JPX Global Inc.
Form 10-Q
November 14, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2016

OR

[ ] 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: 000-54793

JPX GLOBAL, INC.

(Name of Small Business Issuer in Its Charter)

Nevada	26-2801338
(State or Other Jurisdiction	(IRS Employer
of Incorporation or Organization)	Identification No.)
9864 E Grand River, Ste 110-301	
Brighton, MI	48116
(Address of Principal Executive Offices)	(Zip Code)

(780) 349-1755
(Issuer's Telephone Number)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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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 past 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 [X] 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 [X] No [ ]

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

Large Accelerated Filer [ ] Accelerated Filer [ ]
Non-Accelerated Filer [ ] Smaller reporting company [X]

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of November 8, 2016, the Company had outstanding 171,789,142 shares of common stock, par value $0.001 per share.

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JPX GLOBAL, INC.

QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

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JPX GLOBAL, INC.
Balance Sheets

ASSETS

	September 30, 2016 (Unaudited)	December 31, 2015
CURRENT ASSETS		
Cash and cash equivalents	$80	$83
Total Current Assets	80	83
TOTAL ASSETS	$80	$83
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$38,329	$29,902
Advances from related party	1,000	243,864
Notes payable to related parties	211,164	18,000
Notes payable	92,409	—
Convertible loan payable - related party	1,500	1,500
Derivative liability	293,971	—
Total Current Liabilities	638,373	293,266
TOTAL LIABILITIES	638,373	293,266
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.001 par value; 40,000,000 shares authorized:		
Series A Preferred Stock, $0.001 par value; 1,000 and 1,000 shares issued and outstanding, respectively	1	1
Series B Preferred Stock, $0.001 par value; 10,000,000 and 10,000,000 shares issued and outstanding, respectively	10,000	10,000
Common stock, $0.001 par value; 500,000,000 shares authorized, 170,455,809 and 167,455,809 shares issued and outstanding, respectively	170,456	167,456
Additional paid-in capital	33,429,694	32,832,694
Accumulated deficit	(34,248,444)	(33,303,334)
Total Stockholders' Deficit	(638,293)	(293,183)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$80	$83

The accompanying notes are an integral part of these financial statements

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JPX GLOBAL, INC.
Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
NET REVENUES	$—	$—	$—	$—
OPERATING EXPENSES				
Consulting fees (including stock-based compensation of $-0-, $-0-, $600,000 and $2,050,000, respectively)	30,000	—	630,000	2,050,000
Professional and accounting fees	90,105	6,551	113,313	46,501
Other general and administrative	21,038	218	21,832	1,376
Total Operating Expenses	141,143	6,769	765,145	2,097,877
LOSS FROM OPERATIONS	(141,143)	(6,769)	(765,145)	(2,097,877)
OTHER INCOME (EXPENSES)				
Income (expense) from derivative liability	(127,971)	—	(127,971)	—
Interest expense (including the amortization of debt discounts of $42,409, $-0-, $42,409 and $-0-, repectively)	(51,208)	(323)	(51,994)	(405)
Total Other Income (Expenses)	(179,179)	(323)	(179,965)	(405)
NET INCOME (LOSS)	$(320,322)	$(7,092)	$(945,110)	$(2,098,282)
Net income (loss) per common share - basic and diluted	$(0.00)	$(0.00)	$(0.01)	$(0.01)
Weighted average common shares outstanding - basic and diluted	170,455,809	167,455,809	168,733,181	167,095,369

The accompanying notes are an integral part of these financial statements

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JPX GLOBAL, INC.
Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(945,110)	$(2,098,282)
Adjustments to reconcile net loss to net cash used by operating activities:		
Common stock issued for services	600,000	2,050,000
Note payable issued for legal services	50,000	—
Amortization of debt discount	42,409	—
Expense (income) from derivative liability	127,971	—
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	8,427	12,161
Net Cash Used by Operating Activities	(116,303)	(36,121)
CASH FLOWS FROM INVESTING ACTIVITIES:	—	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	166,000	—
Proceeds from notes payable to related party	5,000	16,000
Proceeds from advances from related party	11,500	19,878
Payments on note payable to related party	(66,200)	—
Net Cash Provided by Financing Activities	116,300	35,878
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3)	(243)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	83	342
CASH AND CASH EQUIVALENTS, END OF PERIOD	$80	$99
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments For:		
Interest	$—	$—
Taxes	$—	$—
Non-cash investing and financing activities:		
Issuance of note payable to related party in satisfaction of advances from related party liability	$254,364	$—

The accompanying notes are an integral part of these financial statements

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NOTE 1 - ORGANIZATION

JPX Global, Inc. (the "Company" or "JPX") was incorporated under the laws of the state of Nevada on December 18, 2008, with 75,000,000 authorized common shares with a par value of $0.001. On January 3, 2013, the Company approved the action to amend and restate the Articles of Incorporation of the Company and increase the authorized common shares to 500,000,000 and create and authorize 40,000,000 shares of Preferred Stock which was approved by written consent of the holders representing approximately 67% of the outstanding voting securities of the Company. Series A Preferred Stock was created and designated with super-voting rights of 100,000 votes per share of Series A Preferred Stock held, but no conversion, dividend and liquidation rights.

On February 5, 2014, the Company entered into an agreement to acquire all the operating assets of Scorpex, Inc. ("Scorpex") (an entity related by common control) in exchange for 105,000,000 shares of common stock and 10,000,000 shares of Series B Preferred Stock of the Company. Scorpex is majority owned and controlled by JPX Global, Inc.'s then controlling shareholder, Joseph Caywood. Each share of Series B preferred stock is convertible into 10 shares of common stock and is entitled to vote ratably together with our common stockholders on all matters upon which common stockholders may vote. With the acquisition of these assets, which consist primarily of a license agreement, the Company has modified its business plan to include the development of waste management services including the storage, recycling, and disposal of waste. The Company does not presently have any waste management operations.

The acquired assets consist primarily of a license agreement between Scorpex and Tratamientos Ambientales Scorpion, S.A. de C.V. (a corporation formed under the laws of Mexico) ("TAS"). This license agreement with TAS has been assigned to JPX. TAS is a wholly owned subsidiary of Scorpex, and is, therefore, a common control entity. ASC 805-50-30-5 provides guidance on measuring assets and liabilities transferred between entities under common control. As these entities are under common control and the license agreement had no basis on Scorpex's books they are being acquired at their carrying amounts (with no cost basis) on the date of transfer and, therefore, the transaction value is $-0-.

The license agreement was dated July 30, 2011 and provided Scorpex with an exclusive worldwide license for the permits, property, and any and all of TAS's other assets necessary for the business of storing, recycling, disposing, and treating waste in Mexico for a term of 10 years. The agreement also provided for Scorpex's annual payment to TAS of 20% of its Net Revenues (gross cash receipts less cost of processing and other expenses excluding general, administrative, interest, and taxes) from the license. Pursuant to the Assignment Consent dated February 3, 2014, TAS agreed to extend the term of the agreement every 10 years if operations have commenced pursuant to the license agreement.

NOTE 2 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim financial statements be

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read in conjunction with the Company's audited financial statements and notes thereto included in its Form 10-K for the year ended December 31, 2015. Operating results for the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016.

NOTE 3 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. The company does not have sufficient working capital for its planned activity, and to service its debt, which raises substantial doubt about its ability to continue as a going concern. The Company has incurred accumulated losses of $34,248,444 from inception (December 18, 2008) through September 30, 2016.

Continuation of the company as a going concern is dependent upon obtaining additional working capital and the management of the company has developed a strategy which it believes will accomplish this objective through short term loans from related parties, and additional equity investments, which will enable the company to continue operations for the coming year. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

NOTE 4 – NET INCOME (LOSS) PER COMMON SHARE

The Company follows ASC Topic 260 to account for the earnings per share. Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding.

For the nine months ended September 30, 2016 and 2015, the common shares underlying the following dilutive securities were excluded from the calculation of diluted shares outstanding as the effect of their inclusion would be anti-dilutive:

	Common Shares Issuable	
	2016	2015
Convertible note payable	6,036,364	-
Convertible loan payable – related party	1,500,000	1,500,000

Series B Preferred Stock	100,000,000	100,000,000
Total common shares issuable	107,536,364	101,500,000

NOTE 5 – ADVANCES FROM RELATED PARTY

The advances from related party liability at September 30, 2016 ($1,000) and December 31, 2015 ($243,864) is due to Joseph Caywood, significant stockholder of the Company. The liability is non-interest bearing and there are no terms of repayment.

On July 1, 2016, the Company issued a $254,364 Promissory Note to Joseph Caywood in satisfaction of the then advances from related party liability of $254,364. See Note 6.

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NOTE 6 – NOTES PAYABLE TO RELATED PARTIES

The notes payable to related parties at September 30, 2016 and December 31, 2015 consisted of the following:

	September 30, 2016	December 31, 2015
Promissory note dated May 20, 2015, interest at 8% per annum, interest and principal due November 20, 2015 (A)	$8,000	$8,000
Promissory note dated June 24, 2015, interest at 8% per annum, interest and principal due December 24, 2015 (A)	8,000	8,000
Promissory note dated November 15, 2015, interest at 8% per annum, interest and principal due May 15, 2016 (A)	2,000	2,000
Promissory note dated April 15, 2016, interest at 8% per annum, interest and principal due October 12, 2016 (A)	3,000	—
Promissory note dated May 21, 2016, interest at 8% per annum, interest and principal due November 17, 2016 (A)	2,000	—
Promissory note dated July 1, 2016, interest at 8% per annum, interest and principal due on demand (B)	188,164	—
Total	$211,164	$18,000

(A) These notes are payable to Mitchell Dean Hovendick, owner of 500 shares of Series A Preferred Stock, 5,000,000 shares of Series B Preferred Stock, and 37,625,000 shares of common stock.

(B) This note is payable to Joseph Caywood, owner of 500 shares of Series A Preferred Stock, 5,000,000 shares of Series B Preferred Stock, and 37,625,000 shares of common stock. The original note was in the amount of $254,364 and arose from the Company's satisfaction of the then advances from related party liability of $254,364 (See Note 5). From July 1, 2016 to September 30, 2016, the Company repaid $66,200 of the note.

NOTE 7 – NOTES PAYABLE

The notes payable at September 30, 2016 consisted of the following:

Convertible note payable dated July 22, 2016, interest at 10% due on April 22,2017 – net of discount of $123,591(A)	$	42,409
Promissory note dated July 1, 2016, interest at 8% per annum, interest and principal due on demand (B)		50,000

Total	$	92,409

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(A) On July 22, 2016, the Company issued a $166,000 Convertible Promissory Note to Auctus Fund, LLC ("Auctus") for net loan proceeds of $150,000. The note bears interest at a rate of 10% per annum (24% per annum default rate), is due April 22, 2017, and is convertible at the option of Auctus into shares of the Company common stock at a Conversion Price equal to the lesser of (a) 55% of the lowest Trading Price during the 25 Trading Day period prior to July 22, 2016 or (b) 55% of the lowest Trading Price during the 25 Trading Day period prior to the Conversion Date. (See Note 9 - Derivative Liability).

(B) This note is payable to the Company's law firm for legal services rendered.

NOTE 8 - CONVERTIBLE LOAN PAYABLE - RELATED PARTY

On December 18, 2008, the company entered into a Promissory Note agreement with the former CEO of the Company. The note is for a sum of $1,500, is non interest bearing, and was due and payable on December 31, 2010. The note provides that if the note was not paid on December 31, 2010, the note can be converted to shares of common stock of the Company for $.001 per share. On January 3, 2013, this note was assigned to Joseph Caywood, the then controlling shareholder of JPX. The Company and Joseph Caywood have verbally agreed that the Company will pay the loan off as it is able to without penalty, and Joseph Caywood will not convert the debt into shares of common stock. As of September 30, 2016 and December 31, 2015, the balance of the loan is $1,500.

NOTE 9 – DERIVATIVE LIABILITY

The derivative liability at September 30, 2016 consisted of the following:

	Face Value	Derivative Liability
Convertible note payable issued July 22, 2016, due April 22, 2017	$ 166,000	$ 293,971
Totals	$ 166,000	$ 293,971

The above convertible note contains a variable conversion feature based on the future trading price of the Company common stock. Therefore, the number of shares of commons stock issuable upon conversion of the note is indeterminate. Accordingly, we have recorded the $730,400 fair value of the embedded conversion feature as a derivative liability at the July 22,2016 issuance date and charged $166,000 to debt discounts and the remaining $564,400 to expense from derivative liability. The $436,429 decrease in the fair value of the derivative liability from $730,400 at July 22, 2016 to $293,971 at September 30, 2016 was credited to expense from derivative liability. The fair value of the derivative liability is measured at the respective issuance date and quarterly thereafter using the Black Scholes option pricing model. Assumptions used for the calculation of the derivative liability of the note at September

30, 2016 include (1) stock price of $0.05 per share, (2) exercise price of $0.0275 per share, (3) term of 204 days, (4) expected volatility of 563% and (5) risk free interest rate of 0.45%.

NOTE 10 - CAPITAL STOCK

On January 6, 2014, the Company issued 1,000 shares of Series A preferred stock as security for outstanding debts of the Company owed to Joseph Caywood. Although the preferred stock carries no dividend, distribution, liquidation or conversion rights, each share of Series A preferred stock carries one hundred thousand (100,000) votes, and holders of our Series A preferred stock are able to vote together with our common stockholders on all matters upon which common stockholders may vote.

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On February 5, 2014 (see Note 1 above), the Company entered into an agreement to acquire all the operating assets of Scorpex, Inc. (“Scorpex”) (an entity related by common control) in exchange for 105,000,000 shares of common stock and 10,000,000 shares of Series B preferred stock of the Company. Scorpex is majority owned and controlled by JPX Global, Inc.’s significant shareholder, Joseph Caywood. The Series B preferred stock is convertible into 10 shares of common stock and is entitled to vote ratably together with our common stockholders on all matters upon which common stockholders may vote.

On February 17, 2015, pursuant to a Consulting Agreement with Joseph Caywood dated January 1, 2015 (term ended March 31, 2015), the Company issued a total of 2,050,000 shares of common stock to 18 individuals/entities for services rendered to the Company. The stock was valued at $2,050,000 and was expensed as consulting fees in the three months ended March 31, 2015.

On July 1, 2016, pursuant to a Consulting Services Agreement with an individual consultant dated June 1, 2016 (term ending November 30, 2016), the Company issued 2,000,000 shares of common stock to such individual for certain marketing consulting services to be rendered to the Company. The stock was valued at $400,000 and was expensed as consulting fees in the three months ended June 30, 2016.

On June 17, 2016, pursuant to a Consulting and Representation Agreement with an entity consultant dated June 14, 2016 (extended term ending June 14, 2017), the Company issued 1,000,000 shares of common stock to such entity for certain investor relations services to be rendered to the Company. The stock was valued at $200,000 and was expensed as consulting fees in the three months ended June 30, 2016.

NOTE 11 – SUBSEQUENT EVENTS

On October 17, 2016, the Company issued 1,333,333 shares of common stock for cash in the amount of $40,000.

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

The following discussion of the financial condition and results of operations of JPX Global, Inc. (hereafter, “JPEX”, the “Company,” “we,” “our,” or “us”) should be read in conjunction with the Unaudited Financial Statements and related Notes thereto included herein.This discussion may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding the Company’s expectations, beliefs, intentions, or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. Actual results could differ materially from those projected in the forward looking statements. Prospective investors should carefully consider the information set forth herein, and the Company cautions investors that its business and financial performance is subject to substantial risks and uncertainties.

Overview

On February 5, 2014, the Company entered into an agreement to acquire all of the operating assets of Scorpex, Inc., (“Scorpex”) (an entity related by common control) a Nevada corporation, in exchange for 105,000,000 shares of Common Stock and 10,000,000 shares of Series B Preferred Stock. Scorpex is majority owned and controlled by JPX Global, Inc.’s then controlling shareholder, Joseph Caywood. Each share of Series B preferred stock is convertible into 10 shares of common stock and is entitled to vote ratably together with our common stockholders on all matters upon which common stockholders may vote. The acquired assets consist primarily of a license agreement. We are now exploring the expansion of our business to further develop our operations to capitalize on the opportunities available primarily in Mexico, in the integrated waste, and waste management service operations, including the receiving, storage, transfer and disposal of waste in an environmental manner. In providing these services, we intend to actively pursue projects and initiatives that we believe make a positive difference for our environment which will be focused on gasification of waste in an environmental manner. It is expected that our customer base will include commercial, industrial, municipal and residential customers, other waste management companies, electric utilities, and governmental entity properties. We have not realized any revenues to date. We do not have sufficient capital to enable us to commence and complete our planned program. We will require additional financing in order to conduct the planned program described herein.Our auditors have issued a going concern opinion, raising substantial doubt about the Company's financial prospects, and the Company’s ability to continue as a going concern. As a waste management company, our principal sources of revenue will result from waste management contracts, but will also include revenue from ancillary services related to the handling and conversion of waste. Expenses which comprise the costs of goods sold will include the operational and staffing costs of the trucks and other vehicles used for transporting and special licensing where required. General and administrative expenses will include administrative wages and benefits; occupancy and office expenses; outside legal, accounting and other professional fees; travel and other miscellaneous office and administrative expenses. Selling and marketing expenses will include selling/marketing wages and benefits, advertising and promotional expenses, as well as travel and other miscellaneous related expenses.

The acquired assets consist primarily of a license agreement between Scorpex and Tratamientos Ambientales Scorpion, S.A. de C.V. (a corporation formed under the laws of Mexico) ("TAS"). This license agreement with TAS has been assigned to JPX. TAS is a wholly owned subsidiary of Scorpex, and is, therefore, a common control entity. ASC 805-50-30-5 provides guidance on measuring assets and liabilities transferred between entities under common control. As these entities were under common control and the license agreement had no basis on Scorpex's books they were acquired at their carrying amounts (with no cost basis) on the date of transfer and, therefore, the transaction value was $-0-.

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The future goal of the Company will be to develop a waste services division. The Company has modified its business plan to include the development of waste management services including the storage, recycling, and disposal of waste.

Our ability to generate revenues during the year 2016 and beyond depends substantially upon the Company’s resources available in order to develop and grow the integrated waste and waste management businesses. Such efforts require significant systems development, marketing and personnel costs, which, in turn, require substantial funding. If we are unable to obtain such fundi