This increase was related to hiring additional personnel as we put more units on the road and to a large increase in estimated payroll taxes. If we expand our operations, especially by renting units to individuals directly from us (as opposed to through distributors), we expect our payroll will continue to increase as we put additional units on the road.

Professional Fees

Our professional fees increased by \$12,337 from \$4,266 for the three months ended September 30, 2016 to \$16,603 for the three months ended September 30, 2017. These fees are largely related to fees paid for legal, accounting and audit services. We expect these fees to continue grow steadily as our business expands. In the event we undertake an unusual transaction, such as an acquisition, securities offering, or file a registration statement, we would expect these fees to substantially increase during that period.

General and Administrative Expenses

General and administrative expenses increased by \$154,822 from \$114,217 for the three months ended September 30, 2016 to \$269,039 for the three months ended September 30, 2017. Increases were \$73,757 for advertising, \$32,241 for royalties, \$27,349 for investor relations, \$22,020 for bad debt expense, \$13,964 for commissions, \$12,989 for fixed assets disposed of, \$9,688 for travel and related expenses, \$8,180 for telephone, and \$25,191 miscellaneous expenses, offset by decreases of \$11,037 for dues & subscriptions and \$59,520 for stock compensation expense for a former employee in 2016.

Depreciation

Our depreciation increased by \$74,472 from \$16,040 for the three months ended September 30, 2016 to \$90,512 for the three months ended September 30, 2017. Our depreciation expenses in both periods were primarily related to the depreciation of the BDI-747/1 device. We anticipate our depreciation expense will continue to increase as we manufacture more devices.

Interest Expense

Interest expense increased by \$103,951 from \$41,789 for the three months ended September 30, 2016 to \$145,740 for the three months ended September 30, 2017. The interest expense significantly increased for the period ended September 30, 2017, compared to the same period one year ago, due to our increase in outstanding debt compared to one year ago, primarily related to the loans we received from Doheny Group, LLC.

Change in Fair Value of Derivative Liability

During the three months ended September 30, 2017, we had a change in fair value of derivative liability of \$(6,474) compared to \$16,814 for the three months ended September 30, 2016. The change in fair value of derivative liability in the three months ended September 30, 2017, relates to the conversion feature of a promissory note we had outstanding during this period. Since the conversion price on the promissory note is calculated based on a discount to the closing price of our common stock, as our closing price fluctuates it changes the fair value of the derivative liability.

Loss on Extinguishment of Debt

During the three months ended September 30, 2017, we had loss on extinguishment of debt of \$0 compared to (\$116,541) for the three months ended September 30, 2016. The loss on extinguishment of debt in the three months ended September 30, 2016 relates the deemed extinguishment of royalty note #1.

Nine Months Ended September 30, 2017 (Unaudited) Compared to Nine Months Ended September 30, 2016 (Unaudited)

	For the nine months ended September 30,	
	2017	2016
Revenue		
Monitoring revenue	\$ 674,197	\$ 200,188
Distributorship revenue	237,729	78,225
Total revenue	<u>911,926</u>	<u>278,413</u>
Monitoring cost of revenue	111,884	26,617
Distributorship cost of revenue	7,739	-
Total cost of revenue	<u>119,623</u>	<u>26,617</u>
Gross profit	<u>792,303</u>	<u>251,796</u>
Operating expenses		
Payroll	457,288	103,666
Professional fees	93,505	65,887
General and administrative expenses	579,172	332,547
Depreciation	234,654	32,971
Total operating expenses	<u>1,364,619</u>	<u>535,071</u>
Loss from operations	<u>(572,316)</u>	<u>(283,275)</u>
Other income (expense)		
Interest expense	(440,538)	(111,714)
Change in fair value of derivative liability	11,018	(2,798)
Gain (loss) on extinguishment of debt	(305,000)	(116,541)
Total other income (expense)	<u>(734,520)</u>	<u>(231,053)</u>
Loss before provision for income taxes	<u>(1,306,836)</u>	<u>(514,328)</u>
Provision for income taxes	1,600	1,600
Net loss	<u>\$ (1,308,436)</u>	<u>\$ (515,928)</u>

Operating Loss; Net Loss

Our net loss increased by \$792,508, from (\$515,928) for the nine months ended September 30, 2016 to (\$1,308,436) for the nine months ended September 30, 2017. Our operating loss increased by \$289,041, from (\$283,275) to (\$572,316) for the same periods. The increase in our net loss for the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, is the result of an increase in our payroll expenses of \$353,622, our general and administrative expenses of \$246,625, our depreciation expense of \$201,683, our professional fees of \$27,618, our interest expense of \$328,824, and our loss on extinguishment of debt of \$188,459, offset by an increase in our gross profit of \$540,507 for the period and a change in fair value of derivative liability of \$13,816. These changes are detailed below.

Revenue

During the nine months ended September 30, 2017 we had \$911,926 in revenues, with \$674,197 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 \$237,729 coming from revenues paid to us from our distributors, compared to \$278,413 total revenues during the nine months ended September 30, 2016, and \$200,188 and \$78,225 from these revenue sources for the same period one year ago, respectively. We expect the revenue we receive from monitoring our devices on the road will continue to increase as we have more units on the road. In September 2017, the company and its major distributor terminated their agreement dated September 5, 2015. The Company has sent letters to all customers of the distributor and believes that it will retain most, if not all, customers.

Cost of Revenue

Our total cost of revenue for the nine months ended September 30, 2017 was \$119,623, compared to \$26,617 for the nine months ended September 30, 2016. Our cost of revenue for the nine months ended September 30, 2017 was attributed as \$111,884 to monitoring cost of revenue and \$7,739 to distributorship cost of revenue. For the nine months ended September 30, 2016, our cost of revenue of \$26,617 was completely related to our monthly monitoring services we provide to our customers.

Payroll

Our payroll increased by \$353,622, from \$103,666 for the nine months ended September 30, 2016 to \$457,288, for the nine months ended September 30, 2017. This increase was related to hiring additional personnel as we put more units on the road and to a large increase in estimated payroll taxes. If we expand our operations, especially by renting units to individuals directly from us (as opposed to through distributors), we expect our payroll will continue to increase as we put additional units on the road.

Professional Fees

Our professional fees increased \$27,618, from \$65,887 for the nine months ended September 30, 2016 to \$93,505 for the nine months ended September 30, 2017. These fees are largely related to fees paid for legal, accounting and audit services. We expect these fees to continue grow steadily as our business expands. In the event we undertake an unusual transaction, such as an acquisition, securities offering, or file a registration statement, we would expect these fees to substantially increase during that period.

General and Administrative Expenses

General and administrative expenses increased \$246,625, from \$332,547 for the nine months ended September 30, 2016 to \$579,172 for the nine months ended September 30, 2017. Increases were \$73,266 for advertising, \$53,013 for investor relations, \$44,400 for a settlement with a former employee (total settlement was \$50,000, of which \$5,600 was applied to accrued payroll), \$40,593 for royalties, \$22,020 for bad debt expenses, \$21,794 was for postage, \$12,989 for fixed assets disposed of, \$12,833 for travel relate expenses, \$12,569 for commission, \$11,641 for telephone, \$8,233 for office supplies, \$7,198 for software expense, and \$31,041 miscellaneous expense, offset by \$93,520 stock compensation in 2016, and \$11,445 less dues and subscriptions.

Depreciation

Our depreciation increased by \$201,683 from \$32,971 for the nine months ended September 30, 2016 to \$234,654 for the nine months ended September 30, 2017. Our depreciation expenses in both periods were primarily related to the depreciation of the BDI-747/1 device. We anticipate our depreciation expense will continue to increase as we manufacture more devices.

Interest Expense

Interest expense increased by \$328,824 from \$111,714 for the nine months ended September 30, 2016 to \$440,538 for the nine months ended September 30, 2017. The interest expense significantly increased for the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, due to our increase in outstanding debt, primarily related to the loans we received from Doheny Group, LLC.

Change in Fair Value of Derivative Liability

During the nine months ended September 30, 2017, we had a change in fair value of derivative liability of \$11,018 compared to (\$2,798) for the nine months ended September 30, 2016. The change in fair value of derivative liability in the nine months ended September 30, 2017, relates to the conversion feature of a promissory note we had outstanding during this period. Since the conversion price on the promissory note is calculated based on a discount to the closing price of our common stock, as our closing price fluctuates it changes the fair value of the derivative liability.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2017, we had loss on extinguishment of (\$305,000) compared to (\$116,541) for the nine months ended September 30, 2016. The loss on extinguishment of debt in the nine months ended September 30, 2017, relates to debt we retired through the issuance of preferred stock to Laurence Wainer.

Liquidity and Capital Resources for the Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Introduction

Our cash on hand as of September 30, 2017 was \$84,370. During the nine months ended September 30, 2017 and 2016, because of our operating losses, we did not generate positive operating cash flows. 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 September 30, 2017 and as of December 31, 2016, respectively, are as follows:

	September 30, 2017	December 31, 2016	Change
Cash	\$ 84,370	\$ 116,309	\$ (31,939)
Total current assets	\$ 135,658	\$ 180,561	\$ (17,494)
Total assets	\$ 1,066,517	\$ 793,161	\$ 313,754
Total current liabilities	\$ 893,453	\$ 531,006	\$ 362,447
Total liabilities	\$ 1,206,595	\$ 727,812	\$ 593,435

Our current assets decreased as of September 2017 as compared to December 31, 2016, primarily due to us having less cash on hand and less accounts receivable. The increase in our total assets between the two periods was primarily related to the increase in property and equipment, offset by decrease in cash.

Our current liabilities increased as of September 30, 2017 as compared to December 31, 2016. This increase was primarily due to increases in our accounts payable, accrued expenses, accrued payroll and related expenses, and accrued interest, offset by decreases in deferred revenue and a note payable to a related party.

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 \$179,428 for the nine months ended September 30, 2017, as compared to \$182,150 for the nine months ended September 30, 2016. For the period in 2017, the net cash used in operating activities consisted primarily of our net loss of \$1,308,436, a decrease in deferred revenue of \$15,274, and a non-cash change in fair value of derivative liability of \$11,019, offset by a decrease in accounts receivable of \$6,760, an increase in accounts payable of \$74,541, an increase in accrued expenses of \$193,409, an increase in accrued interest of \$30,968, a decrease in deposits of \$1,123, a decrease in prepaid expenses of \$792, and changes in non-cash loss on extinguishment of debt of \$305,000, amortization of debt discount of \$275,465, depreciation of \$234,654, shares issued for services of \$14,188, fixed assets disposed of \$12,989, and allowance for doubtful accounts of \$5,412. \$182,150 in cash was used in operating activities for the nine months ended September 30, 2016.

Investments

We had cash used in investing activities in the nine months ended September 30, 2017 of \$567,026 compared to \$176,433 for September 30, 2016. For the nine months ended September 30, 2017, cash used in investing activities related to purchases of furniture and equipment of (\$817,026), partially offset by deposits on units of \$250,000. For the nine months ended September 30, 2016, \$176,433 in cash was used to purchases of furniture and equipment.

Financing

We had net cash provided by financing activities for the nine months ended September 30, 2017 of \$714,515, compared to \$544,351 for the nine months ended September 30, 2016. For the nine months ended September 30, 2017, our net cash from financing activities consisted of proceeds from notes payable of \$195,400 and proceeds from issuance of common stock of \$653,099, partially offset by repayments of notes payable of \$14,268, repayments of royalty notes payable of \$65,529, and repayments relate party note payable of \$54,187. For the nine months ended September 30, 2016, net cash of \$544,351 was provided by financing activities.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

Commitments and Contingent Liabilities

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

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

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

Internal Control over Financial Reporting

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

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

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

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

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

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

PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

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

ITEM 1A Risk Factors

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

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

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

During the quarter ended September 30, 2017, we issued an aggregate of 1,425,936 shares of our common stock to twenty-five non-affiliated investors in exchange for \$236,988. These shares were issued pursuant to stock purchase agreements and were issued with a standard restrictive legend. In connection with these share issuances we also issued warrants to acquire an aggregate of 3,031,872 shares of our common stock, with exercise prices ranging from \$0.25 to \$1.00 per share and that expire either three or four years from the date of grant. The issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the investors are sophisticated investors, known to our management and familiar with our operations.

As of September 30, 2017, we were obligated to issue an aggregate of 158,233 shares of our common stock to Doheny Group, LLC, pursuant to the anti-dilution rights they have under separate agreements with us, but have not yet issued the shares. These shares will be issued with a standard restrictive legend. The issuances will be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, due to the fact the purchasers are sophisticated investors, known to our management and familiar with our operations.

ITEM 3 Defaults Upon Senior Securities

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

ITEM 4 Mine Safety Disclosures

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

ITEM 5 Other Information*Termination of Distributorship Agreement*

On September 30, 2017, we orally agreed with J C Lopez/BDI Interlock, LLC, our primary distributor, to settle a dispute regarding Lopez's failure to pay the required monthly payments owed by Lopez to us under that certain Exclusive Distribution Agreement entered into between the parties on September 5, 2015 (the "Distributorship Agreement"), with such settlement being that the parties agreed to cancel Lopez's distributor territory and the Distributorship Agreement, and that we would be granted the rights to pursue directly any amounts owed to Lopez by either sub-distributors of Lopez or users of our products from Lopez, in exchange for our agreement not to pursue Lopez directly for any amounts Lopez owed us under the Distributorship Agreement up through termination of the Distributorship Agreement. However, in the settlement agreement, the parties agreed Lopez would pay us the amounts we would have been entitled to under the Distributorship Agreement if Lopez is paid any amounts from customers or sub-distributors for periods prior to the termination of the Distributorship Agreement. On January 21, 2018, we entered into a written Settlement Agreement with Lopez to memorialize our oral agreement from September 30, 2017.

ITEM 6 Exhibits

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

- 10.18 (11) [Agreement with Abraham Summers and Gnosis International, LLC](#)
- 10.19 (12) [Termination of Services Agreement by and between Blow & Drive Interlock Corporation, Abraham Summers and Gnosis International, LLC dated June 19, 2017](#)
- 10.20 (13) [Amendment No. 1 to Debt Conversion and Series A Preferred Stock Purchase Agreement dated May 17, 2017](#)
- 10.21 (13) [Amendment No. 1 to Loan and Security Agreement with Doheny Group, LLC dated June 3, 2017](#)
- 10.22 (13) [Amendment No. 1 to Royalty Agreement with Doheny Group, LLC dated June 3, 2017](#)
- 10.23* [Form of Securities Purchase Agreement](#)
- 10.24* [Settlement Agreement by and between Blow & Drive Interlock Corporation and J C Lopez/BDI Interlock, LLC dated January 21, 2018 \(memorializing oral agreement between the parties dated September 30, 2017\)](#)
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer \(filed herewith\).](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Accounting Officer \(filed herewith\).](#)
- 32.1 [Section 1350 Certification of Chief Executive Officer \(filed herewith\).](#)
- 32.2 [Section 1350 Certification of Chief Accounting Officer \(filed herewith\).](#)
- 101.INS ** XBRL Instance Document
- 101.SCH ** XBRL Taxonomy Extension Schema Document
- 101.CAL ** XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF ** XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB ** XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE ** XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

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

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

- (4) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on September 11, 2015.
- (5) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on November 12, 2015.
- (6) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Commission on August 13, 2015.
- (7) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on September 11, 2015.
- (8) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on February 22, 2016.
- (9) Incorporated by reference from our Current Report on Form 8-K filed with the Commission on March 17, 2016.
- (10) Incorporated by reference from our Quarterly Report on Form 10-Q filed with the Commission on August 22, 2016.
- (11) Incorporated by reference from our Quarterly Report on Form 10-Q filed with the Commission on February 7, 2018.
- (12) Incorporated by reference from our Current Report on Form 10-Q filed with the Commission on July 3, 2017.
- (13) Incorporated by reference from our Quarterly Report on Form 10-Q filed with the Commission on February 7, 2018.

SIGNATURES

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

Blow & Drive Interlock Corporation

Dated: February 9, 2018

/s/ Laurence Wainer

By: Laurence Wainer
Chief Executive Officer

EXHIBIT 31.1

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

I, Laurence Wainer, certify that:

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

Dated: February 9, 2018

/s/ Laurence Wainer

By: Laurence Wainer
Chief Executive Officer

EXHIBIT 31.2

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

I, Laurence Wainer, certify that:

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

Dated: February 9, 2018

/s/ Laurence Wainer

By: Laurence Wainer

Interim Chief Financial Officer and Chief Accounting Officer

EXHIBIT 32.1

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

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

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

Dated: February 9, 2018

/s/ Laurence Wainer

By: Laurence Wainer
Chief Executive Officer

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

EXHIBIT 32.2

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

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

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

Dated: February 9, 2018

/s/ Laurence Wainer

By: Laurence Wainer

Interim Chief Financial Officer and Chief Accounting Officer

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

COMMON STOCK PURCHASE & WARRANT AGREEMENT

This Common Stock Purchase Agreement (this "Agreement") is made and entered into effective as of the [] _____ 2018 (the "Effective Date") by and between Blow & Drive Interlock Corporation, a Delaware corporation (the "Company"), and _____, an Individual (the "Purchaser"). The Company and Purchaser shall each be referred to as a "Party" and collectively as the "Parties."

AGREEMENT

1. PURCHASE OF SECURITIES :

On the Closing Date (as hereinafter defined), subject to the terms and conditions set forth in this Agreement, the Purchaser hereby agrees to purchase, and the Company hereby agrees to sell, _____ () **shares of the Company's Common Stock** (the "Shares") at a per-share purchase price of _____ **(\$) per share** ("Per Share Price"), for a total purchase price of _____ **(\$)** (the "Purchase Price").

In addition, the Company hereby agrees to grant the Purchaser _____ free warrants at an exercise price that is equal to One Dollar (\$1.00).

CLOSING AND DELIVERY :

a) Upon the terms and subject to the conditions set forth herein, the consummation of the purchase and sale of the Shares (the "Closing") shall be held simultaneous with the execution of this Agreement, or at such other time mutually agreed upon between the constituent Parties (the "Closing Date"). The Closing shall take place at the offices of counsel for the Company set forth in Section 6 hereof, or by the exchange of documents and instruments by mail, courier, facsimile and wire transfer to the extent mutually acceptable to the Parties hereto.

b) At the Closing:

(i) The Company and the Purchaser shall execute this Agreement, which shall serve as evidence of ownership of the Shares, free from restrictions on transfer except as set forth in this Agreement. Subsequent to the Closing, at a time chosen by the Company in its sole discretion, the Company will issue a stock certificate to the Purchaser to evidence the Shares.

(ii) The Purchaser shall deliver to the Company the Purchase Price via check or wire transfer.

2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY PURCHASER :

The Purchaser hereby represents, warrants and agrees as follows:

a) *Purchase for Own Account*. Purchaser represents that he is acquiring the Shares solely for his own account and beneficial interest for investment and not for sale or with a view to distribution of the Shares or any part thereof, has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same, and does not presently have reason to anticipate a change in such intention.

b) *Ability to Bear Economic Risk*. Purchaser acknowledges that an investment in the Shares involves a high degree of risk, and represents that he is able, without materially impairing his financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss of his investment.

c) *Access to Information*. The Purchaser acknowledges that he is not a director of the Company but has been furnished with such financial and other information concerning the Company, the directors and officers of the Company, and the business and proposed business of the Company as the Purchaser considers necessary in connection with the Purchaser's investment in the Shares. This information is publicly available by means of the Securities and Exchange EDGAR system, including but not limited to accessibility via the OTC Markets website and online systems. As a result, the Purchaser is thoroughly familiar with the proposed business, operations, properties and financial condition of the Company and has discussed with officers of the Company any questions the Purchaser may have had with respect thereto. The Purchaser understands:

- (i) The risks involved in this investment, including the speculative nature of the investment;
- (ii) The financial hazards involved in this investment, including the risk of losing the Purchaser's entire investment;
- (iii) The lack of liquidity and restrictions on transfers of the Shares; and
- (iv) The tax consequences of this investment.

The Purchaser has consulted with the Purchaser's own legal, accounting, tax, investment and other advisers with respect to the tax treatment of an investment by the Purchaser in the Shares and the merits and risks of an investment in the Shares.

d) *Shares Part of Private Placement*. The Purchaser has been advised that the Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), or qualified under the securities law of any state, on the ground, among others, that no distribution or public offering of the Shares is to be effected and the Shares will be issued by the Company in connection with a transaction that does not involve any public offering within the meaning of section 4(a) (2) of the Act and/or Regulation D as promulgated by the Securities and Exchange Commission under the Act, and under any applicable state blue sky authority. The Purchaser understands that the Company is relying in part on the Purchaser's representations as set forth herein for purposes of claiming such exemptions and that the basis for such exemptions may not be present if, notwithstanding the Purchaser's representations, the Purchaser has in mind merely acquiring the Shares for resale on the occurrence or nonoccurrence of some predetermined event. The Purchaser has no such intention.

e) *Further Limitations on Disposition* . Purchaser further acknowledges that the Shares are restricted securities under Rule 144 of the Act, and, therefore, if the Company, in its sole discretion, chooses to issue any certificates reflecting the ownership interest in the Shares, those certificates will contain a restrictive legend substantially similar to the following:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

Without in any way limiting the representations set forth above, Purchaser further agrees not to make any disposition of all or any portion of the Shares unless and until:

(i) There is then in effect a Registration Statement under the Act covering such proposed disposition and such disposition is made in accordance with such Registration Statement; or

(ii) Purchaser shall have obtained the consent of the Company and notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, Purchaser shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act or any applicable state securities laws.

Notwithstanding the provisions of subparagraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by such Purchaser to a partner (or retired partner) of Purchaser, or transfers by gift, will or intestate succession to any spouse or lineal descendants or ancestors, if all transferees agree in writing to be subject to the terms hereof to the same extent as if they were Purchasers hereunder as long as the consent of the Company is obtained.

f) *Sophisticated Investor Status*. The Purchaser is a sophisticated investor.

g) *Purchaser Authorization*. The Purchaser, if not an individual, is empowered and duly authorized to enter into this Agreement under any governing document, partnership agreement, trust instrument, pension plan, charter, certificate of incorporation, bylaw provision or the like; this Agreement constitutes a valid and binding agreement of the Purchaser enforceable against the Purchaser in accordance with its terms; and the person signing this Agreement on behalf of the Purchaser is empowered and duly authorized to do so by the governing document or trust instrument, pension plan, charter, certificate of incorporation, bylaw provision, board of directors or stockholder resolution, or the like.

h) *No Backup Withholding*. The Social Security Number or taxpayer identification shown in this Agreement is correct, and the Purchaser is not subject to backup withholding because (i) the Purchaser has not been notified that he or she is subject to backup withholding as a result of a failure to report all interest and dividends or (ii) the Internal Revenue Service has notified the Purchaser that he or she is no longer subject to backup withholding.

i) During the quarter ended September 30, 2015, we first began to rent our BDI-747/1 devices to end users, either directly or through distributors, and began to provide services related to the devices. As a result, we were no longer considered a “shell” company during this quarter. In our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities Exchange Commission on April 14, 2016, we included “Form 10-type” information regarding our company and our operations. Over one year has passed since the filing of the “Form 10-type” information. As a result, so long as we stay current in our periodic reporting obligations with the Securities and Exchange Commission, any of our shareholders that have held their shares for six months or invested money with us under a convertible instrument (such as convertible notes) and at least six months have passed since the investment, are eligible to utilize the federal exemption from registration provided by Section 4(a)(1), and the safe harbor of Rule 144 thereunder, to remove the restrictive legend from their shares or receive shares without a restrictive legend for the conversion of convertible instruments (so long as the company does not receive additional consideration in connection with the conversion).

3. REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY COMPANY :

The Company hereby represents, warrants and agrees as follows:

a) *Authority of Company*. The Company has all requisite authority to execute and deliver this Agreement and to carry out and perform its obligations under the terms of this Agreement.

b) *Authorization* . All actions on the part of the Company necessary for the authorization, execution, delivery and performance of this Agreement by the Company and the performance of the Company’s obligations hereunder has been taken or will be taken prior to the issuance of the Shares. This Agreement, when executed and delivered by the Company, shall constitute valid and binding obligations of the Company enforceable in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency, the relief of debtors and, with respect to rights to indemnity, subject to federal and state securities laws. The issuance of the Shares will be validly issued, fully paid and non-assessable, will not violate any preemptive rights, rights of first refusal, or any other rights granted by the Company, and will be issued in compliance with all applicable federal and state securities laws, and will be free of any liens or encumbrances, other than any liens or encumbrances created by or imposed upon the Purchaser through no action of the Company; provided, however, that the Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time the transfer is proposed.

c) *Governmental Consents* . All consents, approvals, orders, or authorizations of, or registrations, qualifications, designations, declarations, or filings with, any governmental authority required on the part of the Company in connection with the valid execution and delivery of this Agreement, the offer, sale or issuance of the Shares, or the consummation of any other transaction contemplated hereby shall have been obtained, except for notices required or permitted to be filed with certain state and federal securities commissions, which notices will be filed on a timely basis.

4. INDEMNIFICATION :

The Purchaser hereby agrees to indemnify and defend the Company and its officers and directors and hold them harmless from and against any and all liability, damage, cost or expense incurred on account of or arising out of:

(a) Any breach of or inaccuracy in the Purchaser's representations, warranties or agreements herein;

(b) Any disposition of any Shares contrary to any of the Purchaser's representations, warranties or agreements herein;

(c) Any action, suit or proceeding based on (i) a claim that any of said representations, warranties or agreements were inaccurate or misleading or otherwise cause for obtaining damages or redress from the Company or any director or officer of the Company under the Act, or (ii) any disposition of any Shares.

5. MISCELLANEOUS :

a) *Binding Agreement* . The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. Nothing in this Agreement, expressed or implied, is intended to confer upon any third party any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

b) *Governing Law; Venue* . This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents, made and to be performed entirely within the State of California. The Parties agree that any action brought to enforce the terms of this Agreement will be brought in the appropriate federal or state court having jurisdiction over Los Angeles County, California, United States of America.

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

d) *Titles and Subtitles* . The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

e) *Notices* . All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the Party to be notified, (b) when sent by confirmed facsimile if sent during normal business hours of the recipient, if not, then on the next business day, or (c) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent as follows:

If to the Company: Blow & Drive Interlock Corporation
 5503 Cahuenga Blvd
 Suite 304
 North Hollywood, California 91601
 Attn. Laurence Wainer, CEO

If to Purchaser: Name
 Street
 City ,state

or at such other address as the Company or Purchaser may designate by ten (10) days advance written notice to the other Party hereto.

a) *Modification; Waiver* . No modification or waiver of any provision of this Agreement or consent to departure therefrom shall be effective unless in writing and approved by the Company and the Purchaser.

b) *Entire Agreement; Successors* . This Agreement and the Exhibits hereto constitute the full and entire understanding and agreement between the Parties with regard to the subjects hereof and no Party shall be liable or bound to the other Party in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein. The representations, warranties and agreements contained in this Agreement shall be binding on the Purchaser's successors, assigns, heirs and legal representatives and shall inure to the benefit of the respective successors and assigns of the Company and its directors and officers.

c) *Expenses* . Each Party shall pay their own expenses in connection with this Agreement. In addition, should either Party commence any action, suit or proceeding to enforce this Agreement or any term or provision hereof, then in addition to any other damages or awards that may be granted to the prevailing Party, the prevailing Party shall be entitled to have and recover from the other Party such prevailing Party's reasonable attorneys' fees and costs incurred in connection therewith.

d) *Currency*. All currency is expressed in U.S. dollars.

6. WARRANTS:

a) *DEFINITIONS* . As used herein, the following terms shall have the following respective meanings:

- (a) “Exercise Period” shall mean the period commencing with the date hereof and ending there (4) years after the date hereof.
- (b) “Exercise Price” shall be \$1.00 per share.
- (c) “Exercise Shares” shall mean the shares of the Company’s common stock issuable upon exercise of this Warrant.

b) *EXERCISE OF WARRANT* . The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period, by delivery of the following to the Company at its address as set forth in Section 10, below:

- (a) An executed Notice of Exercise in the form attached hereto;
- (b) Payment of the Exercise Price in cash or by check; and
- (c) This Warrant.

Upon the exercise of the rights represented by this Warrant, a certificate or certificates for the Exercise Shares so purchased, registered in the name of the Holder or persons affiliated with the Holder, if the Holder so designates, shall be issued and delivered to the Holder within a reasonable time after the rights represented by this Warrant shall have been so exercised.

The person in whose name any certificate or certificates for Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

c) *ADJUSTMENT IN NUMBER OF SHARES* .

In case at any time or from time to time after the issue date the holders of the common stock of the Company (or any shares of stock or other securities at the time receivable upon the exercise of this Warrant) shall have received, or, on or after the record date fixed for the determination of eligible stockholders, shall have become entitled to receive, without payment therefore, other or additional stock or other securities or property (including cash) by way of stock split, stock dividend, spin-off, reclassification, combination of shares or similar corporate rearrangement, then and in each such case the Holder of this Warrant, upon the exercise hereof as provided in Section 3, shall be entitled to receive the amount of stock and other securities and property which such Holder would hold on the date of such exercise if on the issue date he had been the holder of record of the number of shares of common stock of the Company called for on the face of this Warrant and had thereafter, during the period from the issue date, to and including the date of such exercise, retained such shares and/or all other or additional stock and other securities and property receivable by him as aforesaid during such period, giving effect to all adjustments called for during such period. In the event of any such adjustment, the Exercise Price shall be adjusted to equal (A) the Exercise Price in effect multiplied by the number of shares of common stock into which this Warrant is exercisable immediately prior to the adjustment, divided by (B) the number of shares of common stock into which this Warrant is exercisable immediately after such adjustment. Nothing in this Section or this Warrant will entitle the Holder to receive more than the shares listed above, as adjusted by this Section. There is no provision for the Holder to receive any more shares of the Company’s common stock under this Warrant as a penalty or otherwise.

d) COVENANTS OF THE COMPANY .

(a) *Covenants as to Exercise Shares* . The Company covenants and agrees that all Exercise Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and non-assessable, and free from all taxes, liens and charges with respect to the issuance thereof. The Company further covenants and agrees that the Company will at all times during the Exercise Period have authorized and reserved, free from preemptive rights, a sufficient number of shares of its common stock to provide for the exercise of the rights represented by this Warrant. If at any time during the Exercise Period the number of authorized but unissued shares of the Company's common stock shall not be sufficient to permit exercise of this Warrant, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of common stock to such number of shares as shall be sufficient for such purposes.

(b) *No Impairment* . Except and to the extent as waived or consented to by the Holder, the Company will not, by amendment of its Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder against impairment.

(c) *Notices of Record Date* . In the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend which is the same as cash dividends paid in previous quarters) or other distribution, the Company shall provide to the Holder, at least ten (10) days prior to the date specified herein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend or distribution.

e) REPRESENTATIONS OF HOLDER .

(a) *Acquisition of Warrant for Personal Account*. The Holder represents and warrants that it is acquiring the Warrant and the Exercise Shares solely for its account for investment and not with a view to or for sale or distribution of said Warrant or Exercise Shares or any part thereof. The Holder also represents that the entire legal and beneficial interests of the Warrant and Exercise Shares the Holder is acquiring is being acquired for its account only.

(b) Securities Are Not Registered .

(1) The Holder understands that the Warrant and the Exercise Shares have not been registered under the Securities Act of 1933, as amended (the “Act”) on the basis that no distribution or public offering of the stock of the Company is to be effected. The Holder realizes that the basis for the exemption may not be present if, notwithstanding its representations, the Holder has a present intention of acquiring the securities for a fixed or determinable period in the future, selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the securities. The Holder has no such present intention.

(2) The Holder recognizes that the Warrant and the Exercise Shares must be held indefinitely unless they are subsequently registered under the Act or an exemption from such registration is available. The Holder recognizes that the Company has no obligation to register the Warrant or the Exercise Shares of the Company, or to comply with any exemption from such registration.

(3) The Holder is aware that neither the Warrant nor the Exercise Shares may be sold pursuant to Rule 144 adopted under the Act unless certain conditions are met, including, among other things, the existence of a public market for the shares, the availability of certain current public information about the Company, the resale following the required holding period under Rule 144 and the number of shares being sold during any three-month period not exceeding specified limitations. Holder is aware that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company presently has no plans to satisfy these conditions in the foreseeable future.

(c) Disposition of Warrant and Exercise Shares.

(a) The Holder further agrees not to make any disposition of all or any part of the Warrant or Exercise Shares in any event unless and until:

b) The Company shall have received a letter secured by the Holder from the Securities and Exchange Commission stating that no action will be recommended to the Commission with respect to the proposed disposition;

c) There is then in effect a registration statement under the Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

d) The Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, for the Holder to the effect that such disposition will not require registration of such Warrant or Exercise Shares under the Act or any applicable state securities laws.

(e) The Holder understands and agrees that all certificates evidencing the shares to be issued to the Holder may bear the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

f) FRACTIONAL SHARES . No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Exercise Shares (including fractions) issuable upon exercise of this Warrant may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of an Exercise Share by such fraction.

G) NO STOCKHOLDER RIGHTS . *THIS WARRANT IN AND OF ITSELF SHALL NOT ENTITLE THE HOLDER TO ANY VOTING RIGHTS OR OTHER RIGHTS AS A STOCKHOLDER OF THE COMPANY.*

h) TRANSFER OF WARRANT . This Warrant and all rights hereunder are not transferable by the Holder unless the Holder obtains the express written consent of the Company.

i) LOST, STOLEN, MUTILATED OR DESTROYED WARRANT . If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

J) WAIVER AND AMENDMENT. *ANY TERM OF THIS WARRANT MAY BE AMENDED OR WAIVED ONLY WITH THE WRITTEN CONSENT OF THE HOLDER.*

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IN WITNESS WHEREOF, the Parties have executed this Common Stock Purchase Agreement as of the date first written above.

“Company”

Blow & Drive Interlock Corporation, a Delaware corporation

“Purchaser”

(an “Individual”)

By: Laurence Wainer

Its: President

NOTICE OF EXERCISE

TO: Blow & Drive Interlock Corporation

(1) The undersigned hereby elects to purchase _____ shares of the common stock of Blow & Drive Interlock Corporation, a Delaware corporation (the “Company”), pursuant to the terms of the attached Warrant and based on an exercise price of \$ _____, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said shares of the Company’s common stock in the name of the undersigned or in such other name as is specified below:

(Name)

(Address)

(Date)

(Signature)

(Print name)

SETTLEMENT AGREEMENT

This Settlement Agreement (this “*Agreement*”) is made and entered into as of January 21, 2018, by and between Blow & Drive Interlock Corporation, a Delaware corporation (“*BDIC*”), and J C Lopez/BDI Interlock, LLC (“*Lopez*”) (collectively BDIC and Lopez are referred to herein as the “*Parties*”).

This Agreement is executed with reference to the following facts:

RECITALS

A. The Parties entered in an oral agreement on September 30, 2017, whereby BDIC and Lopez agreed to settle a dispute between the Parties regarding Lopez’s failure to pay the required monthly payments owed by Lopez to BDIC under that certain Exclusive Distribution Agreement entered into between the Parties on September 5, 2015 (the “*Distributorship Agreement*”), with such settlement being the Parties agreed to cancel Lopez’s Territory and the Distributorship Agreement, and that BDIC would be granted the rights to pursue directly any amounts owed to Lopez by either sub-distributors of Lopez or users of BDIC’s products from Lopez, in exchange for BDIC agreeing to not pursue Lopez directly for any amounts Lopez owed BDIC under the Distributorship Agreement up through termination of the Distributorship Agreement.

B. This Agreement is meant to memorialize in writing the Parties oral agreement entered into on September 30, 2017.

C. On September 5, 2015, BDIC contracted with Lopez for Lopez to be BDIC’s exclusive distributor for the Territories, as defined in the Distributorship Agreement, for the purpose of Lopez leasing BDIC’s interlock device to customers in the Territories.

D. Shortly after entering into the Distributorship Agreement, Lopez entered into an Equipment Lease Agreement (the “*Lease Agreement*”) with EZ Interlock, LLC (“*EZI*”), under which EZI would act as a sub-distributor for Lopez and signup customers in the State of Arizona (one of the states in the Territories) to use BDIC’s interlock device, and pay Lopez \$30 per month for each unit EZI placed with a customer.

E. On or about [_____], EZI stopped paying Lopez under the Lease Agreement, which caused Lopez to fail to pay BDIC under the Distributorship Agreement.

F. As of September 30, 2017, EZI owed Lopez approximately [\$_____], and, as a result, Lopez owed BDIC [\$_____].

G. On September 30, 2017, the Parties agreed to settle any and all claims under the Distributorship Agreement, as detailed in “A”, above, and hereby enter into this Agreement to memorialize in writing their prior agreement.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing facts and mutual covenants and agreements herein contained, the Parties agree as follows:

1. Terms of Settlement

a. The Parties agree to settle a dispute between the Parties regarding Lopez's failure to pay the required monthly payments owed by Lopez to BDIC under Distributorship Agreement, with the terms of the settlement being as follows: (i) the Parties agreed to cancel Lopez's Territory and the Distributorship Agreement with BDIC, (ii) BDIC is granted the rights to pursue directly any amounts owed to Lopez by either sub-distributors of Lopez, including, but not limited to, EZI or by direct users of BDIC's products contracted from Lopez, (iii) BDIC agrees to not pursue Lopez directly for any amounts Lopez owes BDIC under the Distributorship Agreement up through termination of the Distributorship Agreement (September 30, 2017), and (iv) despite the termination of the Distributorship Agreement, by this Agreement Lopez may, and will, continue to pursue any and all payments from EZI and any other sub-distributors or direct customers that owe Lopez and/or BDIC money from the use of BDIC's interlock device, whether such amount is due from such party before or after the termination date of the Distributorship Agreement, with Lopez entitled to his portion any amounts collected during the term of the Distributorship Agreement and BDIC entitled to all amounts after the date of termination of the Distributorship Agreement.

b. Lopez agrees to take all reasonable steps to assist BDIC in either: (i) recovering its interlock devices from EZI and any other sub-distributors or direct customers that possess the devices, or (ii) switching customers of Lopez or EZI (or any other sub-distributors) that have BDIC's interlock device on their vehicle over to be direct customers of BDIC.

2. Cooperation . In consideration of this Agreement, the Parties will fully cooperate with each other and their respective counsel as it relates, in any way, to the following: any foreign or domestic dispute (including, but not limited to, litigation, arbitration, and federal, state or local administrative inquiry) arising out of or related to any customers of BDIC's interlock devices that were customers of Lopez and/or his sub-distributors. Full cooperation shall include, but not be limited to, review of documents, attendance at meetings, trial or administrative proceedings, depositions, interviews, or production of documents without the need of the subpoena process. Such cooperation will be mutually provided without further compensation, other than reimbursement for reasonable out of pocket business expenses such as transportation, parking and meals or as specifically agreed in advance and in writing.

3. No Existing Claims . Lopez warrants that neither he nor any entity Lopez controls has any existing claims against BDIC, or any of its present or former employees, and neither Lopez nor any entity Lopez controls has filed any complaints, charges, grievances, or lawsuits against BDIC with any federal, state, or other court or agency in any jurisdiction inside or outside the United States.

4. Attorneys' Fees and Costs . The parties will bear their own fees and costs incurred in connection with negotiating and drafting this Agreement.

5. Advice of Counsel . In executing this Agreement, each party acknowledges that they had the opportunity to consult with, and be advised by, an independent lawyer of their own choice, and that each has executed this Agreement voluntarily after independent investigation, and without fraud, duress, or undue influence.

6. Ambiguities . The parties have reviewed this Agreement, and have had a full opportunity to negotiate its contents. All parties expressly waive any common law or statutory rule of construction that ambiguities are to be construed against the drafter of the Agreement, and each agrees that the language of this Agreement will be in all cases construed as a whole, according to its fair meaning.

7. Choice of Law . The Parties agree that the formation, terms, and construction of this Agreement are governed by the laws of the State of California with venue of any civil matter to be in the County of Los Angeles, State of California, and where applicable, of the United States.

8. Severability . If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be illegal, invalid, or unenforceable, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the Parties shall receive the benefits contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such court or arbitrator, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby

9. Disputes . The Parties agree that, in the event of any dispute between or among them or claim for relief by either party against the other or any agency, successor, or assignee of the other, other than claims for injunctive relief requiring immediate intervention to prevent irreparable harm or damage, no claim for relief shall be filed until the claimant party has notified the other party in writing of the claim and the parties have submitted the matter to the National Arbitration Forum for mediation, under the Rules of Mediation of the Forum. The parties agree to participate, in good faith, in the mediation process, with the purpose to resolve any and all such claims and disputes without the necessity of litigation and agree that with regard to such claims, no claim shall be filed unless and until the parties agree or the mediator declares that an impasse exists.

10. Prevailing Party . If any dispute arises between the Parties concerning this Agreement or their respective rights, duties and obligations hereunder, the Party prevailing in such proceeding, as determined by the arbitrator or court, shall be entitled to reasonable attorneys' fees and costs in addition to any other relief that may be granted.

11. Notices . Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage pre-paid.

12. Counterparts . This Agreement may be executed (including by facsimile transmission or electronic signature) with counterpart signature pages or in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have read the foregoing Agreement, and accept and agree to the provisions contained therein and hereby execute it voluntarily, and with full understanding of its consequences as of September 30, 2017 and the date hereof.

“BDIC”

Blow & Drive Interlock Corporation,
a Delaware corporation

By: Laurence Wainer
Its: Chief Executive Officer

“Lopez”

J C Lopez
an individual

By:
Its:

“ BDI Interlock, LLC ”

By: J C Lopez
Its: Owner/Manager