

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 March 31, 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: 333-183360

**EXACTUS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation)

27-1085858

(I.R.S. Employer Identification Number)

4870 Sadler Road, Suite 300

Glen Allen, VA

(Address of Principal Executive Offices)

23060

(Zip Code)

(804) 205-5036

(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

Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Securities Exchange Act of 1934; however, during the preceding 12 months, the registrant has filed all reports that it would have been required to file by Section 15(d) of the Securities Exchange Act of 1934 if the registrant was subject to the filing requirements of the Securities Exchange Act of 1934 during such time frame.

Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate website, if any, any Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (Section 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, smaller reporting company, or an emerging growth company. See 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

The registrant had 33,571,862 shares of Common Stock, par value \$0.0001 per share, outstanding as of May 1, 2017.

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**Exactus, Inc.**  
**(formerly known as Spiral Energy Tech, Inc.)**  
**Condensed Consolidated Balance Sheets**

	<b>March 31,</b> <b>2017</b>	<b>December 31,</b> <b>2016</b>
	<u>(Unaudited)</u>	<u></u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 296,907	\$ 1,055,336
Prepaid expenses	1,024,080	1,019,721
<b>Total current assets</b>	<u>1,320,987</u>	<u>2,075,057</u>
Intangible asset- license agreement	50,000	50,000
<b>TOTAL ASSETS</b>	<u>\$ 1,370,987</u>	<u>\$ 2,125,057</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	391,608	566,495
Accrued expenses	55,358	58,479
<b>Total Current Liabilities</b>	<u>446,966</u>	<u>624,974</u>
<b>TOTAL LIABILITIES</b>	<u>446,966</u>	<u>624,974</u>
<b>Commitments and contingencies (see note 6)</b>		
<b>Stockholders' Equity</b>		
Preferred stock: 50,000,000 authorized; \$0.0001 par value 0 shares issued and outstanding	-	-
Preferred stock Series A: 5,000,000 authorized; \$0.0001 par value 4,558,042 shares issued and 0 shares outstanding	-	-
Preferred stock Series B-1: 32,000,000 authorized; \$0.0001 par value 2,800,000 issued and outstanding	280	280
Preferred stock Series B-2: 10,000,000 authorized; \$0.0001 par value 8,684,000 and 8,584,000 shares issued and outstanding, respectively	868	858
Preferred stock Series C: 1,733,334 authorized; \$0.0001 par value 1,733,334 shares issued and outstanding	173	173
Common stock: 200,000,000 shares authorized; \$0.0001 par value 33,571,862 and 34,071,862 shares issued and outstanding, respectively	3,357	3,407
Additional paid-in capital	3,860,253	3,835,263
Accumulated deficit	(2,940,910)	(2,339,898)
<b>Total Stockholders' Equity</b>	<u>924,021</u>	<u>1,500,083</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 1,370,987</u>	<u>\$ 2,125,057</u>

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

**Exactus, Inc.**  
**(formerly known as Spiral Energy Tech, Inc.)**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>	\$ -	\$ -
<b>Operating Expenses</b>		
General and administration	292,813	104,809
Professional	219,989	97,728
Research and development	88,210	26,750
Impairment of patent	-	4,080
<b>Total operating expenses</b>	<u>601,012</u>	<u>233,367</u>
<b>Net loss from operations</b>	(601,012)	(233,367)
<b>Other Income (loss)</b>		
Loss on disposal of equipment	-	(1,453)
<b>Total other (loss) income</b>	<u>-</u>	<u>(1,453)</u>
Net loss before income taxes	(601,012)	(234,820)
Provision for income tax	-	-
<b>Net Loss</b>	<u>\$ (601,012)</u>	<u>\$ (234,820)</u>
<b>Basic and Diluted Loss per Common Share</b>	<u>\$ (0.02)</u>	<u>\$ (0.54)</u>
<b>Weighted Average Number of Common Shares Outstanding</b>	<u>33,860,762</u>	<u>430,953</u>

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

**Exactus, Inc.**  
**(formerly known as Spiral Energy Tech, Inc.)**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (601,012)	\$ (234,820)
Adjustments to reconcile net loss to cash used in operations:		
Bad debt	-	7,010
Loss on disposal of property and equipment	-	1,453
Impairment of patent	-	4,080
Bank overdraft write-off	-	(1,172)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Prepaid expenses	(4,409)	(25,000)
Increase (decrease) in operating liabilities:		
Accounts payable	(174,887)	72,639
Accrued expenses	(3,121)	9,269
<b>Net Cash Used In Operating Activities</b>	<b><u>(783,429)</u></b>	<b><u>(166,541)</u></b>
<b>Cash Flows From Investing Activities:</b>		
Acquisition of cash balance from Exactus BioSolutions Inc.	-	1,292
<b>Net Cash Used In Investing Activities</b>	<b><u>-</u></b>	<b><u>1,292</u></b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from sale of Series B-2 Preferred Stock	25,000	370,000
Payment for Series A Preferred Stock	-	(50,000)
<b>Net Cash Provided By Financing Activities</b>	<b><u>25,000</u></b>	<b><u>320,000</u></b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(758,429)</b>	<b>154,751</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>1,055,336</u></b>	<b><u>72,342</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u><u>\$ 296,907</u></u></b>	<b><u><u>\$ 227,093</u></u></b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Non-Cash transactions investing and financing activity:</b>		
Acquisition of license agreement from Exactus BioSolutions Inc	<u>\$ -</u>	<u>\$ 50,000</u>
Preferred Stock Series B-2 issued as payment for Note payable	<u>\$ -</u>	<u>\$ 100,000</u>
Preferred Stock Series B-2 issued as payment for Exactus shareholder loans	<u>\$ -</u>	<u>\$ 51,000</u>

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

**Exactus, Inc.**  
**(Formerly known as Spiral Energy Tech, Inc.)**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2017**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying unaudited condensed financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by accounting principles generally accepted in the United States (“GAAP”). The financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission (the “SEC”) by Exactus, Inc. (formerly known as Spiral Energy Tech, Inc. and Solid Solar Energy, Inc.) (“Exactus”, “our”, “us”, “we” or the “Company” refer to Exactus, Inc. and its wholly-owned subsidiary, unless the context otherwise requires) on March 31, 2017. On February 29, 2016, after acquiring all the issued and outstanding capital stock of Exactus BioSolutions, Inc., the Company changed its business focus from drone technology to a life science company. In the opinion of management, this interim information includes all material adjustments, which are of a normal and recurring nature, necessary for fair presentation.

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

The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the entire year or for any other period.

We adopted early application of Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements effective September 30, 2014, therefore, inception-to-date information and other remaining disclosure requirements of Topic 915 are not presented or disclosed.

**NOTE 2. BUSINESS DESCRIPTION AND GOING CONCERN**

***Organization and Business Description***

Exactus was incorporated on January 18, 2008 as “Solid Solar Energy, Inc.” in the State of Nevada as a for-profit Company. On May 16, 2013, we filed a certificate of amendment to the Company’s amended and restated articles of incorporation to change our name to “Spiral Energy Tech., Inc.” from Solid Solar Energy, Inc. On February 29, 2016, we acquired all of the issued and outstanding capital stock of Exactus BioSolutions, Inc. (“Exactus BioSolutions”) pursuant to a Share Exchange Agreement, dated February 29, 2016, with Exactus BioSolutions (the “Share Exchange”). The Company issued 30 million shares of newly-designated Series B-1 Preferred Stock to the shareholders of Exactus BioSolutions in the Share Exchange, representing approximately 87% of voting control of the Company upon consummation of the Share Exchange. As a result of the Share Exchange, Exactus BioSolutions became a wholly-owned subsidiary of Exactus, Inc. Effective March 22, 2016, we changed our corporate name to “Exactus, Inc.” via a merger with our wholly-owned subsidiary, Exactus Acquisition Corp.

Following the Share Exchange, we became a life science company based in Glen Allen, Virginia that plans to develop and commercialize Point-of-Care (POC) diagnostics for measuring proteolytic enzymes in the blood based on a novel detection platform developed by Dr. Krassen Dimitrov, PhD. Our products will employ a disposable assay test strip combined with a portable and easy to use hand held detection unit that provides a result in as little as 30 seconds.

The first product will be used to assay fibrinolysis, which is the process by which clots in the blood are dissolved. The rate of fibrinolysis is carefully regulated in circulation; too little fibrinolysis leads to the formation of clots (thrombosis) and too much fibrinolysis prevents normal coagulation and can lead to excessive bleeding (hemorrhage). An elevated level of fibrinolysis is associated with many pathological conditions including myocardial infarction, pulmonary embolisms/deep vein thrombosis (PE/DVT) and ischemic stroke. Further, complications associated with surgical procedures and trauma can induce a hyperfibrinolytic state, leading to hemorrhage. In all of these medical situations, time is of the essence, and we believe current diagnostic technologies cannot return an actionable result in the time frame necessary to provide timely therapeutic intervention.

The FibrLyzer is expected to provide a simple, rapid and affordable means to assess the fibrinolytic state of a patient in a broad range of applications including (i) the management of hyperfibrinolytic states associated with surgery and trauma, (ii) obstetrics, (iii) diagnosis of acute events such as myocardial infarction and ischemic stroke, (iv) diagnosis of pulmonary embolism and deep vein thrombosis, (v) chronic coronary disease management, and (vi) as a monitoring device to evaluate the effectiveness of coagulation therapy. We anticipate that the use of FibrLyzer will provide the basis for improving management of patients who are at-risk of hemorrhage, expediting treatment, potentially improving patient outcomes, and saving money.

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We plan to follow up FibriLyzer with a similar technology to detect collagenase levels in the blood. This product, MatriLyzer, is intended to be used to detect the recurrence (or initial occurrence in high risk patients) of cancer and can be used as an at-home monitoring device or during routine office visits. The appearance of elevated levels of collagenase, the enzyme that degrades collagen, have been proven to be an early biomarker of recurrent cancer. For patients that have been previously treated for cancer, specifically, solid tumors, if and when the tumor recurs is of paramount importance. Once a tumor has begun to grow and spread, we believe that MatriLyzer can be used to detect this event at an early stage. If desired, our device will be designed to communicate directly with the attending oncologist via a smart phone application to ensure that the tests are being used properly and, when collagenase levels are elevated, both patient and physician will know the patient should have a more thorough examination.

Prior to our acquisition of Exactus BioSolutions pursuant to the Share Exchange, our primary business focus was on developing and commercializing drone technology (the "Former Business").

As of March 31, 2017, we had no products available for sale. There can be no assurance that our technology will be approved for sale or, if approved for sale, be commercially successful. In addition, we operate in an environment of rapid change in technology and are dependent upon the continued services of our current consultants and subcontractors.

As of March 31, 2017, we had \$296,907 of cash. We expect that these funds will not be sufficient to enable us to complete the development of any potential products, including the FibriLyzer. Accordingly, we will need to obtain further funding through public or private equity offerings, debt financing, collaboration arrangements or other sources in order to continue our business. The issuance of any additional shares of common stock, preferred stock or convertible securities could be substantially dilutive to our shareholders. In addition, adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital, we would be forced to delay, reduce or eliminate our research and development programs and may not be able to continue as a going concern.

These financial statements are presented on the basis that we will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business. No adjustment has been made to the carrying amount and classification of our assets and the carrying amount of our liabilities based on the going concern uncertainty. We have considered ASU 2014-15 in consideration of reporting requirements of the going concern financial statements.

The audit report prepared by our independent registered public accounting firm relating to our financial statements for the year ended December 31, 2016 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. We have concluded that the circumstances described above continue to raise substantial doubt about our ability to continue as a going concern as of March 31, 2017.

The Company's headquarters are located at 4870 Sadler Road, Suite 300, Glen Allen, Virginia 23060. The Company's fiscal year end is December 31.

### **NOTE 3. SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Presentation***

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

#### ***Cash and Cash Equivalents***

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of those investments approximates their fair market value due to their short maturity and liquidity. Cash and cash equivalents include cash on hand and amounts on deposit with financial institutions, which amounts may at times exceed federally insured limits. We have not experienced any losses on such accounts and we do not believe we are exposed to any significant credit risk.

Cash and cash equivalents were \$296,907 and \$1,055,336 at March 31, 2017 and December 31, 2016, respectively.

#### ***Long-Lived Assets Including Other Acquired Intangible Assets***

Property and equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives, which is between 3 years for computer equipment and 5-20 years for production equipment. The carrying amount of all long-lived assets is evaluated periodically to determine if adjustment to the depreciation and amortization period or the unamortized balance is warranted. Due to a change in business focus to a life science company in February 2016, we recognized a loss on disposal of drone equipment of \$1,453 and impairment of patents for drone technology of \$4,080 for the three months ended March 31, 2016.

### **Revenue Recognition**

We recognize revenue when it is realized or realizable and estimable in accordance with ASC 605, “Revenue Recognition”.

### **Research and Development Expenses**

We follow ASC 730-10, “Research and Development,” and expense research and development costs when incurred. Accordingly, third-party research and development costs, including designing, prototyping and testing of product, are expensed when the contracted work has been performed or milestone results have been achieved. Research and development costs of \$88,210 and \$26,750 were incurred for the three months ended March 31, 2017 and 2016, respectively.

### **Related Parties**

We follow ASC 850, “Related Party Disclosures,” for the identification of related parties and disclosure of related party transactions. For the three month periods ended March 31, 2017 and 2016, \$75,000 and \$25,000, respectively, were recognized in Research and Development expenses for consulting provided by a director and shareholder. In addition, \$75,000 and \$50,000 was paid to an entity owned by a director and shareholder during the three month periods ended March 31, 2017 and 2016, respectively, for the Licensing Agreement disclosed in Note 4.

### **Earnings per Share**

We compute basic and diluted earnings per share amounts in accordance with ASC Topic 260, “Earnings per Share.” Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if preferred stock converted to common stock and warrants are exercised. Preferred stock and warrants are excluded from the diluted earnings per share calculation if their effect is anti-dilutive.

As of March 31, 2017, the Company had 14,884,001 potential shares and warrants that were excluded from our calculation of diluted earnings per share because their effect would have been anti-dilutive. As of December 31, 2016, the Company had 14,784,001 shares that were considered to be anti-dilutive.

### **Comprehensive Income (Loss)**

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. The Company is required to record all components of comprehensive income (loss) in the financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), are reported net of their related tax effect, to arrive at comprehensive income (loss). The Company had no other comprehensive income or loss for the three months ended March 31, 2017 and 2016, respectively.

### **Recent Accounting Pronouncements**

We have reviewed the FASB issued Accounting Standards Update (“ASU”) accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. We have carefully considered the new pronouncements that alter previous generally accepted accounting principles and do not believe that any new or modified principles will have a material impact on the corporation’s reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of the Company’s financial management.

### **NOTE 4. AGREEMENTS**

Through the Share Exchange, the Company acquired an exclusive license agreement (the “Licensing Agreement”) between Exactus BioSolutions and Digital Diagnostics Inc. (“Digital Diagnostics”) that the Company recognized as an intangible asset. Pursuant to the Licensing Agreement, Digital Diagnostics granted to Exactus BioSolutions an exclusive license to develop, produce and commercialize certain diagnostic products, including the FibriLyzr and MatriLyzr, that utilize certain intellectual property rights owned or licensed by Digital Diagnostics. The Licensing Agreement provides for Exactus BioSolutions and Digital Diagnostics to collaborate through the various steps of the product and device development process, including the development, regulatory approval and commercialization stages. Exactus BioSolutions is required to pay Digital Diagnostics, in cash and/or stock, an initial signing payment, milestone fees triggered by the first regulatory clearance or approval of each of the FibriLyzr and the MatriLyzr, and various sales thresholds, and royalty payments based on the net sales of the products, calculated on a product-by-product basis. In 2016, the Company paid \$50,000 to Digital Diagnostics as part of the initial signing payment under the Licensing Agreement and \$21,659 in legal expenses. As of December 31, 2016, the Company accrued an additional \$171,033 in licensing fees due to closing a financing transaction in the fourth quarter of 2016, of which \$75,000 was paid during the first quarter of 2017 and \$96,033 remained due to Digital Diagnostics as of March 31, 2017. The Company will be obligated to pay additional amount of this initial signing payment upon closing future capital raise transactions. No milestones have been met and no milestone fees have been paid or accrued for through March 31, 2017.

The License Agreement is effective until such time as neither Digital Diagnostics nor Exactus Biosolutions has any obligation to the other under the License Agreement in any country with respect to any product. The License Agreement may be terminated by the Company effective upon at least six (6) months written notice if regulatory approval has been obtained in the U.S. or in the European Union, or upon at least three (3) months written notice if regulatory approval has not been obtained in the U.S. or in the European Union. Either party may terminate the License Agreement in the event the other party materially breaches the License Agreement, or becomes insolvent.

On June 30, 2016, in order to conduct a clinical trial for the Fibrilyzer and other studies, the Company entered into a Master Services Agreement (the "MSA") with Integrium LLC ("Integrium") and PoC Capital, LLC ("PoC Capital"). Under the MSA, Integrium has agreed to perform clinical research services in support of the development of POC diagnostics devices. Integrium is to conduct one or more studies in compliance with FDA regulations and pursuant to the Company's specific service orders. PoC Capital has agreed to fund up to the first \$1,000,000 in study costs and fees due to Integrium, with all fees in costs in excess of that amount being the Company's sole responsibility, in exchange for 1,600,000 shares of the Company's common stock, 1,733,334 shares of newly designated Series C Preferred Stock, and 1,666,667 warrants to purchase the Company's common stock at a price of \$0.60 per share exercisable for three years. The Company has accounted \$1,000,000 as prepaid expenses on the balance sheet. See Note 5 below for additional information regarding the Company's common stock, Series C Preferred Stock and warrants.

## **NOTE 5. EQUITY TRANSACTIONS**

### ***Recapitalization and Change in Control***

On February 29, 2016, the Company consummated the Share Exchange, which resulted in a change in control of the Company. As part of this transaction, the Company acquired a \$50,000 license agreement and \$1,292 in cash and assumed liabilities of \$51,000. The Company initially reported an issuance of 32 million shares of newly designated Series B-1 Preferred Stock to the shareholders of Exactus BioSolutions in the Share Exchange. Due to an anticipated pre-acquisition investment in Exactus BioSolutions that was not made, the final total issued shares of Series B-1 Preferred Stock was 30 million.

The Company has considered the guidance pursuant to Rule 11-01(d) of Regulation S-X and related interpretations and has concluded the acquisition of Exactus BioSolutions pursuant to the Share Exchange is the acquisition of an asset and not of a business. The license agreement and shareholder loans have been accounted for and recorded at historical cost.

Concurrently with the closing of the Share Exchange, the Company closed a private offering of Series B-2 Preferred Stock. The Company sold a total of 2,084,000 shares of Series B-2 Preferred Stock at an offering price of \$0.25 per share, for an aggregate subscription price of \$521,000. The Company originally reported a total of 2,884,000 shares of Series B-2 preferred stock being issued in the offering. Due to: (i) an anticipated investment for 1,000,000 shares which was not made, and (ii) an additional subscription for 200,000 shares for which documentation had not been completed at that time, however, the final total issued shares of Series B-2 Preferred Stock was 2,084,000. The shares sold in the offering included 400,000 shares of Series B-2 preferred stock issued to extinguish a \$100,000 loan and 204,000 shares of Series B-2 preferred stock issued to former creditors of Exactus BioSolutions in exchange for their release of \$51,000 in debt owed by Exactus. After accounting for these issuances, net cash proceeds from the offering were \$370,000. No underwriting discounts or commissions have been or will be paid in connection with the sale of Series B-2 Preferred Stock.

Also on February 29, 2016, the Company entered into Exchange Agreements with certain holders of common stock holding an aggregate of 393,314 post-split (11,636,170 pre-split) shares of common stock. Under the Exchange Agreements, these shareholders exchanged their common stock for a total of 4,558,042 shares of Series A Preferred Stock. These exchanges consisted of: (i) thirteen common stock holders holding 10,894,070 (pre-split) shares of common stock who exchanged their common stock for 3,458,042 shares Series A Preferred Stock, resulting in a (pre-split) exchange ratio of approximately 1 for 3.15, and (ii) one shareholder who, under a separately negotiated agreement, exchanged 742,100 (pre-split) shares common stock for 1,100,000 shares of Series A Preferred Stock, resulting at a (pre-split) exchange ratio of approximately 1.48 for 1. Immediately following such share exchanges, the Company repurchased 50,000 shares of Series A Preferred Stock from a shareholder for a total price of \$50,000.

### ***Reverse Stock Split***

Effective March 22, 2016, the Company performed a reverse split of common stock on a 1 for 29.5849 basis, pursuant to the prior approval by the Board of Directors and a majority of shareholders. On March 22, 2016, the effective date of the reverse split, the Company had approximately 3,608,715 shares of common stock issued and outstanding, which were split into 121,978 shares of common stock. The par value of the common stock was unchanged at \$0.0001 per share, post-split. All per share information in the condensed financial statements gives retroactive effect to the 1 for 29.5849 reverse stock split that was effected on March 22, 2016.

## **Preferred Stock**

The Company's authorized preferred stock consists of 50,000,000 shares with a par value of \$0.0001. On February 17, 2016, the Board of Directors voted to designate a class of preferred stock entitled Series A Preferred Stock, consisting of up to five million (5,000,000) shares, par value \$0.0001. The shares of Series A Preferred Stock were automatically converted to 4,508,042 shares of common stock on March 31, 2016, thirty (30) days after the closing of the Share Exchange and offering of Series B-2 Preferred Stock. As a result, there are 4,558,042 Series A preferred stock issued and zero outstanding as of as of March 31, 2017 and December 31, 2016.

Also on February 17, 2016, the Company's Board of Directors voted to designate a class of preferred stock entitled Series B-2 Convertible Preferred Stock ("Series B-2 Preferred Stock"), consisting of up to six million (6,000,000) shares, par value \$0.0001, with a stated value of \$0.25 per share. With respect to rights on liquidation, winding up and dissolution, holders of Series B-2 Preferred Stock will be paid in cash in full, before any distribution is made to any holder of common or other classes of capital stock, an amount of \$0.25 per share. Shares of Series B-2 Preferred Stock have no dividend rights except as may be declared by the Board in its sole and absolute discretion, out of funds legally available for that purpose. Shares of Series B-2 Preferred Stock are convertible, at the option of the holder, into shares of common stock on a one (1) for one (1) basis. Holders of Series B-2 Preferred Stock have the right to vote as-if-converted to common stock on all matters submitted to a vote of the holders of the Company's common stock. On February 29, 2016, the Company issued 2,084,000 shares of Series B-2 Preferred Stock.

On August 1, 2016, the Company closed a private offering of Series B-2 Preferred Stock. The Company sold a total of 500,000 shares of Series B-2 Preferred Stock to accredited investors at an offering price of \$0.25 per share, for an aggregate subscription price of \$125,000. No underwriting discounts or commissions have been paid in connection with the sale of the Series B-2 Preferred Stock.

Effective October 13, 2016, the Company amended the Certificate of Designation for its Series B-2 Preferred Stock to increase the number of shares of the Series B-2 Preferred Stock from 6,000,000 to 10,000,000 shares. There were no other changes to the terms of the Company's Series B-2 Preferred Stock.

On October 27, 2016, the Company closed a private offering of Series B-2 Preferred Stock. The Company sold a total of 6,000,000 shares of Series B-2 Preferred Stock to accredited investors at an offering price of \$0.25 per share, for an aggregate subscription price of \$1,500,000. No underwriting discounts or commissions have been or will be paid in connection with the sale of the Series B-2 Preferred Stock.

On January 26, 2017, the Company closed a private offering of Series B-2 Preferred Stock. The Company sold a total of 100,000 shares of Series B-2 Preferred Stock to accredited investors at an offering price of \$0.25 per share, for an aggregate subscription price of \$25,000. No underwriting discounts or commissions have been or will be paid in connection with the sale of the Series B-2 Preferred Stock.

There were 8,684,000 and 8,584,000 shares of Series B-2 Preferred Stock issued and outstanding as of March 31, 2017 and December 31, 2016, respectively.

On February 29, 2016, the Company's Board of Directors voted to designate a class of preferred stock entitled Series B-1 Convertible Preferred Stock ("Series B-1 Preferred Stock"), consisting of up to thirty-two million (32,000,000) shares, par value \$0.0001. With respect to rights on liquidation, winding up and dissolution, the Series B-1 Preferred Stock ranks pari passu to the class of common stock. Shares of Series B-1 Preferred Stock have no dividend rights except as may be declared by the Board in its sole and absolute discretion, out of funds legally available for that purpose. Shares of Series B-1 Preferred Stock are convertible, at the option of the holder, into shares of common stock on a one (1) for one (1) basis. Holders of Series B-1 Preferred Stock have the right to vote as-if-converted to common stock on all matters submitted to a vote of holders of the Company's common stock. On February 29, 2016, the Company issued 30,000,000 shares of Series B-1 Preferred Stock, of which 2,800,000 remain outstanding as of March 31, 2017 and December 31, 2016.

On June 30, 2016, pursuant to the MSA summarized in Note 4, the Company's Board of Directors approved a Certificate of Designation authorizing 1,733,334 shares of new Series C Preferred Stock, par value \$0.0001. The Series C Preferred Stock ranks equally with our common stock with respect to liquidation rights and is convertible to common stock on a 1 for 1 basis. The conversion rights of holders of the Series C Preferred Stock are limited such that no holder may convert any shares of preferred stock to the extent that such holder, immediately following the conversion, would own in excess of 4.99% of our issued and outstanding shares of common stock. This limitation may be increased to 9.99% upon 61 days written notice by a holder of the Series C Preferred Stock to the Company. On June 30, 2016, the Company issued 1,733,334 shares of Series C Preferred Stock to PoC Capital valued at \$511,334. As of March 31, 2017 and December 31, 2016, 1,733,334 shares of Series C Preferred Stock are issued and outstanding

### **Common Stock**

The Company's authorized common stock consists of 200,000,000 shares with a par value of \$0.0001.

The Company automatically converted all outstanding shares of Series A Preferred Stock to common stock on March 31, 2016. As a result, 4,508,042 shares of common stock were issued in exchange of 4,508,042 shares of Series A Preferred Stock.

Certain shareholders converted their shares of Series B-1 Preferred Stock to common stock on June 15, 2016. As a result, 27,200,000 shares of common stock were issued in exchange of 27,200,000 shares of Series B-1 Preferred Stock.

On June 30, 2016, pursuant to the MSA summarized in Note 4, the Company issued 1,600,000 shares of common stock to PoC Capital valued at \$480,000.

Pursuant to a services agreement with IRTH Communications, LLC ("IRTH") in which IRTH agreed to perform certain investor relations, financial communications, and strategic consulting services, the Company issued \$100,000 of our common stock, or 141,844 shares, to IRTH on November 18, 2016 in partial consideration for those services. On December 13, 2016, the Company issued an additional 500,000 shares of common stock to IRTH pursuant to an addendum to the services agreement and in consideration of certain additional services, including telemarketing and investor outreach services, to be provided by IRTH. On February 22, 2017, the Company and IRTH agreed that IRTH would not provide the additional services pursuant to an addendum to a services agreement and the 500,000 shares of common stock issued on December 13, 2016 were returned to the Company and retired.

There were 33,571,862 and 34,071,862 common shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively.

### **Warrants and Options**

On June 30, 2016, pursuant to the MSA summarized in Note 4, the Company issued warrants to purchase 1,666,667 common stock shares for a price of \$0.60 per share exercisable for three years to PoC Capital.

These warrants have a grant date fair value of \$0.0052 per warrant, determined using the Black-Scholes method based on the following assumptions: (1) risk free interest rate of 0.71%; (2) dividend yield of 0%; (3) volatility factor of the expected market price of our common stock of 27.2%; and (4) an expected life of the warrants of 3 years.

The Company has recorded a prepaid expense on these warrants of \$8,667 as of June 30, 2016.

There were 1,666,667 warrants outstanding at March 31, 2017 and December 31, 2016.

## **NOTE 6. COMMITMENTS AND CONTINGENCIES**

### **Legal Matters**

On January 20, 2017, Robert F. Parker (the "petitioner") filed a petition in the Supreme Court of the State of New York, County of New York, naming, among others, the Company and Ezra Green, a former shareholder, director and officer of the Company, as respondents. The petition was received by the Company on February 7, 2017. The petitioner previously had a judgment entered in his favor and against Clear Skies Solar, Inc. and its wholly owned subsidiary Clear Skies Group, Inc. (together, "Clear Skies"), in the amount of \$331,132.45, with interest accruing at a rate of 9% per year from November 21, 2014 (the "Judgment"). The Judgment remains outstanding. The petition alleges, among other things, that through a series of allegedly fraudulent conveyances occurring before the Judgment was entered against Clear Skies, the major assets of Clear Skies, which were comprised of various patents, were transferred from Clear Skies to Carbon 612 Corporation ("Carbon"), and from Clear Skies and Carbon to the Company. The petition further alleges, among other things, that the transfers were without fair consideration and rendered Clear Skies, the judgment-debtor, insolvent. The petitioner seeks the entry of a judgment against the Company and the other respondents in the amount of the outstanding Judgment, with all accrued interest, reasonable attorneys' fees and costs and disbursements. We believe the claims against the Company are without merit, and we intend to contest petitioner's claims and defend the matter vigorously. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

## NOTE 7. RELATED PARTY CONSIDERATIONS

Some of the officers and directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities that become available. They may face a conflict in selecting between the Company and other business interests. We have not formulated a policy for the resolution of such conflicts.

For the three months ended March 31, 2017, \$75,000 was recognized in Research and Development expenses for consulting provided by a director and shareholder. As of March 30, 2017, \$125,000 is shown as accrual under accounts payable. In addition, \$75,000 was paid to an entity owned by a director and shareholder during the three month period ended March 31, 2017 for the Licensing Agreement disclosed in Note 4.

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

The following discussion and analysis of our financial condition and results of operations contains information that management believes is relevant to an assessment and understanding of our results of operations. You should read this discussion in conjunction with the Financial Statements and Notes included elsewhere in this report and with the audited financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission (the "SEC") on March 31, 2017. References to "Exactus," the "Company," "we," "us" and "our" refer to Exactus, Inc. and its subsidiary unless the context otherwise requires.

### *Cautionary Language Regarding Forward-Looking Statements*

Certain statements set forth in this report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements regarding future events and financial results, including our ability to complete development of the FibriLyzer, future clinical trials and regulatory approvals, and liquidity, as well as other statements that are not historical facts, are forward-looking statements. These forward-looking statements are generally identified by such words or phrases as "we expect," "we believe," "would be," "will allow," "expects to," "will continue," "is anticipated," "estimate," "project" or similar expressions. While we provide forward-looking statements to assist in the understanding of our anticipated future financial performance, we caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date that we make them. Forward-looking statements are based on current expectations and assumptions that are subject to significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Except as otherwise required by law, we undertake no obligation to publicly release any updates to forward-looking statements to reflect events after the date of this quarterly report on Form 10-Q, including unforeseen events.

Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors that could have a material adverse effect on our operations and results of our business include, but are not limited to:

- our history of operating losses and lack of revenues to date;
- our limited cash resources and our ability to obtain additional funding necessary to develop our products and maintain liquidity;
- the success of our clinical trials through all phases of clinical development;
- the need to obtain regulatory approval of our products and any delays in regulatory reviews or product testing;
- market acceptance of, and our ability to commercialize, our products;
- competition from existing products or new products that may emerge;
- changes in technology;
- our dependence on the development and commercialization of our primary product, the FibriLyzer, to generate revenues in the future;
- our dependence on and our ability to maintain our licensing agreement;
- our ability and third parties' abilities to protect intellectual property rights;
- potential product liability claims;
- our ability to maintain liquidity and adequately support future growth;
- changes in, and our ability to comply with, laws or regulations applicable to the life sciences or healthcare industries;
- our ability to attract and retain key personnel to manage our business effectively; and
- other risks and uncertainties described from time to time, in our filings made with the SEC.

General

On February 29, 2016, the Company consummated a share exchange, which resulted in a change in control of the Company. As part of this transaction, the Company acquired Exactus BioSolutions, Inc. (“Exactus BioSolutions”) and its exclusive license agreement (the “Licensing Agreement”) with Digital Diagnostics Inc. (“Digital Diagnostics”) to develop, produce and commercialize blood diagnostic products that utilize certain intellectual property rights owned or licensed by Digital Diagnostics. The Licensing Agreement provides for Exactus BioSolutions and Digital Diagnostics to collaborate through the various steps of the product and device development process, including the development, regulatory approval and commercialization stages.

As a result of this transaction, Exactus became a life science company that plans to develop and commercialize pursuant to the Licensing Agreement Point-of-Care (“POC”) diagnostics for measuring proteolytic enzymes in the blood based on a proprietary detection platform (the “New Business”). Our primary product, the FibriLyzer, will employ a disposable test “biosensor” strip combined with a portable and easy to use hand held detection unit that provides a result in less than 30 seconds. The initial markets we intend to pursue for the FibriLyzer are (i) the management of hyperfibrinolytic states associate with surgery and trauma, (ii) obstetrics, (iii) diagnosis of acute events such as myocardial infarction and ischemic stroke, (iv) diagnosis of pulmonary embolism and deep vein thrombosis, (v) chronic coronary disease management and (vi) as a monitoring device to evaluate the effectiveness of coagulation therapy. We expect to follow up the FibriLyzer with similar technology, the MatriLyzer to detect collagenase levels in the blood for the detection of the recurrence of cancer. We intend to file to gain regulatory approval to sell our products in the United States, Canada and Europe. Management intends to primarily focus on the development and commercialization of the FibriLyzer and related technology exclusively licensed pursuant to the Licensing Agreement.

On June 30, 2016, we entered into a Master Services Agreement with Integrium, LLC and PoC Capital, LLC to conduct clinical studies for us, including a clinical trial for the FibriLyzer that is scheduled to begin early in the third quarter of 2017.

During the first quarter of 2017, we received feedback from the FDA review of our PreSubmission Package which describes our plans for developing our lead program, the *FibriLyzer*. Through this process, we received confirmation that we are able to proceed with the development of the *FibriLyzer* via the 510(k) pathway. Additionally, we plan to seek a CLIA waiver.

**Results of Operations**

*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016:*

	Three Months Ended March 31,		
	2017	2016	change
Revenue	\$ -	\$ -	\$ -
Operating expenses	601,012	233,367	367,645
Net loss from operations	(601,012)	(233,367)	(367,645)
Other loss	-	(1,453)	1,453
Net loss	<u>\$ (601,012)</u>	<u>\$ (234,820)</u>	<u>\$ (366,192)</u>

Operating expenses increased by \$367,645, from \$233,367 for the three months ended March 31, 2016 to \$601,012 for the comparable period ended March 31, 2017. The difference primarily is attributable to: an increase in professional expense of \$122,261 due to increased legal and accounting expenses as the Company works to raise funds, an increase in R&D expense of \$61,460; and an increase in general and administration expenses of \$188,004 resulting from a rise in management fees due to an increase in full time staff, advertising and promotion expenses, and travel expense. We expect operating expenses to continue to increase throughout 2017 as our need to raise funds continues and we start conducting a clinical trial intended to begin in the third quarter.

The Company had other loss of \$1,453 for the three month period ended March 31, 2016 due to the loss on disposal of equipment from the former drone business..

As a result of the foregoing, we generated a net loss of \$601,012 for the three month period ended March 31, 2017 as compared to a net loss of \$234,820 for the three month period ended March 31, 2016, a change of \$366,192.

## **Liquidity and Capital Resources**

Since our inception in 2008, we have generated losses from operations. As of March 31, 2017, our accumulated deficit was \$2,940,910 of which \$736,959 was related to the Former Business. Our net loss for the three month periods ended March 31, 2017 and 2016 was \$601,012 and \$234,820, respectively.

Net cash used in operating activities for the three month period ended March 31, 2017 was \$783,429. We recorded a net loss for the three month period of \$601,012. Decreases in accounts payable and accrued liabilities further decreased net cash from operating activities by \$178,008.

Net cash used in operating activities for the three month period ended March 31, 2016 was \$166,541. We recorded a net loss of \$234,820 for the period. Other items in uses of funds from operations included non-cash charges related to bad debt, depreciation, and impairment, which collectively totaled \$12,543. Net changes in accounts payable, accrued liabilities, and other assets increased cash by \$56,908.

Net cash provided by investing activity for the three month period ended March 31, 2017 was \$0. Net cash provided by investing activities for the three month period ended March 31, 2016 was \$1,292 due to the acquisition of Exactus BioSolutions.

Net cash provided by financing activities for the three month period ended March 31, 2017 was \$25,000 due to proceeds from our issuance of shares of Series B-2 Preferred Stock. Net cash provided by financing activities for the three month period ended March 31, 2016 was \$320,000 due to proceeds from our issuance of shares of Series B-2 Preferred Stock and offset by our payment for Series A Preferred Stock Series.

As of March 31, 2017, we had \$296,907 of cash. We expect that these funds will not be sufficient to enable us to complete the development of any potential products, including the Fibrilyzer and related technology. Accordingly, we will need to obtain further funding through public or private equity offerings, debt financing, collaboration arrangements or other sources. The issuance of any additional shares of common stock, preferred stock or convertible securities could be substantially dilutive to our shareholders. In addition, adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital, we will be forced to delay, reduce or eliminate our research and development programs and may not be able to continue as a going concern.

## **Going Concern**

The audit report prepared by our independent registered public accounting firm relating to our financial statements for the year ended December 31, 2016 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. We have concluded that the circumstances described above continue to raise substantial doubt about our ability to continue as a going concern as of March 31, 2017.

## **Off-Balance Sheet Arrangements**

As of March 31, 2017, we had no material off-balance sheet arrangements.

In the normal course of business, we may be confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits, claims or the actions of various regulatory agencies. We consult with counsel and other appropriate experts to assess the claim. If, in our opinion, we have incurred a probable loss as set forth by accounting principles generally accepted in the United States, an estimate is made of the loss and the appropriate accounting entries are reflected in our financial statements. After consultation with legal counsel, we do not anticipate that liabilities arising out of currently pending or threatened lawsuits and claims will have a material adverse effect on our financial position, results of operations or cash flows.

## **Critical Accounting Estimates and New Accounting Pronouncements**

### Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made, and changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

### Application of Significant Accounting Policies

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may, therefore, not be comparable to those of companies that comply with such new or revised accounting standards.

Recent Accounting Pronouncements

We have reviewed the FASB issued Accounting Standards Update (“ASU”) accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has carefully considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the corporation’s reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of our financial management and certain standards are under consideration.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures are controls and other procedures that are 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, as amended (the “Exchange Act”) are 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 under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), the Company’s principal executive and financial officers, have conducted an evaluation of the design and effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Our CEO and CFO believe that as of March 31, 2017, our disclosure controls and procedures are not designed at a reasonable assurance level and are ineffective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. The conclusion was due to the presence of the following material weaknesses in disclosure controls and procedures due to our small size and limited resources: (i) inadequate segregation of duties and effective risk assessment; (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both U.S. GAAP and SEC Guidelines; (iii) inadequate security and restricted access to computer systems including insufficient disaster recovery plans; and (iv) no written whistleblower policy.

Our CEO and CFO plan to review and implement appropriate disclosure controls and procedures to remediate these material weaknesses, including (i) appointing additional qualified personnel to address inadequate segregation of duties and ineffective risk management; (ii) adopting sufficient written policies and procedures for accounting and financial reporting and a whistle blower policy; and (iii) implementing sufficient security and restricted access measures regarding our computer systems and implement a disaster recovery plan.

*Changes in Internal Controls over Financial Reporting*

There have been no changes in the internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. Legal Proceedings.**

On January 20, 2017, Robert F. Parker (the “petitioner”) filed a petition in the Supreme Court of the State of New York, County of New York, naming, among others, the Company and Ezra Green, a former shareholder, director and officer of the Company, as respondents. The petition was received by the Company on February 7, 2017. The petitioner previously had a judgment entered in his favor and against Clear Skies Solar, Inc. and its wholly owned subsidiary Clear Skies Group, Inc. (together, “Clear Skies”), in the amount of \$331,132.45, with interest accruing at a rate of 9% per year from November 21, 2014 (the “Judgment”). The Judgment remains outstanding. The petition alleges, among other things, that through a series of allegedly fraudulent conveyances occurring before the Judgment was entered against Clear Skies, the major assets of Clear Skies, which were comprised of various patents, were transferred from Clear Skies to Carbon 612 Corporation (“Carbon”), and from Clear Skies and Carbon to the Company. The petition further alleges, among other things, that the transfers were without fair consideration and rendered Clear Skies, the judgment-debtor, insolvent. The petitioner seeks the entry of a judgment against the Company and the other respondents in the amount of the outstanding Judgment, with all accrued interest, reasonable attorneys’ fees and costs and disbursements. We believe the claims against the Company are without merit, and we intend to contest petitioner’s claims and defend the matter vigorously. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

### **ITEM 1A. Risk Factors.**

There have been no material changes in our risk factors from those disclosed in our annual report on Form 10-K for the year ended December 31, 2016.

### **ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On January 26, 2017, the Company closed a private offering of Series B-2 Preferred Stock. The Company sold a total of 100,000 shares of Series B-2 Preferred Stock to accredited investors at an offering price of \$0.25 per share, for an aggregate subscription price of \$25,000. No underwriting discounts or commissions have been or will be paid in connection with the sale of the Series B-2 Preferred Stock.

### **ITEM 3. Defaults upon Senior Securities.**

None.

### **ITEM 4. Mine Safety Disclosures.**

Not applicable.

### **ITEM 5. Other Information.**

None

### **ITEM 6. EXHIBITS**

- |       |  |
|-------|--|
| 10.1  | Executive Employment Agreement between Exactus, Inc. and Kelley Wendt, effective March 16, 2017 (attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 22, 2017 and incorporated herein by reference) |
| 31.1* | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)  |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)  |
| 32.1* | Certification of Principal Executive Officer pursuant to Rule 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)   |
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- |            |   |
|------------|---|
| 101.INS*** | XBRL Instance Document                        |
| 101.SCH*** | XBRL Taxonomy Extension Schema                |
| 101.CAL*** | XBRL Taxonomy Extension Calculation Linkbase  |
| 101.DEF*** | XBRL Taxonomy Extension Definition Linkbase   |
| 101.LAB*** | XBRL Taxonomy Extension Label Linkbase        |
| 101.PRE*** | XBRL Taxonomy Extension Presentation Linkbase |

\* Filed herewith

\*\*\* 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 Act of 1934 and otherwise are not subject to liability.



**SIGNATURES**

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

**Exactus, Inc.**

May 15, 2017

/s/ Philip J. Young  
Philip J. Young  
*Chief Executive Officer*

/s/ Kelley A. Wendt  
Kelley A. Wendt  
*Chief Financial Officer*

EXHIBIT INDEX

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\* Filed herewith

\*\*\* 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 Act of 1934 and otherwise are not subject to liability.

## OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Philip J. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exactus, Inc. (formerly known as Spiral Energy Tech, Inc.);

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(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 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: May 15, 2017

/s/ Philip J. Young

Philip J. Young  
Chief Executive Officer  
(Principal Executive Officer)

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## OFFICER'S CERTIFICATE PURSUANT TO SECTION 302

I, Kelley A. Wendt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exactus, Inc. (formerly known as Spiral Energy Tech, Inc.);

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(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 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: May 15, 2017

/s/ Kelley A. Wendt

Kelley A. Wendt  
Chief Financial Officer  
(Principal Financial Officer)

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

I, Philip J. Young, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Exactus, Inc. (formerly known as Spiral Energy Tech, Inc.) on Form 10-Q for the fiscal period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Exactus, Inc.

Date: May 15, 2017

By: /s/ Philip J. Young  
Name: *Philip J Young*  
Title: *Chief Executive Officer (Principal Executive Officer)*

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

I, Kelley A. Wendt, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Exactus, Inc. (formerly known as Spiral Energy Tech, Inc.) on Form 10-Q for the fiscal period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Exactus, Inc.

Date: May 15, 2017

By: /s/ Kelley A. Wendt  
Name: Kelley A. Wendt  
Title: Chief Financial Officer (Principal Financial Officer)

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