

AMERICAN CANNABIS COMPANY, INC.

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2017.
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____.

Commission File Number 000-26108



Delaware
(State or other jurisdiction of
incorporation or organization)

90-1116625
(I.R.S. Employer
Identification No.)

5690 Logan St. Unit A
Denver, Colorado
(Address of principal executive offices)

80216
(Zip Code)

(303) 974-4770
(Registrant's telephone number, including area code)

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company

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

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

On August 14, 2017, 51,434,050 shares of common stock were outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN CANNABIS COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and equivalents	\$ 1,675,808	\$ 751,038
Accounts receivable, net	193,538	164,451
Inventory	25,526	42,500
Prepaid expenses and other current assets	17,560	9,825
Total Current Assets	1,912,432	967,814
Property and equipment - net	8,963	11,639
Other Assets	4,500	4,500
TOTAL ASSETS	1,925,895	983,953
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	73,693	55,782
Accounts payable, related party	—	14,325
Advances from clients	12,164	222,188
Accrued and other current liabilities	56,776	36,724
Total Current Liabilities	142,633	329,019
Total Liabilities	142,633	329,019
Commitments and contingencies		
Shareholders' Deficit		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	—	—
Common stock, \$0.00001 par value; 100,000,000 shares authorized; 51,434,050 and 49,847,593 issued and outstanding at June 30, 2017 and December 31, 2016, respectively	514	498
Additional paid-in capital	6,393,870	5,389,384
Accumulated deficit	(4,611,122)	(4,734,948)
Total Shareholders' Deficit	1,783,262	654,934
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 1,925,895	\$ 983,953

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

AMERICAN CANNABIS COMPANY, INC.
RESULTS OF OPERATIONS
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Revenues				
Consulting services	\$ 841,762	\$ 211,863	\$ 1,415,059	\$ 459,473
Product and equipment	111,018	231,785	154,879	524,579
Total Revenues	952,780	443,648	1,569,938	984,052
Cost of Revenues				
Cost of consulting services	87,251	51,278	149,076	99,800
Cost of products and equipment	46,146	145,848	131,205	380,857
Total Cost of Revenues	133,397	197,126	280,281	480,657
Gross Profit	819,383	246,522	1,289,657	503,395
Operating expenses				
General and administrative	439,021	307,953	1,080,026	531,440
Investor relations	11,795	893	16,990	18,068
Selling and marketing	39,069	19,662	77,304	40,477
Research and development	212	1,413	680	1,413
Total Operating expenses	490,097	329,921	1,175,000	591,398
Gain (Loss) from Operations	329,286	(83,399)	114,657	(88,003)
Other Income (expense)				
Interest Income (expense)	540	(1,376)	9,169	(10,329)
Total Other Income (expense)	540	(1,376)	9,169	(10,329)
Net Income (Loss) before taxes	329,286	(84,775)	123,826	(98,332)
Income Tax expense (benefit)	—	—	—	—
NET INCOME (LOSS)	\$ 329,826	\$ (84,775)	\$ 123,826	\$ (98,332)
Basic and diluted net income (loss) per common share *	\$ 0.01	(\$ 0.00)*	\$ 0.00*	(\$ 0.00)
Basic and diluted weighted average common shares outstanding	51,434,050	46,375,168	51,434,050	45,628,580

* denotes an income (loss) of less than \$(0.01).

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

AMERICAN CANNABIS COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows from operating activities:		
Net income (loss)	\$ 123,826	\$ (98,332)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt expense	73,280	13,344
Depreciation	2,676	2,477
Amortization of discount on convertible note payable	—	10,372
Stock-based compensation to employees	401,809	14,422
Stock-based compensation to service providers	—	9,198
Changes in operating assets and liabilities:		
Accounts receivable	(102,367)	(116,795)
Deposits	—	2,845
Inventory	16,974	(293)
Prepaid expenses and other current assets	(7,735)	(18,646)
Advances from Clients	(210,024)	(105,416)
Accrued liabilities and other current liabilities	5,727	(31,214)
Accounts payable	17,911	(146,491)
Net cash provided by (used in) operating activities	<u>322,077</u>	<u>(464,529)</u>
Cash flows from investing activities:		
Purchases of property and equipment	—	(1,662)
Net cash used in investing activities	<u>—</u>	<u>(1,662)</u>
Cash flows from financing activities:		
Proceeds from issuance of convertible notes payable	—	139,065
Proceeds from issuance of common stock	602,693	—
Net cash provided by financing activities	<u>602,693</u>	<u>139,065</u>
Net increase (decrease) in cash and cash equivalents	924,770	(327,126)
Cash and cash equivalents at beginning of period	751,038	555,780
Cash and cash equivalents at end of period	<u>\$ 1,675,808</u>	<u>\$ 228,654</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ —	\$ —
Cash paid for income taxes	\$ —	\$ —
Non-Cash Investing and financing activities:		
Conversion of note payable to common shares	\$ —	\$ 71,500
Common stock issued for debt converted in prior year	<u>2</u>	<u>—</u>

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

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 and 2016
(Unaudited)

Note 1. Description of the Business

American Cannabis Company, Inc. and its subsidiary Company, Hollister & Blacksmith, Inc., doing business as American Cannabis Consulting (“American Cannabis Consulting”), (collectively “the “Company”) are based in Denver, Colorado and operate a fully-integrated business model that features end-to-end solutions for businesses operating in the regulated cannabis industry in states and countries where cannabis is regulated and/or has been de-criminalized for medical use and/or legalized for recreational use. The Company provides advisory and consulting services specific to this industry, designs industry-specific products and facilities, and manages a strategic group partnership that offers both exclusive and non-exclusive customer products commonly used in the industry. American Cannabis Company, Inc. is a publicly listed company quoted on the OTCQB under the symbol “AMMJ”.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company has elected a fiscal year ending on December 31. Certain balance sheet reclassifications have been made to prior period balances to reflect the current period’s presentation format; such reclassifications had no impact on the Company’s consolidated statements of operations or consolidated statements of cash flows and had no material impact on the Company’s consolidated balance sheets.

Use of Estimates in Financial Reporting

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the financial statements during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period in which they are deemed to be necessary. Significant estimates made in the accompanying financial statements include but are not limited to following: those related to revenue recognition, allowance for doubtful accounts and unbilled services, lives and recoverability of equipment and other long-lived assets, contingencies and litigation. The Company is subject to uncertainties, such as the impact of future events, economic, environmental and political factors, and changes in the business climate; therefore, actual results may differ from those estimates. When no estimate in a given range is deemed to be better than any other when estimating contingent liabilities, the low end of the range is accrued. Accordingly, the accounting estimates used in the preparation of the Company’s financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company’s operating environment changes. Changes in estimates are made when circumstances warrant. Such changes and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the financial statements.

Unaudited Interim Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring entries necessary for a fair statement of the periods presented for: (a) the financial position; (b) the result of operations; and (c) cash flows, have been made in order to make the financial statements presented not misleading. The results of operations for such interim periods are not necessarily indicative of operations for a full year.

Stock-Based Compensation

Restricted shares are awarded to employees and entitle the grantee to receive shares of common stock at the end of the established vesting period. The fair value of the grant is based on the stock price on the date of grant. The Company recognizes related compensation costs on a straight-line basis over the requisite vesting period of the award. During the six months ended June 30, 2017, the Company had recognized stock-based compensation expense of \$401,809.

Warrants

As of June 30, 2017, and December 31, 2016, the Company had issued and outstanding warrants to the Company's independent board member to purchase up to two hundred and fifty thousand (250,000) shares of common stock at an exercise price of sixty-three cents (\$0.63) per share were outstanding, exercisable within five (5) years of the date of issuance on November 19, 2014. The warrants were fully-vested as of November 19, 2014, and expire on November 19, 2019. The Company has no issued warrants for the three and six months ended June 30, 2017 and June 30, 2016.

Options

In addition to the warrants as described above, the Company's independent board member shall be eligible to receive options for 400,000 shares of common stock under the Company's incentive plan, as and when duly approved by the Board of Directors. No options have been issued for the three and six months ended June 30, 2016 and 2017.

Reclassifications

Prior year amounts have been reclassified to conform to the current year presentation.

Note 3. Accounts Receivable, net

Accounts receivable, net, was comprised of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Gross accounts receivable	\$ 298,239	\$ 195,872
Less: allowance for doubtful accounts	(104,701)	(31,421)
Accounts receivable, net	<u>\$ 193,538</u>	<u>\$ 164,451</u>

The Company had bad debt expense during the six months ended June 30, 2017 and 2016 of \$73,280 and \$13,344, respectively.

Note 4. Other Assets

Other assets were comprised of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Deposits	\$ 4,500	\$ 4,500
Other assets	<u>\$ 4,500</u>	<u>\$ 4,500</u>

Note 5. Inventory

Inventory as of June 30, 2017 and December 31, 2016 of \$25,526 and \$42,500, respectively, was fully comprised of finished goods.

Note 6. Prepaid expenses and other current assets

Prepaid expenses and other current assets was comprised of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Prepaid expenses	\$ 17,560	9,825
Prepaid expenses and other current assets	<u>\$ 17,560</u>	<u>\$ 9,825</u>

Note 7. Property and Equipment, net

Property and equipment as of June 30, 2017 and December 31, 2016 is summarized as follows:

	June 30, 2017	December 31, 2016
Office equipment	\$ 9,275	\$ 9,275
Furniture and fixtures	9,721	10,175
Machinery & Equipment	<u>2,337</u>	<u>2,337</u>
Less accumulated depreciation	<u>(12,370)</u>	<u>(10,148)</u>
Property and equipment, net	<u>\$ 8,963</u>	<u>\$ 11,639</u>

Note 8. Related Party Transactions

During the three months ended June 30, 2017, the Company incurred \$13,988 of expense payable to Prince & Tuohey CPA, Ltd., a company in which J. Michael Tuohey, the Company's Chief Financial Officer, is an owner. Amounts owed as of June 30, 2017 and December 31, 2016, were \$0 and \$14,325, respectively.

Note 9. Accrued and Other Current Liabilities

Accrued and other current liabilities was comprised of the following at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Accrued payroll liabilities	7,034	12,903
Accrual for inventory products sold and shipped (in transit)	—	—
Other accruals	49,742	14,986
Accrued and other current liabilities	<u>\$ 56,776</u>	<u>\$ 36,724</u>

Note 10. Commitments and Contingent Liabilities

On January 20, 2016, we were named as a defendant in a civil suit entitled: Anthony Baroud vs. Hollister & Blacksmith, Inc., dba American Cannabis Company filed in the Circuit Court of Cook County, Illinois. The lawsuit sought damages of \$100,000 related to a terminated employment contract. The Company filed a motion to dismiss the case based upon the employment contract, which required mandatory contractual arbitration of disputes. On May 18, 2016, the Circuit Court of Cook County, Illinois granted the Company's motion and the case was dismissed. On November 1, 2016, the Company received notice of a demand for arbitration filed with the American Arbitration Association by Mr. Baroud on October 27, 2016. The Company filed an answer denying liability and a cross compliant for damages against Mr. Baroud. The case is in litigation and an arbitration hearing is set for September 11-12, 2017.

Note 11. Stockholders' Equity*Preferred Stock*

American Cannabis Company, Inc. is authorized to issue 5,000,000 shares of preferred stock at \$0.01 par value. No shares of preferred stock were issued and outstanding during the three months or six months ended June 30, 2017, and 2016 respectively.

Common Stock

American Cannabis Company, Inc. is authorized to issue 100,000,000 common shares at \$0.00001 par value per share.

On December 28, 2016, the Company received conversion notice from a note holder to issue 237,885 shares of common stock for conversion of note principal of \$25,000 and accrued interest of \$2,000. The 237,885 shares of common stock were issued in January 2017.

For the six months ended June 30, 2017, the Company issued 439,182 shares of common stock for services valued at \$401,809.

For the six months ended June 30, 2017, pursuant to the amended and restated Investment Agreement between the Company and Tangiers Global, LLC, the Company sold 909,390 registered common shares to Tangiers for proceeds of \$602,693.

The employment agreement of Mr. Terry Buffalo effective January 1, 2017 granted him an aggregate of 900,000 shares of common stock vesting in the following amounts and schedule: December 31, 2016: 200,000 shares; December 31, 2017: 300,000 shares; and, December 31, 2018: 400,000 shares. The company took an expense of \$184,000 during the six months ended June 30, 2017 associated with the first tranche of 200,000 shares. Also, the company was recognizing the fair value of the second two tranches over the vesting periods.

On June 28, 2017 the company amended the agreement with Mr. Buffalo whereby the 300,000 and 400,000 tranches of shares were replaced with an award of warrants. As a result of the forfeiture of those portions of the award, the Company reversed the previously recognized compensation expense of \$115,000 associated with the forfeited unvested awards. The warrants awarded provide for the purchase common stock in the Company in the following amounts: 300,000 shares for calendar year 2017 and 400,000 shares for calendar year 2018, with a strike price calculated using the average closing price of the Company's common stock for a thirty (30) day period prior to the close of the Company's fiscal year end. A grant date for the warrants has not yet been established and will be established at the time that the strike price is known.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

Background

American Cannabis Company, Inc. and subsidiary company, Hollister & Blacksmith, Inc., doing business as American Cannabis Consulting (“American Cannabis Consulting”), (collectively “the “Company”, “we”, “us”, or “our”) are based in Denver, Colorado and operate a fully-integrated business model that features end-to-end solutions for businesses operating in the regulated cannabis industry in states and countries where cannabis is regulated and/or has been de-criminalized for medical use and/or legalized for recreational use. The Company provides advisory and consulting services specific to this industry, manufactures proprietary industry solutions including; the Satchel™, SoHum Living Soils™, Cultivation Cube™ and the High Density Cultivation System.™ The Company also sells 3rd party industry-specific products and manages a strategic group partnership that offers both exclusive and non-exclusive customer products commonly used in the industry. American Cannabis Company, Inc. is a publicly listed company quoted on the OTCQB under the symbol “AMMJ”.

We were incorporated in the State of Delaware on September 24, 2001 under the name Naturewell, Inc. to develop and market clinical diagnostic products using immunology and molecular biologic technologies.

On March 13, 2013, Naturewell, Inc. completed a merger transaction whereby it acquired 100% of the issued and outstanding share capital of Brazil Interactive Media, Inc. (“BIMI”), which operated as a Brazilian interactive television company and television production company through its wholly owned Brazilian subsidiary company, EsoTV Brasil Promoção Publicidade Licenciamento e Comércio Ltda. (“EsoTV”). Naturewell’s Articles of Incorporation were amended to reflect a new name: Brazil Interactive Media, Inc.

On May 15, 2014, BIMI entered into a merger agreement (“the Merger Agreement”) to acquire 100% of the issued and outstanding American Cannabis Consulting while simultaneously disposing of 100% of the issued share capital EsoTV (“the Separation Agreement”). Both the merger with American Cannabis Consulting and disposal of EsoTV were completed on September 29, 2014. BIMI subsequently amended its Articles of Incorporation to change its name to American Cannabis Company, Inc. On October 10, 2014, American Cannabis Company, Inc changed its stock symbol from BIMI to AMMJ.

The foregoing descriptions of the Merger Agreement and Separation Agreement do not purport to be complete and are qualified in their entirety by the terms of such agreements, which are filed as exhibits to the Current Report on Form 8-K filed by the Company with the U.S. Securities and Exchange Commission (“SEC”) on October 3, 2014.

Immediately following the completion of the Merger Agreement, former shareholders of American Cannabis Consulting owned 31,710,628 shares of American Cannabis Company, Inc.’s common stock representing 78.4% of American Cannabis Company, Inc.’s issued and outstanding share capital. Accordingly, American Cannabis Consulting was deemed to have been the accounting acquirer in a Reverse Merger which resulted in a recapitalization of the Company. Consequently, the Company’s consolidated financial statements reflect the results of American Cannabis Consulting since Inception (March 5, 2013) and of American Cannabis Company, Inc. (formerly BIMBI) since September 29, 2014.

Results of Operations

For the three months ended June 30, 2017 compared to three months ended June 30, 2016.

The following table presents our consolidated operating results for the three months ended June 30, 2017 compared to the three months ended June 30, 2016:

	Three Months Ended June 30, 2017	% of Revenues	Three Months Ended June 30, 2016	% of Revenues	\$ Change
Revenues					
Consulting services	\$ 841,762	88.3	211,863	47.8	\$ 629,899
Products and equipment	111,018	11.7	231,785	52.2	(120,767)
Total revenues	952,780	100.0	468,745	100.0	509,132
Costs of revenues					
Cost of consulting services	87,251	9.2	51,278	11.6	35,973
Cost of products and equipment	46,146	4.8	145,848	32.9	(99,702)
Total costs of revenues	133,397	14.0	197,126	44.4	(63,729)
Gross profit	819,383	86.0	246,522	55.6	572,861
Operating expenses					
General and administrative	439,021	46.1	307,953	69.4	(131,068)
Investor relations	11,795	1.2	893	0.2	10,902
Selling and marketing	39,069	4.1	19,662	4.4	19,407
Research and development	212	0.0	1,413	0.3	(1,201)
Total operating expenses	490,097	51.4	329,921	74.4	160,176
Income (loss) from operations	329,286	34.6	(83,339)	(18.8)	412,685
Other income (expense)					
Interest expense, net	540	0.0	(1,376)	(0.3)	1,916
Total other income (expense)	540	0.0	(1,376)	(0.3)	1,916
Net income (loss) before income taxes	\$ 329,826	34.6	\$ (84,775)	(19.1)	\$
Income tax expense (benefit)	0	0	0	0.0	0
Net income (loss)	\$ 329,826	34.6	\$ (84,775)	(19.1)	\$ 414,601

Revenues

Total revenues were \$952,780 for the three months ended June 30, 2017 as compared to \$468,745 for the three months ended June 30, 2016, an increase of \$509,132. Consulting service revenues increased for the three months ended June 30, 2017, \$841,762 or 88.3% of total revenues, versus \$211,863 or 47.8% of total revenues for the three months ended June 30, 2016. We experienced a decrease in our product and equipment revenues as amounts for the three months ended June 30, 2017 were \$111,018 or 11.7% of total revenues, versus \$231,785 or 52.2% of total revenues for three months ended June 30, 2016. This decrease was attributed to the lifecycle of client contracts with the company experiencing spikes in product revenues during facility design and build-outs. The company was not performing any facility build-outs for the three months ended June 30, 2017, while two facility build-outs were in-progress during the three months ended June 30, 2016.

Costs of Revenues

Costs of revenues primarily consist of labor, travel, and other costs directly attributable to providing services or products. During the three months ended June 30, 2017, our total costs of revenues were \$133,397, or 14.0% of total revenues. This compares to total costs of revenues for the three months ended June 30, 2016 of \$197,126 or 44.4% of total revenues. The decrease in costs of revenues of \$63,729 was primarily due to the lower profit margins resulting from the sale of equipment as compared to consulting revenue. For the three months ended June 30, 2017, consulting-related costs were \$87,251, or 9.2% of total revenue, as compared to costs of \$51,278, or 11.6% of revenue for the three months ended June 30, 2016. Costs associated with products and equipment were \$46,146, or 4.8% of total revenue for the three months ended June 30, 2017 as compared to \$145,858, or 32.9% of total revenue for the three months ended June 30, 2016. As a percentage of revenues, the decrease was attributed to the lifecycle of client contracts with the company experiencing spikes in product revenues during design and facility build-outs. The company was not performing any design and facility build-outs for the three months ended June 30, 2017, while two facility build-outs were in-progress during the three months ended June 30, 2016.

Gross Profit

Total gross profit was \$819,383 for the three months ended June 30, 2017, comprised of consulting services gross profit of \$754,511 and products and equipment gross profit of \$64,872. This compares to total gross profit of \$246,522 for the three months ended June 30, 2016, comprised of consulting services gross profit of \$160,585 and products and equipment gross profit of \$85,937. The increase of \$593,926 for consulting services gross profit was due to growth in our new consulting client base and volume of operations. As a percentage of total revenues, gross profit was 86.0% for the three months ended June 30, 2017 as compared to 55.6% for the three months ended June 30, 2016.

Operating Expenses

Total operating expenses were \$490,097, or 51.4% of total revenues for the three months ended June 30, 2017, compared to \$329,921, or 74.4% of total revenues for the three months ended June 30, 2016. This decrease was primarily due to efficiencies in operations.

Other Income (Expense)

Other income (expense) for the three months ended June 30, 2017 was an expense of \$540 as compared with an expense of \$(1,376) for the three months ended June 30, 2016. For the three months ended June 30, 2017 the Company had interest increase of \$540.

Net Income (Profit)

As a result of the factors discussed above, net income (expense) for the three months ended June 30, 2017 was a net profit of \$329,826, or 34.6% of total revenues for the period, as compared to a net loss of (\$84,775), or (19.1%) % of total revenues for the three months ended June 30, 2016, due to the Company being well positioned to capitalize on the growing industry following the November 2016 election.

For the six months ended June 30, 2017 compared to six months ended June 30, 2016.

The following table presents our consolidated operating results for the six months ended June 30, 2017 compared to the six months ended June 30, 2016:

	Six Months Ended June 30, 2017	% of Revenues	Six Months Ended June 30, 2016	% of Revenues	\$ Change
Revenues					
Consulting services	\$ 1,415,059	90.1	459,473	46.7	\$ 955,586
Products and equipment	154,879	9.9	524,579	53.3	(369,700)
Total revenues	<u>1,569,938</u>	<u>100.0</u>	<u>984,052</u>	<u>100.0</u>	<u>585,886</u>
Costs of revenues					
Cost of consulting services	149,076	9.5	99,880	10.1	49,276
Cost of products and equipment	131,205	8.4	380,857	38.7	(249,652)
Total costs of revenues	<u>280,281</u>	<u>17.9</u>	<u>480,657</u>	<u>48.8</u>	<u>(200,376)</u>
Gross profit	<u>1,289,657</u>	<u>82.1</u>	<u>503,395</u>	<u>51.2</u>	<u>786,263</u>
Operating expenses					
General and administrative	1,080,026	68.8	531,440	54.0	548,586
Investor relations	16,990	1.1	18,068	1.8	(1,078)
Selling and marketing	77,304	4.9	40,477	4.1	36,827
Research and development	680	0.0	1,413	0.1	(733)
Total operating expenses	<u>1,175,000</u>	<u>74.8</u>	<u>591,398</u>	<u>60.1</u>	<u>583,602</u>
Income (loss) from operations	114,657	7.3	(88,003)	(8.9)	202,660
Other income (expense)					
Interest expense, net	9,169	0.6	(10,329)	(1.0)	19,498
Total other income (expense)	<u>9,169</u>	<u>0.6</u>	<u>(10,329)</u>	<u>(1.0)</u>	<u>19,498</u>
Net income (loss) before income taxes	\$ 123,826	7.9	\$ (98,332)	(10.0)	\$ 222,158
Income tax expense (benefit)	0	0	0	0.0	0
Net income (loss)	<u>\$ 123,826</u>	<u>7.9</u>	<u>\$ (98,332)</u>	<u>(20.0)</u>	<u>\$ 222,158</u>

Revenues

Liquidity and Capital Resources

As of June 30, 2017, our primary internal sources of liquidity were our working capital, which included cash and cash equivalents of \$1,675,808 and accounts receivable of \$193,538. We also have the ability to raise additional capital as needed through external equity financing transactions. Additionally, considering that our fixed overhead costs are low, we have the ability to issue stock to compensate employees and management, and the level of future revenue we expect to generate from executed client contracts, we believe our liquidity and capital resources to be adequate to fund our operational and general and administrative expenses for at least the next 12 months without needing to raise additional debt or equity funding. There is no guarantee we will have the ability to raise additional capital as needed through external equity financing transactions if required.

Operating Activities

Net cash used in by operating activities for the six months ended June 30, 2017 was a inflow of \$322,077 consisting of net gain of \$123,826, increases in accounts payable of \$17,911 due to inventory product purchases, an decrease in advances from clients \$210,024 which related to recognition of revenues from advances received during 2016 and inventory of \$16,974 based on product purchases. Net cash used in operating activities for the three months ended June 30, 2016 was a use of \$464,529, consisting of net loss of \$98,332, decreases in accounts payable of \$146,491 due to inventory product purchases, an increase in advances from clients \$105,416 which related to recognition of revenues from advances received during 2016 and inventory of \$293 based on product purchases.

Investing Activities

For the six months ended June 30, 2017 and 2016, investing activities were a use of cash of \$0 and (\$1,662) respectively.

Financing Activities

For the six months ended June 30, 2017 and 2016, the net cash from financing activities was \$602,693 and \$139,065 respectively. During the three months ended June 30, 2017, the Company received proceeds of \$602,693 from the proceeds from the issuance of convertible notes payable and from the sale of common stock.

Off Balance Sheet Arrangements

As of June 30, 2017, and December 31, 2016, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Non-GAAP Financial Measures

We use Adjusted EBITA, a non-GAAP metric, to monitor our overall business performance. We define Adjusted EBITA as net income (loss) before interest expense, net, provision for (benefit from) income taxes, stock-based compensation and certain non-recurring expenses. We believe that such adjustments to arrive at Adjusted EBITA provides us with a more comparable measure for managing our business. We also believe that it is a useful measure for securities analysts, investors, and other interested parties in the evaluation of our Company.

A reconciliation of net income (loss) to Adjusted EBITA is provided below.

	Six Months Ended June 30, 2017 (Unaudited)	Six Months Ended June 30, 2016 (Unaudited)
Adjusted EBITA reconciliation:		
Net income (loss)	123,826	(98,332)
Stock-based compensation expense	401,809	23,620
Interest expense, net	—	10,329
Tax expense (benefit)	—	—
Adjusted EBITA	<u>\$ 525,635</u>	<u>\$ 132,281</u>

ITEM 3. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Management of the Company is responsible for maintaining disclosure controls and procedures that are designed to ensure that financial information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the timeframes specified in the Securities and Exchange Commission's rules and forms, consistent with Items 307 and 308 of Regulation S-K.

In addition, the disclosure controls and procedures must ensure that such financial information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

As of June 30, 2017, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") was carried out under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer, and other persons carrying out similar functions for the Company. Based on the evaluation of the Company's disclosure controls and procedures, the Company concluded that during the period covered by this report, such disclosure controls and procedures were not effective.

The Company continues to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. In addition, the Company evaluates and assesses its internal controls and procedures regarding its financial reporting, utilizing standards incorporating applicable portions of the Public Company Accounting Oversight Board's 2009 Guidance for Smaller Public Companies in Auditing Internal Controls Over Financial Reporting as necessary and on an on-going basis.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of the prevention or detection of misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls

The Company had no reportable changes to its internal controls over financial reporting for the period covered by this report.

The Company will continually enhance and test its internal controls over financial reporting on a continuing basis. Additionally, the Company's management, under the control of its Chief Executive Officer and Chief Financial Officer, will increase its review of its disclosure controls and procedures on an ongoing basis. Finally, the Company plans to designate, in conjunction with its Chief Financial Officer, individuals responsible for identifying reportable developments and the process for resolving compliance issues related to them. The Company believes these actions will focus necessary attention and resources in its internal accounting functions.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 20, 2016, we were named as a defendant in a civil suit entitled: Anthony Baroud vs. Hollister & Blacksmith, Inc., dba American Cannabis Company filed in the Circuit Court of Cook County, Illinois. The lawsuit sought damages of \$100,000 related to a terminated employment contract. The Company filed a motion to dismiss the case based upon the employment contract, which required mandatory contractual arbitration of disputes. On May 18, 2016, the Circuit Court of Cook County, Illinois granted the Company's motion and the case was dismissed. On November 1, 2016, the Company received notice of a demand for arbitration filed with the American Arbitration Association by Mr. Baroud on October 27, 2016. The Company filed an answer denying liability and a cross compliant for damages against Mr. Baroud. The case is in litigation and an arbitration hearing is set for September 11-12, 2017.

ITEM 1A. RISK FACTORS

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

No transactions meeting the reporting requirements of this item occurred during the periods covered by this report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No senior securities were issued and outstanding during the three and nine months ended June 30, 2017 or 2016.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

This list is intended to constitute the exhibit index.

- 10.1 Amended and Restated Investment Agreement dated August 4, 2016 between the Company and Tangiers Global, LLC.
- 10.2 Amended and Restated Registration Rights Agreement dated August 4, 2016 between the Company and Tangiers Global, LLC.
- 31.1 [Certification of Principal Executive Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Principal Financial Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 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*

*Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.

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.

American Cannabis Company, Inc.

Date: August 21, 2017

By: /s/ Terry Buffalo
Terry Buffalo, Chief Executive Officer
(Principal Executive Officer)

Date: August 21, 2017

By: /s/ J. Michael Tuohey
J. Michael Tuohey, Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, Terry Buffalo, certify that:

1. I have reviewed this report on Form 10-Q of American Cannabis Company, Inc., for the fiscal quarter ended June 30, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable 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 controls over financial reporting.

Date: August 21, 2017

/s/ Terry Buffalo

Terry Buffalo

Chief Executive Officer, Principal Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, J. Michael Tuohey, certify that:

1. I have reviewed this report on Form 10-Q American Cannabis Company, Inc., for the fiscal quarter ended June 30, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable 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 controls over financial reporting.

Date: August 21, 2017

/s/ J. Michael Tuohey

J. Michael Tuohey

Chief Financial Officer, Principal Financial Officer

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

In connection with the quarterly report of American Cannabis Company, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Terry Buffalo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

Date: August 21, 2017

/s/ Terry Buffalo

Terry Buffalo

Chief Executive Officer, Principal Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the quarterly report of American Cannabis Company, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Michael Tuohey, principal financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

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

Date: August 21, 2017

/s/ J. Michael Tuohey

J. Michael Tuohey

Chief Financial Officer, Principal Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.