UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2019

Commission File Number: 001-34294

GREENBOX POS
(Exact name of registrant as specified in its charter)

Nevada	**22-3962936**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
8880 Rio San Diego Drive, Suite 102 **San Diego, CA**	**92108**
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: **(619) 631-8261**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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

Title of class
Common Stock, par value $0.001 per share

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

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

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 X No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	X	Smaller reporting company	X
Emerging growth company	☐		

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

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

The aggregate market value of the 21,216,372 voting common stock held by non-affiliates of the registrant as of June 28, 2019 was $2,758,128 based on the closing price of $0.13 per share of the registrant's common stock as quoted on the OTC Pink Current Information marketplace on that date.

As of May 10, 2020, there were 175,921,933 shares of registrant's common stock outstanding.

Documents Incorporated by Reference: None.

EXPLANATORY NOTE

On March 25, 2020, the Securities and Exchange Commission ("SEC") issued an order and guidance (collectively, the "Order") providing regulatory relief to public companies whose operations may be affected by the novel coronavirus disease ("COVID-19"). The Order provided public companies with a 45-day extension to file certain disclosure reports, including their Annual Report on 10-K ("Annual Report"), that would otherwise have been due between March 1, 2020 and July 1, 2020.

Due to its operations being impacted by COVID-19, GreenBox POS (the "Company") was unable to meet its filing deadline with respect to its Annual Report and on April 10, 2020 submitted a Current Report on Form 8-K in reliance upon the Order.

Due to the outbreak of coronavirus disease 2019 (COVID-19), starting from early March 2020, the Company's employees and external auditors have been asked to work remotely. As a result, the Company's books and records have not been easily accessible and communication among internal financial staff and external auditors has been challenging, resulting in delay in preparation and completion of its consolidated financial statements. Based on the foregoing, on April 10, 2020, the Company filed a Current Report on Form 8-K to avail itself of a 45-day extension to file this Form 10-K relying on the exemptions provided by the SEC Order. This Form 10-K is being filed in reliance on the SEC Order.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

In this Annual Report on Form 10-K, the terms "the Company," "we," "our", "us" and "PubCo" refer to GreenBox POS.

PART I

Item 1 – Business

Organization

On January 4, 2020, PrivCo and GreenBox POS, a Nevada corporation ("PubCo") entered into an Asset Purchase Agreement (the "Agreement"), to memorialize a verbal agreement (the "Verbal Agreement") entered into on April 12, 2018, by and between PubCo and PrivCo.

On April 12, 2018, pursuant to the Verbal Agreement, PubCo acquired PrivCo's blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, bank and merchant accounts, as well as all intellectual property related thereto (the "GreenBox Business"). As consideration for the GreenBox Business, on April 12, 2018, PubCo assumed PrivCo's liabilities that had been incurred in the normal course of the GreenBox Business (the "GreenBox Acquisition").

For accounting and reporting purposes, PubCo deemed the GreenBox Acquisition a "Reverse Acquisition" with PrivCo designated the "*accounting acquirer*" and PubCo designated the "*accounting acquiree*."

On May 3, 2018, PubCo formally changed its name to GreenBox POS LLC, then subsequently changed its name to GreenBox POS on December 13, 2018. Prior to the name changes, PubCo was known as ASAP Expo, Inc ("ASAP"). ASAP was incorporated April 10, 2007 under the laws of the State of Nevada (collectively, "PubCo").

Our primary office is in San Diego, California. Our website is www.greenboxpos.com.

Unless the context otherwise requires, all references to "the Company," "we," "our", "us" and "PubCo" refer to GreenBox POS.

Unless the context otherwise requires, all references to "PrivCo" or the "Private Company" refer to GreenBox POS LLC, a limited liability company, formed in the state of Washington.

Significant Transactions

On March 23, 2018, the then controlling shareholder and then sole officer and sole director of PubCo, Frank Yuan, along with his wife, Vicky PMW Yuan (collectively, the "Yuans"), entered into a Purchase Agreement with PrivCo (the "Yuan SPA").

Pursuant to the Yuan SPA, the Yuans agreed to sell 144,445,000 restricted shares of PubCo's common stock, par value $0.001 per share (the "Common Stock"), to PrivCo for a consideration of $500,000: $250,000 in cash, paid at closing, and $250,000 in restricted shares of Common Stock (the "Shares Due") to be issued within 30 days of the close of the Yuan SPA.

On or about March 29, 2018, Frank Yuan converted a portion of a line of credit that he had previously issued to PubCo, in exchange for 144,445,000 restricted shares of Common Stock, representing approximately 90% of PubCo's issued and outstanding shares of Common Stock (the "Control Block"). Subsequently, on or about June 8, 2018, PrivCo paid the Shares Due, by transferring 609,756 restricted shares of Common Stock from the Control Block to the Yuan's designees, Frank Yuan and his son, Jerome Yuan.

Pursuant to the Yuan SPA, on April 12, 2018, Frank Yuan caused the Control Block to be transferred to PrivCo.

On April 12, 2018, all business being conducted at that time by PubCo (the "ASAP Business") was transferred from PubCo to ASAP Property Holdings Inc., a company owned and operated by Frank Yuan ("Holdings"). In consideration for the ASAP Business, Holdings assumed all liabilities related to the ASAP Business. On April 12, 2018, following the consummation of the Yuan SPA and the transfer of the ASAP Business to Holdings, Ben Errez ("Errez") and Fredi Nisan ("Nisan") became the sole acting officers and sole acting directors of PubCo.

On May 3, 2018, Frank Yuan formally resigned, and Errez and Nisan were formally appointed the sole officers and sole directors of PubCo.

On April 12, 2018, pursuant to the Verbal Agreement, PubCo acquired the GreenBox Business and assumed PrivCo's liabilities per the terms of the Agreement. The value of the assets acquired on April 12, 2018 was $843,694, which excluded the Control Shares, which remain a PrivCo asset. The value of PrivCo's assumed liabilities on April 12 was $589,078. The difference between assets and liabilities was $254,616, which PubCo booked as a "Gain on Bargain Purchase." However, because we are using Reverse Acquisition accounting, PubCo subsequently recorded the gain as Paid in Capital.

From April 12, 2018 through January 4, 2020 (the "In Between Period"), because there was ambiguity regarding the validity of the Verbal Agreement, PubCo filed required quarterly and annual reports with the Securities and Exchange Commission as if there had not been a Reverse Acquisition. During the In Between Period, PrivCo continued to operate as if it still owned the GreenBox Business, which included maintaining records of GreenBox Business financial transactions on PrivCo's accounting software, and entering into contracts and agreements as PrivCo, while PubCo paid all expenses, including expenses related to PrivCo contracts entered into prior to and after April 12, 2018, as well as expenses incurred as a result of litigation resulting from disagreements between PrivCo and other parties. During the In Between Period, PubCo represented itself in press releases, as being the owner/operator of the GreenBox Business. Additionally, from April 12, 2018 through approximately December 31, 2018, PubCo and PrivCo shared control of PrivCo's bank accounts, and on or about January 1, 2019, PubCo assumed control of PrivCo's bank accounts.

By virtue of the payment of PrivCo's litigation expenses by PubCo, by virtue of PubCo representing itself in press releases, as being the owner/operator of the GreenBox Business, and by virtue of the shared control of PrivCo's bank accounts starting on April 12, 2018, both PubCo and PrivCo concluded that the Verbal Agreement was valid and the GreenBox Business Acquisition took place on April 12, 2018.

Reverse Acquisition Reporting Requirements

In accordance with SEC Financial Reporting Manual, Topic 12 - *Reverse Acquisitions and Reverse Recapitalizations*, Section 12200 - Reporting Issues, Sub-section 12210.2 - *Reverse Acquisition with a domestic registrant that is not a shell company*, PubCo is required to file two years of audited Financials for PrivCo. However, since PrivCo was formed in August 2017, only the period from August 2017 through December 31, 2018 was audited. PubCo is also required to file on a combined basis with PrivCo starting with PubCo's 10-Q filing for the period ending June 30, 2018.

Given these considerations, PubCo:

a) Executed the Agreement memorializing the Verbal Agreement, and filed a Form 8-K on January 7, 2020 (the "January 8-K") to disclose the Agreement and to file audited financials for PrivCo for the year ending December 31, 2017;

b) Restated PubCo's 2018 financials, to include amended Form 10-Qs for the periods ending June 30 and September 30, and an amended Form 10-K for the year ending December 31, 2018; and

c) Filed Form 10-Qs for 2019, for the periods ended March 31, June 30 and September 30, and is filing this Form 10-K for the year ending December 31, 2019.

Our Business

GreenBox POS is a tech company formed with the intent of developing, marketing and selling innovative blockchain-based payment solutions, which we believe will cause favorable disruption in the payment solutions marketplace. Our core focus is to develop and monetize disruptive blockchain-based applications, integrated within an end-to-end suite of financial products, capable of supporting a multitude of industries. Our proprietary, blockchain-based ecosystem is designed to facilitate, record and store a virtually limitless volume of tokenized assets, representing cash or data, on a secured, immutable blockchain-based ledger.

We've been awarded five provisional patents for our technology, each directly related to our core business focus. Subsequently, we filed non-provisional patent application 16/212,627 on December 6, 2018, under which we claimed the benefit of the five provisional patents.

In March 2018, we formally announced DEL, PAY, QuickCard, POS and Loopz to an international audience, during a presentation at the Israel International Innovation Expo, in Tijuana, Mexico.

a) DEL is our Delivery App, which provides APIs to POS and PAY.

b) PAY is our Payment App, which provides financial APIs to all our other software components.

c) QuickCard is QuickCard Payment System, which is a comprehensive physical and virtual cash management system, including software that facilitates deposits, cash and e-wallet management.

d) POS Solutions is our complete end-to-end Point of Sale solution, comprising both software and hardware.

e) Loopz is Loopz Software Solution, which is a mobile delivery service operations management solution with automated dispatch functionality.

In March 2018, our QuickCard Payment System was comprised of PAY, proprietary kiosks and e-wallet management.

In June 2018, we commenced a soft launch of our system, onboarded our initial customers and began generating revenue.

In July 2018, we introduced TrustGateway, a new fraud prevention component for our QuickCard payment system.

Throughout the remainder of 2018, we continued to build, expand and improve our system, which allowed for an escalation in merchants using our system, as well as increasing revenues.

On or about October 4, 2018, we entered into a lease agreement with Hyundai Rio Vista, Inc. for our current office space at 8880 Rio San Diego Drive, Suite 102, San Diego, CA 92108.

In March and April of 2020, we added new features to our ecosystem, including RTP (Real Time Payments), same day ACH capabilities, and SEPA payments options.

In December 2019, the company received PCI (Payment Card Industry) Level 1 certificate for its technology, its security, privacy, reliability and other aspects of its payment infrastructure.

In March of 2020, we added two platforms to our technology spectrum: we are now able to complete payouts in crypto currency, and we are also able to process same day international FOREX transactions.

Q1/20 signified the return of operations in full scale for the Company. In Q4/2019, the Company invested in research and development, improving its acquiring platform and enabling safer, faster and significantly more scalable services. These technology improvements allow for major new capabilities, including Real Time Payments (RTP), a very sought-after payment feature. This change also reduces the Company COGS. Although the Company saw a decrease in operations in Q4/2019, the improved platform is expected to perform better than its predecessor platform and increase total volumes while increasing profit margins and operating sustainability. The Company returned to ramping up commercial large-scale operations, on-boarding large number of clients, and increasing the Company operational bandwidth to accommodate the needs of its clients. To date in 2020, we continue to execute on these management directives.

Management is focused on the following KPI (Key Performance Indices):

KPI	Description
Annual Transactional Processing Volume (ATPV)	The Company plans on processing an amount greater than $1B in FY2020. The Company's Book of Business exceeds the processing goals for the year. By Q4/2020, the Company projects daily volumes to reach multimillion USD.
Annual Gross Profit Margin (AGPM)	This index matches the Company goals and remains at levels supporting the Company's financial projections.
Annual Gross Profit (AGP)	At the targeted Annual Transactional Processing Volume goal and targeted Annual Gross Profit Margin, projected Annual Gross Profit is $18-20M for FY2020.
Annual EBITDA	The Company objective is to stay at or above 3% of Total Transactional Volume. At the targeted Annual Transactional Processing Volume goal, the Annual EBITDA equals $12-14M.

[Table 1]

In order to process the targeted ATPV goal, $1B, the Company must be able to process close to $90M/month, or $3M/day, in a consistent fashion. The Company needed to invest further in its core technologies to reach this capacity, a task now completed. The Company now has the required bandwidth and technical capabilities to achieve this goal. The Company projects it will process transactions in volumes greater than $1M/day within Q2/2020 and will ramp up the targeted Average Daily Volumes in Q4/2020. We believe the current operational bandwidth for the Company is virtually unlimited.

KPI	Description
Average Monthly Transaction Count (AMTC)	The Company projects an AMTC of more than 500,000
New Clients Backlog (NCB)	The Company will continue to invest in on-boarding technologies in order to expedite the process and reduce backlog. There are five client statuses: application, KYC, on-boarding, integration, processing. Since January 1, 2020, the Company has moved to cater to fewer clients who are larger . We have met our goal to bring the NCB down to 200.
Client Attrition	Current attrition rates are under 5%. Company goal is to reduce it further and keep it under 3%.

[Table 2]

Based on the above and the current traction in Q2/20, the Company is comfortable projecting approximately $12-14M EBITDA in FY20.

The Company owns all the IP rights for operations in its space: tokenizer, gateway, ledger manager and blockchain substrate. Other, supporting patents, such as fraud proofing, on-boarding accelerators, and an all new blockchain implementation, are pending.

With the visibility into the Company's operation management has at the end of Q1/2020 the Company plans on uplisting to a senior exchange by Q1 of FY21 and does not plan on an artificial stock price increase, such as a reverse split. The current plan is to grow the company organically to the size and value required by the exchange.

The ATPV, Profitability and other major KPIs remain sensitive to regulatory changes global and national economic trends. These will impact and influence the Company's product line, its potential mergers and acquisitions targets, its joint ventures and the Company's technology emphasis.

Item 1A – Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended ("Exchange Act") and are not required to provide the information under this item.

Item 1B – Unresolved Staff Comments

Not applicable.

Item 2 – Properties

We do not own any real estate or other physical properties material to our operations. We operate from leased space. Our executive offices are located within the Rio Vista Tower, at 8880 Rio San Diego Drive, Suite 102, San Diego, CA 92108, and our telephone number is (619) 631-8261.

In October 2017, we secured our first office in San Diego, California. During the first six months of 2018, we entered into additional, separate lease agreements for additional offices in San Diego. In October 2018, we executed a lease agreement with Hyundai Rio Vista, Inc. within the Rio Vista Tower, which we moved into on or about December 1, 2018. Our lease agreement with Hyundai Rio Vista is through January 15, 2022, with monthly rent starting at $10,648 and increasing to $11,636 over the period of the lease.

On or about February 20, 2018, we secured a virtual Canadian office, located at 885 West Georgia Street Suite 1500, Vancouver, British Columbia, V6C 3E8, under an Office Agreement with Regus Canada. Subsequently, on or around May 3, 2018 we added a physical office at the same location, on a month-to-month basis. We vacated the office in or about July 2019.

Monthly lease rates during 2019 are shown in the table below:

	Start Date	End Date	Monthly Rent
Residential Lease (1)	Feb 23, 2018	Feb 22, 2019	2,040
Historic Decatur Road (2)	Mar 1, 2018	Oct 31, 2022	696
Virtual Office – Canada (3)	Mar 1, 2018	Feb 28, 2019	278
Canada Office (3)	May 3, 2018	July 31, 2019	1,372
Rio Vista	Dec 1, 2018	Jan 15, 2022	$ 10,729

(1) The Company leases residential space to house visiting consultants and prospective employees.

Item 3 – Legal Proceedings

- ***MTrac, Global Payout, Inc. and Cultivate Technologies, LLC*** – On November 25, 2019, five companies (the "Plaintiffs") filed a complaint against us, MTrac, Global Payout, Inc. and Cultivate Technologies, LLC in the Superior Court of the State of California. The Plaintiffs filed suit to recover processed funds and processing fees alleged to be withheld illegally. This was dismissed by both parties as of September 30, 2019.

- ***America 2030 Capital Limited and Bentley Rothschild Capital Limited*** – On or about October 31, 2018, Nisan and Errez received constitutive notice, regarding arbitration against Nisan, Errez, PrivCo and possibly PubCo, from Bentley Rothschild Capital Limited ("Bentley") and America 2030 Capital Limited ("America 2030"), both located in Nevis, West Indies, and both claiming breach of contract by Nisan and Errez of Nisan and Errez's respective individual Master Loan Agreements (see Note 7 – Related Party Transactions above) and seeking forfeiture of 1,600,000 PubCo shares that PrivCo had transferred, on or about August 1, 2018, from PrivCo's Control Shares under the terms of the MLAs. To date, only informal conversational proceedings have ensued.

- ***RB Capital Partners, Inc.*** – On April 24, 2019, RB Cap and related parties (the "RB Cap Parties") filed a complaint in the San Diego Superior Court against PrivCo, PubCo, Ben Errez and Fredi Nisan (collectively, the "GreenBox Parties"); and on October 1, 2019, the RB Cap Parties filed an amended complaint against the GreenBox Parties alleging claims of fraud, breach of fiduciary duty, breach of contract and other, related claims in the Superior Court for the State of California, County of San Diego. The GreenBox Parties filed a cross-complaint against the RB Capital Parties, alleging claims of fraud, breach of contract, tortious interference, and other, related claims. On or about December 15, 2019, the GreenBox Parties and RB Cap Parties resolved to negotiate a settlement and agreed in principal to settlements terms. The documentation of the settlement terms was underway as of February 3, 2020. This was dismissed by both parties on February 27, 2020.

- ***Dahan*** – Yoram Dahan, Melissa Dahan, Forty8 Ltd., and Trustees of the Melissa H. Dahan Living Trust (collectively, "the Dahan Parties") were also named by RB Capital in the suit listed in the previous paragraph. On October 31, 2019, the GreenBox Parties filed a cross-complaint against the Dahan Parties, alleging claims of fraud, securities fraud, misrepresentation, promissory estoppel, and other related claims, in the Superior Court for the State of California, County of San Diego. On or about December 15, 2019, the GreenBox Parties and the Dahan Parties resolved to negotiate a settlement and agreed in principal to settlements terms. The documentation of the settlement terms was underway as of February 3, 2020. This was dismissed by both parties on February 27, 2020.

- ***Withholding Suit*** – On November 25, 2019, five companies (the "Plaintiffs") filed a complaint against us, Global Payout, Inc., MTrac Tech Corporation and Cultivate Technologies, LLC (collectively the "Defendants") in the Superior Court of the State of California. Plaintiffs filed suit to recover processed funds and processing fees alleged to be withheld illegally (collectively, the "Withholding Suit"). Pursuant to a mandatory arbitration clause in the controlling agreement, the parties to the Withholding Suit have agreed to arbitrate their claims. We do not dispute the funds owed; however, we do believe it's within our rights to hold the funds, per the terms of agreements signed by Plaintiffs. We disagree with any allegations of any wrongdoing and will aggressively defend ourselves against the Withholding Suit. Ideally, we will settle this claim in the near term. While the results of this matter cannot be predicted with certainty, especially at this early stage, we believe that losses, if any, resulting from resolution of this matter will not have a materially adverse effect on operations or cash flow. This was dismissed by both parties as of March 30, 2020.

Item 4 – Mine Safety Disclosures

Not applicable.

PART II

Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is currently quoted for trading on OTC Markets, OTC Pink Sheets tier, under the symbol "GRBX.”

Holders

As of May 6, 2020, there were 181,330,260 shares of common stock outstanding held by approximately 163 holders of record (not including an indeterminate number of beneficial holders of stock held in street name).

Warrants

There were no warrants issued nor outstanding as of December 31, 2019.

Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

The Company has never had an equity compensation plan.

Recent Issuance of Unregistered Securities

During the year ended December 31, 2019, we issued the following securities that were not registered under the Securities Act. Except where noted, all the securities discussed in this Item 5 were issued in reliance on the exemption under Section 4(a)(2) of the Securities Act.

a) On or about May 10, 2019, we issued 10,000 shares to a non-affiliated legal consultant for services rendered.

b) On or about June 18, 2019, we issued a total of 850,000 shares to nine employees as performance bonuses. The shares were fully vested upon issuance and worth $0.10 per share, at closing, on the day of issuance.

The following three share transactions summarized below, totaling 1,085,000 shares, were each *inadvertently* transferred from PrivCo’s Control Block rather than PubCo issuing new shares. Subsequently, on or about August 14, 2019, PubCo issued 1,085,000 shares to PrivCo, as reimbursement of the shares *inadvertently* transferred by PrivCo.

a) On or about December 27, 2018, PrivCo *inadvertently* transferred 1,000,000 restricted shares of Common Stock from the Control Block, with a market value of $150,000, which money was deposited into PrivCo’s bank accounts (control of which, were shared by PubCo and PrivCo from April 12, 2018 through approximately December 31, 2018).

b) On or about January 4, 2019, PrivCo *inadvertently* transferred 50,000 restricted shares of Common Stock from the Control Block to a non-affiliated service provider to PubCo for services rendered to PubCo.

c) On or about January 4, 2019, PrivCo *inadvertently* transferred 35,000 restricted shares of Common Stock from the Control Block to a non-affiliated service provider to PubCo for services rendered to PubCo.

Item 6 – Selected Financial Data

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended ("Exchange Act") and are not required to provide the information under this item.

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as "may" "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to us could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.

Organization

GreenBox POS (the "Company" or "PubCo") was formerly known as ASAP Expo, Inc ("ASAP"), which was incorporated on April 10, 2007 under the laws of the State of Nevada.

On April 12, 2018, pursuant to the Verbal Agreement, PubCo acquired PrivCo's blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, bank and merchant accounts, as well as all intellectual property related thereto (the "GreenBox Business"). As consideration for the GreenBox Business, on April 12, 2018, PubCo assumed PrivCo's liabilities that had been incurred in the normal course of the GreenBox Business (the "GreenBox Acquisition").

On January 4, 2020, PrivCo and GreenBox POS, a Nevada corporation ("PubCo") entered into the Agreement to memorialize the Verbal Agreement with PrivCo which was formed on August 10, 2017 (the seller).

For accounting and reporting purposes, PubCo deemed the GreenBox Acquisition a "Reverse Acquisition" with PrivCo designated the "*accounting acquirer*" and PubCo designated the "*accounting acquiree*."

New Name

On May 3, 2018, PubCo formally changed its name to GreenBox POS LLC, then subsequently changed its name to GreenBox POS on December 13, 2018.

RESULTS OF OPERATIONS

The following results are for the years ended December 31, 2019 and 2018.

	Years Ended December 31,					
	2019		2018		Changes	
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
Net revenue	$ 10,002,857	100.0%	$ 910,808	100.0%	$ 9,092,049	998.2%
Cost of revenue	11,091,140	110.9%	670,539	73.6%	10,420,601	1554.1%
Gross profit	(1,088,283)	-10.9%	240,269	26.4%	(1,328,552)	-552.9%
Operating expenses:						
Advertising and marketing	45,928	0.5%	166,149	18.2%	(120,221)	-72.4%
Research and development	1,255,296	12.5%	376,871	41.4%	878,425	233.1%
Cash due from gateway reserve expense	-	0.0%	-	0.0%	-	1000.0%
Payroll and payroll taxes	1,429,136	14.3%	331,894	36.4%	1,097,242	330.6%
Professional fees	1,026,556	10.3%	767,869	84.3%	258,687	33.7%
General and administrative	750,078	7.5%	302,333	33.2%	447,745	148.1%
Depreciation and amortization	16,216	0.2%	6,608	0.7%	9,608	145.4%
Total operating expenses	4,523,210	45.2%	1,951,724	214.3%	2,571,486	131.8%
Loss from operations	(5,611,493)	-56.1%	(1,711,455)	-187.9%	(3,900,038)	227.9%
Other Income (Expense):						
Interest (expense) income	(604,504)	-6.0%	(106,821)	-11.7%	(497,683)	465.9%
Interest expense - debt discount	(195,201)	-2.0%	-	0.0%	(195,201)	0.0%
Derivative expense	(634,766)	-6.3%	-	0.0%	(634,766)	0.0%
Changes in fair value of derivative liability	(415,297)	-4.2%	-	0.0%	(415,297)	-100.0%
Merchant fines and penalty income	2,776,687	27.8%	-	0.0%	2,776,687	-100.0%
Asset impairment	-	0.0%	(75,000)	-8.2%	75,000	-100.0%
Total other income (expense)	926,919	9.3%	(181,821)	-20.0%	1,108,740	-609.8%
Loss before provision for income taxes	(4,684,574)	-46.8%	(1,893,276)	-207.9%	(2,791,298)	147.4%
Provision for income taxes	-	0.0%	-	0.0%	-	0.0%
Net loss	**$ (4,684,574)**	**-46.8%**	**$ (1,893,276)**	**-207.9%**	**$ (2,791,298)**	**147.4%**

Revenue

For the year ended December 31, 2019 and 2018, we recognized revenue of $10,002,857and $910,808, respectively. Throughout 2018, we conducted numerous tests of our products and services, and began to sign up our initial customers. After a soft launch of the GreenBox Network during the last few days of June 2018, when we began processing transactions, we processed approximately $5,100,000 in completed transactions on behalf of merchants. We believe this accomplishment to be indicative of the validity of our proprietary blockchain-based systems, which are the foundation of the GreenBox Network, and indicative of our future potential.

Cost of Goods Sold

Our Cost of Goods Sold ("COGS") for payment processing consists of various processing fees paid to Gateways, as well as commission payments to the Independent Sales Organizations ("ISO") responsible for establishing and maintaining merchant relationships, from which the processing transactions ensue. For the year ended December 31, 2019 and 2018, our COGS associated with payment processing was $11,091,140 and $670,539, respectively, which included the absorption by us, of chargebacks, which was limited to 2018, as a promotional tool. As regards Licensing Revenue, we do not incur any direct costs of services or products, thus we did not record COGS for Licensing Revenue.

Operating Expenses

Overall, operating expenses increased during 2019 as the Company ramped up operations. For the year ended December 31, 2019 and 2018, our general and administrative expense was $10,188,241 and $1,951,724, respectively; our legal and professional expenses, most of which were outsourced, were $1,026,556 and $767,869, respectively; and our R&D expense was $1,255,296 and $376,871, respectively. We incurred $5,665,031 of cash due from gateway reserve expense for the year ended December 31, 2019 and none in the prior year.

Non-Operating Expenses

For the year ended December 31, 2019 and 2018, we recorded non-operating expenses of $1,849,768 and $181,821, respectively, of which $604,504 and $106,821, respectively, were for interest, $634,766 represented derivative expense for the year ended December 31, 2019. We also recorded $75,000 as asset impairment for the year ended December 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital for the periods presented is summarized as follows:

Cash Requirements

We incurred a working capital deficit of $4,429,424 as of December 31, 2019. For December 31, 2018, our working capital was $874,980. Based on our revenues, operational expenses, cash on hand and future operational needs, we will need to continue procuring capital from external sources, which may include equity, debt or hybrid financing, in order to fund operations.

Cash Flow

The following table shows cash flows for the periods presented:

	Years Ended December 31,	
	2019	**2018**
Net cash provided by (used in) operating activities	$ (165,556)	$ (1,601,851)
Net cash provided by (used in) investing activities	(49,795)	(31,254)
Net cash provided by (used in) financing activities	684,671	1,834,730
Net increase (decrease) in cash, cash equivalents, and restricted cash	**$ 469,320**	**$ 201,625**

Operating Activities **–** For the years ended December 31, 2019 and 2018, net cash provided by (used in) operating activities was $(165,556) and $(1,601,851), respectively, was primarily due to net loss and timing of settlement of assets and liabilities.

Investing Activities – For the years ended December 31, 2019 and 2018, net cash used in investing activities was $(49,795) and $(31,254), respectively, primarily due to cash used for purchases of property and equipment.

Financing Activities – For the years ended December 31, 2019 and 2018, net provided by financing activities was $684,671 and $1,834,730, respectively, primarily due to borrowings and repayments of convertible debt and proceeds from issuances of common stock.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in the our financial statements and the accompanying notes. The amounts of assets and liabilities reported on our balance sheet and the amounts of revenues and expenses reported for each of our fiscal periods are affected by estimates and assumptions, which are used for, but not limited to, the accounting for revenue recognition, stock based compensation and the valuation of deferred taxes. Actual results could differ from these estimates. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of the financial statements:

Revenue Recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers outlines the basic criteria that must be met to recognize revenue and provide guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. Management believes the Company's revenue recognition policies conform to ASC 606.

The Company recognizes revenue when 1) it is realized or realizable and earned, 2) there is persuasive evidence of an arrangement, 3) delivery and performance has occurred, 4) there is a fixed or determinable sales price, and 5) collection is reasonably assured.

The Company generates revenue from payment processing services, licensing fees and equipment sales.

- Payment processing revenue is based on a percentage of each transaction's value and/or upon fixed amounts specified per each transaction or service and is recognized as such transactions or services are performed.
- Licensing revenue is paid in advance and is recorded as unearned income, which is amortized monthly over the period of the licensing agreement.
- Equipment revenue is generated from the sale of POS products, which is recognized when goods are shipped.

Income Taxes

The Company accounts for income taxes under ASC 740, "Income Taxes." Under ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Management provides a valuation allowance for significant deferred tax assets when it is more likely than not that such asset will not be recovered.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8 – Financial Statements and Supplementary Data

The consolidated financial statements required by this item begin on page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A – Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Executive Vice President, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. 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.

Based on management's evaluation, our Chief Executive Officer and Executive Vice President concluded that, as a result of the material weaknesses described below, as of December 31, 2019, 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 Chief Executive Officer and Executive Vice President, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses, which relate to internal control over financial reporting, that were identified are:

a) We did not have enough personnel in our accounting and financial reporting functions. As a result, we were not able to achieve adequate segregation of duties and were not able to provide for adequate reviewing of the financial statements. This control deficiency, which is pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis.

Management believes that the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues we have encountered in the past will result in both proper recording of these transactions and a much more knowledgeable finance department as a whole. Due to the fact that our accounting staff consists of a Principal Financial Officer, a bookkeeper and external accounting consultants, additional personnel will also ensure the proper segregation of duties and provide more checks and balances within the department. Additional personnel will also provide the cross training needed to support us if personnel turnover issues within the department occur. We believe this will eliminate or greatly decrease any control and procedure issues we may encounter in the future.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the year ended December 31, 2018 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

c) Management's report on internal control over financial reporting.

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2019 for the reasons discussed above.

Item 9B – Other Information

None.

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

The names of our executive officers and directors and their age, title, and biography as of May ___, 2020, are set forth below:

Name	Age	Positions
Ben Errez	59	Chairman of the Board of Directors Executive Vice President Principal Financial Officer
Fredi Nisan	38	Director Chief Executive Officer

Ben Errez, Chairman of the Board of Directors, Executive Vice President, Principal Financial Officer

Ben Errez's ("Errez") past positions have included positions at large companies like Microsoft and Intel. He has brought this expertise to the Company to lead the Company into the forefront of the blockchain-based financial software, services and hardware market.

Errez was one of the early managers of Microsoft in 1991. From 1991 to 2004, he served as Software Development Lead for the Microsoft International Product Group. He led the International Microsoft Office Components team (Word, Excel, PowerPoint) in design, engineering, development and successful deployment. He also served as Executive Representative of Microsoft Office and was a founding member of the Microsoft Trustworthy Computing Forum, both within the company, and internationally. Errez co-authored the first Microsoft Trustworthy Computing Paper on Reliability. At Microsoft, Mr. Errez was responsible for the development of the first Microsoft software translation Software Development Kit ("SDK") in Hebrew, Arabic, Thai and Simplified Chinese, as well as the development of the first bidirectional extensions to Rich Text Format ("RTF") file format, all bidirectional extensions in text converters for Microsoft Office, and contributed to the development of the international extensions to the Unicode standard to include bidirectional requirements under the World Wide Web Consortium ("W3C").

In 2004, Errez transitioned into the world of consulting, forming the start-up IHC Capital, where he held the position of Principal Consultant from founding to the present date, through which he advises clients in the South Pacific region with market capitalizations ranging from $50M to $150M on matters such as commerce, security, reliability and privacy.

In 2017, immediately before partnering with Fredi Nisan to launch the GreenBox Business, Errez was asked to take over the Microsoft Alumni Network for the Southern California region as a regional director. Errez has been a principal of the GreenBox Business since its inception in 2017.

Fredi Nisan, Director, Chief Executive Officer

Fredi Nisan ("Nisan")'s career in tech began during his years of service in the Israeli Defense Forces, where he served as IT Manager for all of Israel's Northern Bases. After serving in the military, Nisan opened and operated a computer hardware store before becoming the Inventory Operations Manager for Zicon Israel in 2005, a hardware and software producer. At Zicon, he supervised inventory operations, worked on quality controls for motherboards and chips, and educated customers on software and hardware product functionality. Subsequently, Nisan moved to the United States, where he worked for One Coach, in San Diego, CA, as a business coach. One Coach specializes in customized growth solutions for small business owners, including the latest strategies for sales, internet marketing, branding and ROI. Nisan was consistently ranked as the top salesperson for small business coaching while working with One Coach.

In 2010, Nisan launched Brava POS, where he served as President until 2015. Brava POS provided point of sale ("POS") systems for specialty retail companies. Nisan developed software to provide clients with solutions for issues ranging from inventory management to payroll to processing high volume transactions in the form of a cloud-based POS system. This system had the capability to manage multiple stores with centralized inventory and process sales without an internet connection, and offered a secure login for each employee, as well as including advanced inventory management and reporting, plus powerful functionality for its end users.

In 2016, Nisan founded Firmness, LLC. Through Firmness, Nisan created "QuickCitizen," a software program that simplifies the onboarding process for new clients of law firms specializing in immigration issues. The QuickCitizen software significantly reduced law firm's onboarding processing time from more than three hours to approximately fifteen minutes. Nisan has been a principal of the GreenBox Business since its August 2017 inception. In January 2018, Firmness sold QuickCitizen to GreenBox (See *QuickCitizen Acquisition,* included in *Item 13 - Certain Relationships and Related Transactions* below).

Employment Agreements

The Company has not entered into employment agreements or other compensation agreements with its executive officers. The Company's agreement with existing employees are all "at will" agreements.

Family Relationships

The Company employs two of our CEO's brothers, Dan and Liron Nusonivich, who are paid approximately $96,000 and $92,000 per year, respectively. There are no family relationships between any of other directors or executive officers and any other employees or directors or executive officers. The Company made charitable donations to a 501(c)(3) no-profit organizations in which Nate Errez, the son of Ben Errez, is a member, and may be seen as the primary beneficiary of the donations.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our Directors and executive officers and persons who own more than 10% of a registered class of our equity securities to file various reports with the Securities and Exchange Commission concerning their holdings of, and transactions in, securities we issued. Each such person is required to provide us with copies of the reports filed. Our two executive officers and directors have not yet filed any Forms 3, 4 or 5.

Code of Ethics

We have not previously adopted a Code of Ethics due to the small number of officers and employees and the size of our operations. It is anticipated that during 2020 we will adopt a Code of Ethics that applies to the Company's directors and executive officers serving in any capacity, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions.

Board Composition, Committees, and Independence

We are not required to have any independent members of the Board of Directors. As we do not have any board committees nor any "independent directors," the board carries out all functions that might otherwise be delegated to board committees. of committees, and such has been made pursuant to the committee independence standards.

Involvement in Certain Legal Proceedings

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

a) Any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b) Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;

d) Being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

e) Being subject of, or a party to, any federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

f) Being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

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Item 11 – Executive Compensation

The following table summarizes information concerning the compensation awarded to, earned by, or paid to, our Chief Executive Officer (Principal Executive Officer) and our two most highly compensated executive officers other than the Principal Executive Officer during fiscal years 2019 and 2018 (collectively, the "Named Executive Officers")

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary* ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation ($)	All Other Compensation ($)	Total ($)
Ben Errez									
Chairman / EVP	2019	$ 200,000	-	-	-	-	-	-	$ 200,000
	2018	$ 206,655	-	-	-	-	-	-	$ 206,655
Fredi Nisan									
CEO / Director	2019	$ 200,000	-	-	-	-	-	-	$ 200,000
	2018	$ 206,157	-	-	-	-	-	-	$ 206,157

**Both Errez and Nisan were paid as consultants in 2018* and as employees in 2019.

Option/Stock Appreciation Grants in Fiscal Year Ended December 31, 2019

The Company has never had an equity compensation plan.

Outstanding Equity Awards at Fiscal Year-End Table

The Company has no outstanding equity awards as of December 31, 2019.

Employment/Consulting Contracts, Termination of Employment, Change-in-Control Arrangements

The Company has not entered into employment agreements or other compensation agreements with its executive officers. All employee contracts are "at will."

Director Compensation

Our two current directors are executive officers and majority shareholders through their shared majority ownership of PrivCo, which held approximately 85% of our issued and outstanding shares as of December 31, 2019. During 2019, we did not separately compensate our directors for their service on the Board of Directors.

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder

The following table sets forth certain information, based on the 181,330,260 shares of our common stock outstanding as of May 5, 2020 date hereof with respect to the holdings of: (1) each person known to us to be the beneficial owner of more than 5% of our common stock; (2) each of our directors, nominees for director and named executive officers; and (3) all directors and executive officers as a group. To the best of our knowledge, each of the persons named in the table below as beneficially owning the shares set forth therein has sole voting power and sole investment power with respect to such shares, unless otherwise indicated. Unless otherwise specified, the address of each of the persons set forth below is in care of the Company, at 8880 Rio San Diego Drive, Suite 102, San Diego, California.

Name and Address of Owner	Shares of Common Stock Owned Beneficially	Percent of Class
Investors		
GreenBox POS LLC (1) (2)	141,735,244	78.1%
Officers, Directors & Related Persons		
Ben Errez (3)	70,867,622	39.0%
Fredi Nisan (4)	70,867,622	39.0%
Total	141,735,244	78.1%

(1) GreenBox POS LLC ("PrivCo") holds 141,735,244 shares of the Company's issued and outstanding stock. PrivCo is managed by its two managing members, Ben Errez and Fredi Nisan, both of whom serve as our sole officers and directors. Errez and Nisan have equal ownership of PrivCo.

(2) A corporate investor, RB Capital Partners ("RB Cap"), has a disputed claim to approximately six million shares, and possibly more, currently held by PrivCo. The numbers in the table above assume RB Cap will not receive any of PrivCo's shares. It is possible that the dispute will be settled, in part, by PubCo issuing six million new shares to RB Cap, however, as of February 3, 2020 a settlement between the parties has not been finalized. In a matter related to the RB Capital claim, the GreenBox Parties are negotiating a return of a previous transfer of 440,476 shares by PrivCo to a third party. Likewise, these shares are excluded from the table (see Section C. Legal Matters under Note 11 – Subsequent Events).

(3) Ben Errez is Chairman of the Board of Directors and Executive Vice President of the Company. Through his shared majority ownership of PrivCo, Errez owns 70,867,622 shares of the Company's issued and outstanding stock. As one of two managing members of PrivCo, Errez has influence over PrivCo's entire holding of 141,735,244 shares of the Company's issued and outstanding stock.

(4) Fredi Nisan is a Director serving on our Board of Directors and is the Company's Chief Executive Officer. Through his shared majority ownership of PrivCo, Nisan owns 70,867,622 shares of the Company's issued and outstanding stock. As one of two managing members of PrivCo, Nisan has influence over PrivCo's entire holding of 141,735,244 shares of the Company's issued and outstanding stock. Additionally, relatives of Nisan, who may be influenced by Nisan, hold 270,000 shares of the Company's issued and outstanding stock.

There are no arrangements, known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

Item 13 – Certain Relationships and Related Transactions and Director Independence

QuickCitizen Acquisition

On or about January 18, 2018, we purchased QuickCitizen, a client interfacing charge card platform, from Firmness, LLC ("Firmness"), an affiliated company, which was 50% owned by Fredi Nisan our CEO and co-owner of PrivCo, our controlling shareholder, for $75,000. Nisan believed there to be great long-term value in his involvement with GreenBox, therefore, Nisan and Firmness's other owner, Marlena Chang Sharvit, agreed that Nisan would forgo any compensation contemplated or realized by the transaction, and that Sharvit would receive the entire consideration paid to Firmness.

America 2030 Capital Limited and Bentley Rothschild Capital Limited

On or about July 30, 2018, Nisan and Errez, the sole officers and directors of PubCo, and the majority owners of PrivCo, each entered into a separate Master Loan Agreement (each an "MLA"): Errez with America 2030 Capital Limited ("America 2030") and Nisan with Bentley Rothschild Capital Limited ("Bentley"), a company affiliated with America 2030, both located in Nevis, West Indies. Each MLA was for a $5,700,000 loan, at 5.85% interest, maturing in ten years.

Per the MLA's terms, Nisan and Errez caused PrivCo to transfer 1,600,000 PubCo shares, valued at $2,144,000 at close of trading on the day of issuance, as "Transferred Collateral" from the Control Block (not a new issuance by PubCo) to Bentley (although both contracts acknowledge receipt of 1.6 million shares, there was only was transference of 1.6 million shares). The transfer occurred on or about August 1, 2018. To date, there has been no funding under either of the MLAs.

Subsequently, both Nisan and Errez received constitutive notice, regarding arbitration of an alleged breach of their respective MLAs (see *Item 3 – Legal Proceedings* above).

Charitable Contributions

During 2018, PrivCo made $13,355 in charitable donations to organizations in which Nate Errez ("Nate") is a member, including sponsorship of the San Diego Kayak Team (a 501(c)(3) no-profit organization). Nate, the son of Ben Errez, is a competitive athlete and races Surf Skis for the US National Team.

Brothers

We hired Dan Nusinovich on or about February 19, 2018 as our Development and Testing Manager. Dan is the brother of Fredi Nisan, our CEO and Director. Subsequently, we entered into a Referral Commission Agreement with Dan in November 2018, which expired November 2019, under which Dan is to receive 10% for new business resulting from his direct introductions. To date, no new business has been generated by Dan, thus Dan has not been paid under the Referral Agreement. On or about June 18, 2019, the Company issued 160,000 restricted shares to Dan, who was one of nine employees to receive a performance bonus in stock on this day. The shares were fully vested upon issuance and worth $16,000 at closing, on the day of issuance. We pay Dan approximately $96,000 per year.

We hired Liron Nusinovich on or about July 16, 2018 as our Risk Analyst. Liron is the brother of Fredi Nisan, our CEO and Director. On or about June 18, 2019, the Company issued 110,000 restricted shares to Liron, who was one of nine employees to receive a performance bonus in stock on this day. The shares were fully vested upon issuance and worth $11,000 at closing, on the day of issuance. We pay Liron approximately $92,000 per year.

Pop N Pay, LLC

In addition to his employment with the Company, Dan Nusinovich owns 100% of Pop N Pay, LLC ("PNP"), a Delaware registered limited liability company, that he formed August 20, 2018.

During the late summer of 2018, when both market opportunity and demand necessitated opening additional bank accounts to support our payment processing products and services, we turned to PNP to open new accounts, as a trustee, on our behalf. For his assistance, Dan, through his ownership of PNP, received approximately $3,000 (in addition to Dan's salary) in early 2019, for services rendered in the fourth quarter of 2018.

Inadvertent Share Transfers

On or about December 27, 2018 and January 4, 2019, 1,085,000 shares, worth approximately $325,500 as of the close of trading on the days of issuance, were inadvertently transferred from PrivCo instead of being issued by the Company. Subsequently, on or about August 14, 2019, the Company issued 1,085,000 shares to PrivCo, as repayment of the shares that had been previously inadvertently transferred.

Item 14 – Principal Accounting Fees and Services

The aggregate fees billed for the two most recently completed fiscal periods ended December 31, 2019 and December 31, 2018 for professional services rendered by our independent registered public accounting firm auditors for the audit of our annual consolidated financial statements, quarterly reviews of our interim consolidated financial statements and services normally provided by independent accountants in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended December 31,			
	2019		2018	
Audit Fees (audit for original filings)	$	58,000	$	12,000
Audit Fees (audit for amended filings)	$	-	$	34,560
Tax Fees	$	-	$	20,750
Total	$	58,000	$	67,310

In the above table, Audit Fees are fees billed by our company's external auditor for services provided in auditing our company's annual financial statements for the subject year. "Tax fees" are fees billed for professional services rendered for tax compliance, tax advice and tax planning. The audit fees include review of our interim financial statements and year-end audit. The aggregate fees billed collectively by BF Borgers CPA PC ("Borgers"), for professional services rendered for the audit of our amended annual financial statements for the years ended December 31, 2018, including review of our interim amended financial statements.

PART IV

Item 15 – Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report on Form 10-K:

a) Financial Statements:

Our financial statements and the Report of Independent Registered Public Accounting Firm are included herein on page F-1.

b) Financial Statement Schedules:

The financial statement schedules are omitted as they are either not applicable or the information required is presented in the financial statements and notes thereto on page F-6.

c) Exhibits:

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed or Furnished	
		Form	Exhibit	Filing Date	Herewith
3.1	Amended and Restated Articles of Incorporation, filed August 29, 2007	S-1	3.1	02/12/2008	
3.2	Certificate of Amendment to Articles of Incorporation, filed October 18, 2017	10-K	3.2	04/16/2019	
3.3	Certificate of Amendment to Articles of Incorporation, filed May 3, 2018	10-K	3.3	04/16/2019	
3.4	Certificate of Amendment to Articles of Incorporation, filed December 13, 2018	10-K	3.4	04/16/2019	
3.5	Bylaws of GreenBox POS	S-1	3.2	02/12/2008	
4.1	Convertible Promissory Note issued March 15, 2018, to RB Capital Partners, Inc.	10-K/A	4.1	02/07/2020	
4.2	Convertible Promissory Note issued August 6, 2018, to Power Up Lending Group Ltd.	8-K	10.2	11/14/2018	
4.3	Convertible Promissory Note issued September 27, 2018, to Power Up Lending Group Ltd.	8-K	10.3	11/14/2018	
4.4	Convertible Promissory Note issued November 26, 2018, to RB Capital Partners, Inc.	10-K/A	4.4	02/07/2020	
4.5	Convertible Promissory Note issued December 27, 2018, to 102065761 SASKATCHEWAN LTD.	10-K/A	4.5	02/07/2020	
10.1	Purchase Agreement, effective March 23, 2018, by and among Frank Yuan and Vicky PMW Yuan (together, "Seller"), and GreenBox POS, LLC	8-K	10.1	05/17/2018	
10.2	Asset Purchase Agreement dated April 11, 2018, by and between ASAP Expo, Inc. and ASAP Property Holdings Inc.	8-K	99.1	09/06/2018	

10.3	Securities Purchase Agreement dated August 6, 2018, by and between GreenBox Pos LLC, and Power Up Lending Group Ltd	8-K	10.1	11/14/2018	
10.4	Asset Purchase Agreement, dated January 4, 2020, by and between GreenBox POS and GreenBox POS LLC	8-K	10.1	01/07/2020	
10.5	Software License and Services Agreement, dated December 17, 2018, by and among GreenBox POS, Cultivate Technologies, LLC and MTrac Tech Corp.	10-K/A	10.5	02/07/2020	
21.1	Subsidiaries of the Registrant - None.				X
31.1	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).				X
31.2	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).				X
32.1*	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X

* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GreenBox POS

Date: May 15, 2020

By: */s/ Fredi Nisan*
Fredi Nisan
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: May 15, 2020

By: */s/ Fredi Nisan*
Fredi Nisan
Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 15, 2020

By: */s/ Ben Errez*
Ben Errez
Chairman of the Board and Executive Vice President (Principal Financial Officer and Principal Accounting Officer)

GREENBOX POS
Index to Financial Statements

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of GreenBox POS

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of GreenBox POS as of December 31, 2019 and 2018, the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ BF Borgers CPA PC
BF Borgers CPA PC

We have served as the Company's auditor since 2019
Lakewood, CO
May 15, 2020

GREENBOX POS
CONSOLIDATED BALANCE SHEETS

December 31,		*2019*		(Restated) *2018*
ASSETS				
Current Assets:				
Cash and cash equivalents	$	-	$	45,854
Restricted cash		763,110		239,124
Accounts receivable, net of allowance for bad debt of $5,665,031 and $0, respectively		70,257		49,998
Accounts receivables from fines and fees from merchant, net of allowance for bad debt of $6,665,031 and $0, respectively.		2,776,687		-
Cash due from gateways, net		8,426,844		630,699
Prepaid and other current assets		42,062		37,232
Total current assets		12,078,960		1,002,907
Non-current Assets:				
Property and equipment, net		66,491		30,715
Operating lease right-of-use assets, net		229,639		-
Total non-current assets		296,130		30,715
Total assets	**$**	**12,375,090**	**$**	**1,033,622**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	$	504,505	$	127,029
Other current liabilities		15,100		9,401
Accrued interest		368,071		29,871
Payment processing liabilities, net		14,021,892		865,086
Short-term notes payable, net of debt discount of $32,418 and $0, respectively		741,253		-
Convertible debt		807,500		846,500
Derivative liability		1,050,063		-
Current portion of operating lease liabilities		113,935		-
Total current liabilities		17,622,319		1,877,887
Operating lease liabilities, less current portion		120,110		-
Long-term debt		-		75,000
Total liabilities		17,742,429		1,952,887
Commitments and contingencies				
Stockholders' Deficit:				
Common stock, par value $0.001, 495,000,000 shares authorized, shares issued and outstanding of 169,862,933 and 166,390,363, respectively		169,863		166,390
Common stock - issuable		695		1,000
Additional paid-in capital		1,179,272		945,940
Accumulated deficit		(6,717,169)		(2,032,595)
Total stockholders' deficit		(5,367,339)		(919,265)
Total liabilities and stockholder's deficit	**$**	**12,375,090**	**$**	**1,033,622**

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

GREENBOX POS
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,	*2019*	*2018*
Net revenue	$ 10,002,857	$ 910,808
Cost of revenue	11,091,140	670,539
Gross profit	(1,088,283)	240,269
Operating expenses:		
Advertising and marketing	45,928	166,149
Research and development	1,255,296	376,871
Cash due from gateway reserve expense	-	-
Payroll and payroll taxes	1,429,136	331,894
Professional fees	1,026,556	767,869
General and administrative	750,078	302,333
Depreciation and amortization	16,216	6,608
Total operating expenses	4,523,210	1,951,724
Loss from operations	(5,611,493)	(1,711,455)
Other income (expense):		
Interest expense - debt discount	(195,201)	-
Interest (expense) income	(604,504)	(106,821)
Derivative expense	(634,766)	-
Changes in fair value of derivative liability	(415,297)	-
Merchant fines and penalty income	2,776,687	-
Asset impairment	-	(75,000)
Total other expense, net	926,919	(181,821)
Loss before provision for income taxes	(4,684,574)	(1,893,276)
Income tax provision	-	-
Net loss	**$ (4,684,574)**	**$ (1,893,276)**
Earnings (loss) per share:		
Basic and diluted	$ (0.03)	$ (0.02)
Weighted average number of common shares outstanding:		
Basic and diluted	167,818,209	88,662,960

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

GREENBOX POS
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Common Stock				Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	To be Issued	Amount			
Balance at December 31, 2017	14,445,363	$ 14,445	-	$ -	$ 185,655	$ (139,319)	$ 60,781
Common stock issued	144,445,000	144,445	-	-	611,285	-	755,730
Shares issued	7,500,000	7,500	-	-	-	-	7,500
Shares to be issued	-	-	1,000,000	1,000	149,000	-	150,000
Net loss	-	-	-	-	-	(1,893,276)	(1,893,276)
Balance at December 31, 2018	**166,390,363**	**$ 166,390**	**1,000,000**	**$ 1,000**	**$ 945,940**	**$ (2,032,595)**	**$ (919,265)**
Common stock issuable under convertible debt	-	-	25,000	4,500	-	-	4,500
Warrants issuable under convertible debt	-	-	125,000	-	55,311	-	55,311
Common stock and warrants issuable forfeited	-	-	(150,000)	(4,500)	(55,311)	-	(59,811)
Share issued to employees and vendor	860,000	860	-	-	85,640	-	86,500
Shares issuable from conversion of convertible debt	-	-	2,307,692	2,308	147,692	-	150,000
Shares issued from conversion of convertible debt	2,307,692	2,308	(2,307,692)	(2,308)	-	-	-
Shares issued from issuable shares	304,878	305	(304,878)	(305)	-	-	-
Net loss	-	-	-	-	-	(4,684,574)	(4,684,574)
Balance at December 31, 2019	**169,862,933**	**$ 169,863**	**695,122**	**$ 695**	**$ 1,179,272**	**$ (6,717,169)**	**$ (5,367,339)**

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

GREENBOX POS
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,		*2019*		*2018*
Cash flows from operating activities:				
Net loss	$	(4,684,574)	$	(1,893,276)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation expense		14,019		6,608
Interest expense - debt discount		195,201		-
Stock compensation expense		86,500		-
Derivative expense		634,766		-
Changes in fair value of derivative liability		415,297		-
Noncash lease expense		(4,406)		-
Changes in assets and liabilities:				
Accounts receivable		(20,259)		(49,998)
Accounts receivables from fines and fees from merchant, net		(2,776,687)		-
Prepaid and other current assets		(4,830)		(33,893)
Cash due from gateways, net		(7,796,145)		(630,699)
Accounts payable		377,476		95,049
Other current liabilities		5,699		9,401
Accrued interest		235,581		29,871
Payment processing liabilities, net		13,156,806		865,086
Deferred income		-		-
Net cash provided by (used in) operating activities		(165,556)		(1,601,851)
Cash flows from investing activities:				
Purchases of property and equipment		(49,795)		(31,254)
Net cash used in investing activities		(49,795)		(31,254)
Cash flows from financing activities:				
Borrowings from convertible debt		482,500		921,500
Repayments on convertible debt		(496,500)		-
Repayment on long-term debt		(75,000)		-
Borrowings from short-term notes payable		1,132,975		
Repayments on short-term notes payable		(359,304)		
Proceeds from issuances of common stock		-		913,230
Net cash provided by financing activities		684,671		1,834,730
Net increase (decrease) in cash, cash equivalents, and restricted cash		469,320		201,625
Cash, cash equivalents, and restricted cash – beginning of year		284,978		83,353
Cash, cash equivalents, and restricted cash – end of year	**$**	**763,110**	**$**	**284,978**
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	$	266,304	$	152,868
Income taxes	$	800	$	800
Non-cash financing activities:				
Convertible debt conversion to common stock	$	(150,000)	$	-

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

GREENBOX POS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Organization

GreenBox POS (the "Company" or "PubCo") is a tech company formed with the intent of developing, marketing and selling innovative blockchain-based payment solutions, which the Company believes will cause favorable disruption in the payment solutions marketplace. The Company's core focus is to develop and monetize disruptive blockchain-based applications, integrated within an end-to-end suite of financial products, capable of supporting a multitude of industries. The Company's proprietary, blockchain-based systems are designed to facilitate, record and store a virtually limitless volume of tokenized assets, representing cash or data, on a secured, immutable blockchain-based ledger.

The Company was formerly known as ASAP Expo, Inc ("ASAP"), which was incorporated April 10, 2007 under the laws of the State of Nevada. On January 4, 2020, PubCo and GreenBox POS LLC, a Washington limited liability company ("PrivCo"), entered into an Asset Purchase Agreement (the "Agreement"), to memorialize a verbal agreement (the "Verbal Agreement") entered into on April 12, 2018, by and among PubCo (the buyer) and PrivCo, which was formed on August 10, 2017 (the seller). On April 12, 2018, pursuant to the Verbal Agreement, PubCo acquired PrivCo's blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, bank and merchant accounts, as well as all intellectual property related thereto (the "GreenBox Business"). As consideration for the GreenBox Business, on April 12, 2018, PubCo assumed PrivCo's liabilities that had been incurred in the normal course of the GreenBox Business (the "GreenBox Acquisition").

For accounting and reporting purposes, PubCo deemed the GreenBox Acquisition a "Reverse Acquisition" with PrivCo designated the "accounting acquirer" and PubCo designated the "accounting acquiree."

Significant Transactions

On March 23, 2018, the then controlling shareholder and then sole officer and sole director of PubCo, Frank Yuan, along with his wife, Vicky PMW Yuan, entered into a Purchase Agreement with PrivCo (the "SPA").

Pursuant to the SPA, Frank Yuan agreed to convert a portion of a line of credit that he had previously issued to PubCo, in exchange for 144,445,000 shares of PubCo's common stock, par value $0.001 per share (the "Control Block"). The Yuans agreed to sell the Control Block to PrivCo for a consideration of $500,000: $250,000 in cash and $250,000 in PubCo shares to be issued within 30 days of the completion of the SPA (the "Shares Due"), which were subsequently paid by PrivCo.

On April 12, 2018, all business being conducted at that time by PubCo (the "ASAP Business") was transferred from PubCo to ASAP Property Holdings Inc., a company owned and operated by Frank Yuan ("Holdings"). In consideration for the ASAP Business, Holdings assumed all liabilities related to the ASAP Business.

On April 12, 2018, following the SPA being entered into and the ASAP Business being transferred to Holdings, Errez and Nisan were the sole acting officers and sole acting directors of PubCo.

On April 12, 2018, pursuant to the Verbal Agreement, PubCo acquired PrivCo's blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, and bank and merchant accounts, as well as all intellectual property related thereto (the "GreenBox Business"). As consideration for the GreenBox Business, on April 12, 2018 PubCo assumed nearly all PrivCo's liabilities (the "Assumed Liabilities") that had been incurred in the normal course of GreenBox Business (collectively, the "GreenBox Acquisition").

The value of the GreenBox Business assets on April 12, 2018 was $843,694, which excluded the Control Shares, which remained with PrivCo. The value of the Assumed Liabilities on April 12 was $589,078, which excluded $185,000 of a $300,000 convertible promissory note issued by PrivCo to RB Capital Partners. The difference between assets and liabilities was $254,616, which PubCo booked as a "Gain on Bargain Purchase." However, because we are using Reverse Acquisition accounting, we recorded the gain as Paid in Capital.

GREENBOX POS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (continued)

Name Change

On May 3, 2018, PubCo formally changed its name to GreenBox POS LLC, then subsequently changed its name to GreenBox POS on December 13, 2018. Unless the context otherwise requires, all references to "the Company," "we," "our", "us" and "PubCo" refer to GreenBox POS. Unless the context otherwise requires, all references to "PrivCo" or the "Private Company" refer to GreenBox POS LLC, a limited liability company, formed in the state of Washington.

Basis of Presentation and Consolidation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include the combined accounts of PubCo and PrivCo. All amounts are presented in U.S. Dollars unless otherwise stated. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP").

Going Concern

As of December 31, 2019, the Company had cash, cash equivalents, and restricted cash of $254,617, has incurred a net loss of $1,425,058 for the nine months ended September 30, 2019, and has accumulated a deficit of $3,457,653 as of September 30, 2019. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Additionally, as the GreenBox ecosystem grows, substantially larger volumes of working capital financing will be required to support our platform's growth. The Company intends to raise additional capital through private placements of debt and equity securities, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully complete its development activities or sustain operations. If the Company is unable to raise sufficient additional funds, we will have to develop and implement a plan to further extend payables, reduce overhead or scale back our business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying financial statements have been prepared in conformity with GAAP, which contemplate our continuation as a going concern, and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Restatement

On April 12, 2018, pursuant to a verbal agreement (the "Verbal Agreement"), PubCo acquired PrivCo's blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, and bank and merchant accounts, as well as all intellectual property related thereto (the "GreenBox Business"). As consideration for the GreenBox Business, on April 12, 2018, PubCo assumed PrivCo's liabilities that had been incurred in the normal course of the GreenBox Business (collectively, the "GreenBox Acquisition").

From April 12, 2018 through January 4, 2020 (the "In Between Period"), because there was ambiguity regarding the validity of the Verbal Agreement, PubCo filed required quarterly and annual reports with the Securities and Exchange Commission as if there had not been a Reverse Acquisition. During the In Between Period, PrivCo continued to operate as if it still owned the GreenBox Business, which included maintaining records of GreenBox Business financial transactions on PrivCo's accounting software, and entering into contracts and agreements as PrivCo, while PubCo paid all expenses, including expenses related to PrivCo contracts entered into prior to April 12, 2018 and after April 12, 2018, as well as expenses incurred as a result of litigation resulting from disagreements between PrivCo and other parties. During the In Between Period, PubCo represented itself in press releases, as being the owner/operator of the GreenBox Business. Additionally, from April 12, 2018 through approximately December 31, 2018, PubCo and PrivCo shared control of PrivCo's bank accounts, and on approximately January 1, 2019, PubCo assumed control of PrivCo's bank accounts.

GREENBOX POS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION (continued)

By virtue of the payment of PrivCo's litigation expenses by PubCo, by virtue of PubCo representing itself in press releases, as being the owner/operator of the GreenBox Business, and by virtue of the shared control of PrivCo's bank accounts starting on April 12, 2018, both PubCo and PrivCo concluded that the Verbal Agreement was valid and the GreenBox Business asset acquisition took place on April 12, 2018.

On January 4, 2020, PubCo and PrivCo entered into an Asset Purchase Agreement (the "Agreement"), to memorialize the Verbal Agreement. For accounting and reporting purposes, PubCo deemed the GreenBox Acquisition a "Reverse Acquisition" with PrivCo designated the "accounting acquirer" and PubCo designated the "accounting acquiree."

Because PubCo previously filed quarterly and annual reports for 2018 with the Securities and Exchange Commission as if there had not been a Reverse Acquisition, PubCo was required to file amended Form 10-Qs for the periods ending June 30, 2018 and September 30, 2018, and an amended Form 10-K for the year ending December 31, 2018 (collectively the "Amended Reports"). These Amended Reports differ substantially from previously filed reports in that PubCo's financials are presented on a combined basis with PrivCo. Additionally, the previous business operations of PubCo prior to April 12, 2018 are disregarded.

The Company therefore filed, on February 7, 2020, an amended 10-K ("Amended 10-K") to the Company's audited financial statements for the year ended December 31, 2018, contained in the Company's Annual Report on Form 10-K, originally filed with the SEC on April 16, 2019 (the "2018 Report") to restate the Company's financial statements and revise related disclosures. As a substantial part of the Amended 10-K was amended and/or restated, the Company presented the entire text of the 2018 Report, as amended and/or restated by the Amended 10-K. Readers should therefore read and rely only on the Amended 10-K in lieu of the original 2018 Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with the GAAP 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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or cash flows.

Cash, Cash Equivalents and Restricted Cash

The Company's cash, cash equivalent and Restricted cash represents the following:

- ***Cash and cash equivalents*** consist of cash on hand, cash on deposit with banks, and highly liquid debt investments with a maturity of three months or less when purchased. The Company has cash equivalents of $0 and $45,854, excluding cash held for settlement liabilities, as of December 31, 2019 and December 31, 2018, respectively.

- ***Restricted Cash –*** The Company's technology enables transactional blockchain ledger to instantly reflect all transactions details. The final cash settlement of each transaction is subject to the gateway policies. This final disposition takes days to weeks to complete in accordance with these policies. Each policy is an integral part of the transactional contracts between the Company, its Independent Sales Organizations (ISOs), its agents, and the merchant clients. While the ledger reflects a held balance for the merchant, in reserve or payment in arears, the Company holds funds in a trust account as cash deemed restricted. The Company's books reflect such restricted cash as a restricted cash and trust accounts, and the sum balance due to merchants and ISOs as settlement liabilities.

GREENBOX POS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ -	$ 45,854
Restricted cash	763,110	239,124
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	**$ 763,110**	**$ 284,978**

Cash Due from Gateways and Payment Processing Liabilities

The Company's primary source of revenues continues to be payment processing services for its merchant clients. When such merchant makes a sale, the process of receiving the payment card information, engaging the banks for transferring the proceeds to the merchant's account via digital gateways, and recording the transaction on a blockchain ledger are the activities for which the Company gets to collect fees.

In 2019 the Company utilized several gateways. The gateways have strict guidelines pertaining to scheduling of the release of funds to merchants based on several criteria, such as return and chargeback history, associated risk for the specific business vertical, average transaction amount and so on. In order to mitigate processing risks, these policies determine reserve requirements and payment in arear strategy. While reserve and payment in arear restrictions are in effect for a merchant payout, the Company records gateway debt against these amounts until released.

Therefore, the total gateway balances reflected in the Company's books represent the amount owed to the Company for processing – these are funds from transactions processed and not yet distributed.

Advertising and Marketing Costs

Advertising and marketing costs are recorded as general and administrative expenses when they are incurred. Advertising and marketing expenses were $45,928 and $166,149 for the years ended December 31, 2019 and 2018, respectively.

Research and Development Costs

Research and development costs, which are expensed as incurred, are primarily comprised of costs and expenses for salaries and benefits for research and development personnel, outsourced contract services, and supplies and materials costs. Research and development expenses were $1,255,296 and $376,871 for the years ended December 31, 2019 and 2018, respectively.

Revenue Recognition

Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers outlines the basic criteria that must be met to recognize revenue and provide guidance for presentation of revenue and for disclosure related to revenue recognition policies in financial statements filed with the Securities and Exchange Commission. Management believes the Company's revenue recognition policies conform to ASC 606.

The Company recognizes revenue when 1) it is realized or realizable and earned, 2) there is persuasive evidence of an arrangement, 3) delivery and performance has occurred, 4) there is a fixed or determinable sales price, and 5) collection is reasonably assured.

GREENBOX POS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company generates revenue from payment processing services, licensing fees and equipment sales.

- Payment processing revenue is based on a percentage of each transaction's value and/or upon fixed amounts specified per each transaction or service and is recognized as such transactions or services are performed.
- Licensing revenue is paid in advance and is recorded as unearned income, which is amortized monthly over the period of the licensing agreement.
- Equipment revenue is generated from the sale of POS products, which is recognized when goods are shipped.

Accounts Receivables from Fines and Fees from Merchants

The fines and penalties charged to the Company's merchants is a normal course of business and historically, the Company has had more than 90% collections success rate. These fees and penalties represent certain chargebacks which are at fault by the Company's merchants and are imposed as the merchant agreement between the Company and the merchant. The Company has legal rights under the merchant agreement to claim the chargeback. These chargebacks, fees, and fines are earned and delivered because the Company has been "chargebacked" by the Gateways and the Company has legal rights under the agreement to claim this against the merchants.

In end of Q3 2019, GreenBox received constructive notice of potential violations of its Terms of Service by a merchant, The Good People Farms ("TGPF"). An ongoing audit and investigation of this account resulted in the discovery of a number of violations GreenBox believes TGPF is responsible for, including but not limited to violations of VISA, Mastercard, and American Express's rules.

This investigation is ongoing, but initial results indicate that excessively high chargeback percentages are connected with fraudulent activity and / or transaction laundering. These issues lead to the implementation of aggressive bank reserves, stunting GreenBox's ability to conduct business and contributed to undetermined consequential damages. GreenBox promptly terminated the merchant account and placed all processed funds on reserve.

Although the investigation is ongoing, GreenBox estimates that the total amount of fees, fines, and chargebacks are currently $9,441,718. The Company has provided for an allowance for bad debt of $6,665,031 on the gross balance of $9,441,718 bringing to net balance of $2,776,687. To date, GreenBox has successfully recouped $840,739.33 (collected in 2019). The Company expects to recoup at minimum approximately $2.8M in fiscal year 2020. The Company may assess $100,000 per fraudulent transactions but the Company used $5,000 per transaction to calculate the fees and fines.

The Company recorded net balance of $2,776,687 as other income in the statements of operations for the year ended December 31, 2019.

Accounts Receivable and Allowance for Bad Debt

The Company maintains an allowance for doubtful accounts for estimated losses from the inability of customers to make required payments. The allowance for doubtful accounts is evaluated periodically based on the aging of accounts receivable, the financial condition of customers and their payment history, historical write-off experience and other assumptions, such as current assessment of economic conditions.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets, which range from three to eight years. Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

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

Level 1. Observable inputs such as quoted prices in active markets;
Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's financial instruments consisted of cash, accounts payable and accrued liabilities, advances to due to or from affiliated companies, notes payable to officers. The estimated fair value of cash, accounts payable and accrued liabilities, due to or from affiliated companies, and notes payable approximates its carrying amount due to the short maturity of these instruments.

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

December 31, 2019	Level 1	Level 2	Level 3
Derivative liability	$ -	$ -	$ 1,050,063

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion or all of the deferred tax assets will be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities.

Long-Lived Asset Impairments

The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment when events or changes in business conditions indicate that their carrying value may not be recovered, and at least annually. The Company considers assets to be impaired and writes them down to estimated fair value if expected associated undiscounted cash flows are less than the carrying amounts. Fair value is the present value of the associated cash flows.

Earnings Per Share

A basic earnings per share is computed by dividing net income to common stockholders by the weighted average number of shares outstanding for the year. Dilutive earnings per share include the effect of any potentially dilutive debt or equity under the treasury stock method, if including such instruments is dilutive. The Company's diluted earnings/loss per share is the same as the basic earnings/loss per share for the years ended December 31, 2019 and 2018, as there are no potential shares outstanding that would have a dilutive effect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Prior to January 1, 2019, the Company accounted for leases under Accounting Standards Codification (ASC) 840, Accounting for Leases. Effective from January 1, 2019, the Company adopted the guidance of ASC 842, Leases, which requires an entity to recognize a right-of-use asset and a lease liability for virtually all leases.

On February 25, 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. ASC 842 requires that lessees recognize right of use assets and lease liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than twelve months.

ASC 842 distinguishes leases as either a finance lease or an operating lease that affects how the leases are measured and presented in the statement of operations and statement of cash flows. ASC 842 supersedes nearly all existing lease accounting guidance under GAAP issued by the Financial Accounting Standards Board ("FASB") including ASC Topic 840, Leases.

For operating leases, we calculated right of use assets and lease liabilities based on the present value of the remaining lease payments as of the date of adoption using the IBR as of that date.

The adoption of ASC 842 resulted in recording an adjustment to operating lease right of use assets and operating lease liabilities of liabilities of $229,639 and $234,045, respectively as of December 31, 2019. The difference between the operating lease ROU assets and operating lease liabilities at transition represented tenant improvements, and indirect costs that was derecognized. The adoption of ASC 842 did not materially impact our results of operations, cash flows, or presentation thereof.

Recently Adopted Accounting Updates

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with prior GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike prior GAAP—which required only finance (formerly capital) leases to be recognized on the balance sheet—the new ASU requires both types of leases to be recognized on the balance sheet. The ASU took effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This standard can be applied at the beginning of the earliest period presented using the modified retrospective approach, which includes certain practical expedients that an entity may elect to apply, including an election to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases and ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, which make improvements to Accounting Standards Codification ("ASC") 842 and allow entities to not restate comparative periods in transition to ASC 842 and instead report the comparative periods under ASC 840.

The adoption of ASC 842 resulted in recording an adjustment to operating lease right of use assets and operating lease liabilities of liabilities of $229,639 and $234,045, respectively as of December 31, 2019. The difference between the operating lease ROU assets and operating lease liabilities at transition represented tenant improvements, and indirect costs that was derecognized. The adoption of ASC 842 did not materially impact our results of operations, cash flows, or presentation thereof.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurements (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The standard removes, modifies, and adds certain disclosure requirements for fair value measurements. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. While the Company is currently in the process of evaluating the effects of this standard on the consolidated financial statements, the Company plans to adopt ASU No. 2018-13 in the first quarter of fiscal 2020, coinciding with the standard's effective date, and expects the impact from this standard to be immaterial.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company's accounting for the service element of a hosting arrangement that is a service contract is not affected by the proposed amendments and will continue to be expensed as incurred in accordance with existing guidance. This standard does not expand on existing disclosure requirements except to require a description of the nature of hosting arrangements that are service contracts. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance prospectively or retrospectively. The Company plans to adopt the updated disclosure requirements of ASU No. 2018-15 prospectively in the first quarter of fiscal 2020, coinciding with the standard's effective date, and expects the impact from this standard to be immaterial.

Other recently issued accounting updates are not expected to have a material impact on the Company's financial statements.

3. REVERSE ACQUISITION

On January 4, 2020, PubCo and PrivCo entered into the Agreement to memorialize the Verbal Agreement. On April 12, 2018, pursuant to the Verbal Agreement, PubCo acquired PrivCo's blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, and bank and merchant accounts, as well as all intellectual property related thereto (the "GreenBox Business"). As consideration for the GreenBox Business, on April 12, 2018, PubCo assumed PrivCo's liabilities that had been incurred in the normal course of the GreenBox Business (collectively, the "GreenBox Acquisition").

For accounting and reporting purposes, PubCo deemed the GreenBox Acquisition a "Reverse Acquisition" with PrivCo designated the "accounting acquirer" and PubCo designated the "accounting acquiree."

The value of the assets acquired and liabilities assumed was $843,694 and $589,078, respectively, on April 12, 208. Exclusions from the Agreement included shares in PubCo held by PrivCo, which remain a PrivCo asset, and $185,000 of a $300,000 convertible promissory note issued by PrivCo.

The following is the purchase price allocation on April 12, 2018:

		April 12, 2018
Cash and Cash Equivalents	$	752,393
Customer Accounts		83
Inventory		56,988
Security Deposits		3,990
Fixed Assets, net		17,697
Prepaid Expense		12,543
Assets Acquired		843,694
Total Consideration – Liabilities Assumed		589,078
Gain on Bargain Purchase	**$**	**254,616**

This acquisition resulted in a "Gain on Bargain Purchase" for PubCo because the fair value of assets we acquired exceeded the total of the fair value of consideration we paid by $254,616. However, as we deemed the acquisition a Reverse Acquisition for accounting purposes, the $254,616 gain was rerecorded and presented as Paid in Capital within our Consolidated Balance Sheet on the date of acquisition. The operating results of the GreenBox Business for the period from April 12, 2018 going forward have been included in the Company's Consolidated Statements of Operations. The Company did not incur a significant amount in transaction costs in connection with the acquisition, but any and all costs were expensed as incurred and are included within the Consolidated Statement of Operations.

4. SETTLEMENT PROCESSING

The Company's proprietary blockchain-based technology serves as the settlement engine for all transactions within the Company's ecosystem. The blockchain ledger provides a robust and secure platform to log immense volumes of immutable transactional records in real time. Generally speaking, blockchain is a distributed ledger that uses digitally encrypted keys to verify, secure and record details of each transaction conducted within an ecosystem. Unlike general blockchain-based systems, GreenBox uses proprietary, private ledger technology to verify every transaction conducted within the GreenBox ecosystem. The verification of transaction data comes from trusted partners, all of whom have been extensively vetted by us.

GreenBox facilitates all financial elements of our closed-loop ecosystem and we act as the administrator for all related accounts. Using our TrustGateway technology, we seek authorization and settlement for each transaction from Gateways to the issuing bank responsible for the credit/debit card used in the transaction. When the Gateway settles the transaction, our TrustGateway technology composes a chain of blockchain instructions to our ledger manager system.

When consumers use credit/debit cards to pay for transactions with merchants who use our ecosystem, the transaction starts with the consumer purchasing tokens from us. The issuance of tokens is accomplished when we load a virtual wallet with a token, which then transfers credits to the merchant's wallet on a dollar for dollar basis, after which the merchant releases its goods or services to the consumer. These transfers take place instantaneously and seamlessly, allowing the transaction experience to seem like any other ordinary credit/debit card transaction to the consumer and merchant.

While our blockchain ledger records transaction details instantaneously, the final cash settlement of each transaction can take days to weeks, depending upon contract terms between us and the gateways we use, between us and our ISOs, and between us and/or our ISOs and merchants who use our services. In the case where we have received transaction funds, but not yet paid a merchant or an ISO, we hold funds in either a trust account or as cash deemed restricted within our operating accounts. We record the total of such funds as Cash held for Settlements – a Current Asset. Of these funds, we record the sum balance due to Merchants and ISOs as Settlement Liabilities to Merchants and Settlement Liabilities to ISOs, respectively.

The table below shows the status of transaction settlements:

	December 31, 2019	December 31, 2018
Settlement Processing Assets:		
Cash held for settlements	$ 763,110	$ 239,124
Cash due from gateways	3,073,183	291,112
Amount due from gateways and merchants – hold and fees	4,824,223	-
Chargeback allowances (1)	-	(139,374)
Reserves (2)	5,353,661	474,224
Total before allowance for uncollectable	**14,014,177**	**865,086**
Allowance for uncollectable – hold and fees	(5,587,333)	-
Total – settlement processing assets	**$ 8,426,844**	**$ 865,086**
Settlement Processing Liabilities:		
Settlement liabilities to merchants	14,014,177	786,425
Settlement liabilities to ISOs	-	107,342
Refund allowances (3)	-	(28,681)
Totals	**$ 14,014,177**	**$ 865,086**

(1) During 2018, the Company absorbed all chargeback costs as a cost of services provided – essentially a sales promotion tool to onboard customers in 2018. The Chargeback Allowance shown in the table above reflects our estimate of potential chargebacks that are likely to be realized in 2019, which are connected to sales transactions that occurred in 2018. The allowance decreases the amount that GreenBox is owed from the Gateways we use in our proprietary ecosystem. In 2019, the actual dollar amount of chargebacks will be reconciled with our allowance.

(2) Reserves are essentially an escrow fund that protects a gateway/card issuer from financial losses. In the Reserve, funds are held until chargeback time limits expire.

(3) The Refund Allowance shown in the table above reflects our estimate of potential refunds that may be realized in 2019, which are connected to sales transactions that occurred in 2018. The allowance decreases the amount that GreenBox owes to Merchants using our proprietary ecosystem. In 2019, the actual dollar amount of refunds with be reconciled with our allowance.

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5. CASH DUE FROM GATEWAYS

Cash due from gateways consisted of the following:

	December 31, 2019	December 31, 2018
Cash due from Gateways	$ 3,073,183	$ 291,112
Amount due from gateways and merchants – hold and fees	4,824,223	-
Reserves (2)	5,353,661	474,224
Total cash due from gateways	13,251,067	765,336
Chargeback Allowances (1)	-	(134,637)
Allowance of uncollectable – hold and fees	(4,824,223)	-
Total cash due from gateways, net	**$ 8,426,844**	**$ 630,699**

(1) During 2018, the Company absorbed all chargeback costs as a cost of services provided – essentially a sales promotion tool to onboard customers in 2018. The Chargeback Allowance shown in the table above reflects our estimate of potential chargebacks that are likely to be realized in 2019, which are connected to sales transactions that occurred in 2018. The allowance decreases the amount that GreenBox is owed from the Gateways we use in our proprietary ecosystem. In 2019, the actual dollar amount of chargebacks will be reconciled with our allowance.

(2) Reserves are essentially an escrow fund that protects a gateway/card issuer from financial losses. In the Reserve, funds are held until chargeback time limits expire.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2019	December 31, 2018
Computers	$ 38,938	$ 15,285
Furniture	37,339	4,919
Kiosks	12,750	12,750
Vehicles	4,578	4,578
Total property and equipment	93,605	37,532
Less: Accumulated depreciation	(27,114)	(6,817)
Total property and equipment, net	**$ 66,491**	**$ 30,715**

Depreciation expense was $16,530 and $6,608 for the years ended December 31, 2019 and 2018, respectively.

7. PAYMENT PROCESSING LIABILITIES, NET

Payment processing liabilities consisted of the following:

	December 31, 2019	December 31, 2018
Settlement liabilities to merchants	$ 14,014,177	$ 786,425
Settlement liabilities to ISOs	-	107,342
Total processing liabilities	14,014,177	893,767
Refund allowances	-	(28,681)
Total payment processing liabilities	**$ 14,014,177**	**$ 865,086**

The Refund Allowance shown in the table above reflects our estimate of potential refunds that may be realized in 2019, which are connected to sales transactions that occurred in 2018. The allowance decreases the amount that GreenBox owes to Merchants using our proprietary ecosystem. In 2019, the actual dollar amount of refunds with be reconciled with our allowance.

8. CONVERTIBLE NOTES PAYABLE

Convertible notes payable consisted of the following:

	December 31, 2019	December 31, 2018
March 11, 2019 ($500,000) – 8% one-time interest charge with outstanding principal and interest due October 6, 2019.	$ 500,000	$ -
December 27, 2018 ($150,000) – 12% interest per annum paid quarterly with outstanding principal and remaining interest due December 12, 2019.	-	150,000
December 13, 2018 ($83,000) – 10% interest per annum with outstanding principal and interest due December 13, 2019.	-	83,000
November 26, 2018 ($200,000) – 12% interest per annum with outstanding principal and interest due November 26, 2019.	200,000	200,000
September 27, 2018 ($53,000) – 10% interest per annum with outstanding principal and interest due September 27, 2019.	-	53,000
August 6, 2018 ($253,000) – 10% interest per annum with outstanding principal and interest due August 6, 2019.	-	253,000
March 15, 2018 ($300,00) – 12% interest per annum with outstanding principal and interest due March 15, 2019.	107,500	107,500
Total convertible notes payable	**$ 807,500**	**$ 846,500**

Vista Capital Investments, LLC - $500,000 (original received $375k)

On March 11, 2019, PubCo issued a convertible promissory note for $500,000 to Vista Capital Investments, LLC ("Vista") (the "Vista Note"), due October 6, 2019 (the "Maturity Date"). The Vista Note incurred a onetime interest charge of 8%, which was recorded at issuance, and was due upon repayment of the Vista Note. The Vista Note included an original issue discount of $125,000, netting the balance received by PubCo from Vista at $375,000. The Vista transaction included commitment fees, which took the form of an obligation by PubCo to issue Vista 25,0000 shares and a four-year warrant to purchase 125,000 shares (the "Commitment Shares") which are only provided in the event of default. Upon the occurrence of an event of default, as defined in the Vista Note, the conversion price shall become equal to a 65% of the lowest traded price for the Company's common stock in the 25 consecutive trading days preceding the notice of conversion and the balance due shall be multiplied by 130% (the "Default Provision"). The Vista Note's principal and interest were due to be paid October 6, 2019.

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8. CONVERTIBLE NOTES PAYABLE (continued)

The Company and Vista amended the convertible debt agreement as follows:

- ***First Amendment*** – On or about October 16, 2019, the parties amended the Vista Note to extend the Maturity Date to November 6, 2019, reduce the principal and interest due to $464,625 and cancel the Commitment Shares.
- ***Second Amendment*** – On or about December 11, 2019, the parties agreed to a second amendment of the Vista Note, which extended the Maturity Date to January 15, 2020, required the Company to make a one-time payment of $10,000, changed the principal and interest balance due to $487,858, and waived Vista's default rights through January 15, 2020. On January 22, 2020, Vista issued a default notice to the Company, which included an increase in the balance due to $634,213.
- ***Third Amendment*** – On or about January 28, 2020, the parties agreed upon a third amendment to the Vista Note, which extended the Maturity Date to February 29, 2020, reduced the principal and interest due to $482,856 and required the Company to make a one-time $20,000 payment on or before January 29, 2020, of which $5,000 is to be applied to principal due. All other terms of the note remain in full force and effect.

The Vista Note has matured as of September 30, 2019. The Company has defaulted on the Vista Note and subsequently the Vista Note has not been extended. The Company is currently negotiating with Vista on extension of the Vista Note.

Saskatchewan Ltd – $150,000

On December 27, 2018, PubCo issued a convertible promissory note for $150,000 to Saskatchewan Ltd ("Sask") (the "Sask Note"). The note incurs interest at 12% per year, paid quarterly, in advance. The outstanding principal and any remaining interest are due December 12, 2019. The note includes a conversion feature where, beginning six months after the issuance date, at which time the lender may convert all or a portion of the outstanding principal and any accrued interest balance into shares of PubCo's common stock at a discounted rate of 50%. This note holder issued a notice of conversion to the Company on June 27, 2019 to convert the outstanding principal into 2,307,692 shares of the Company's stock. The shares were subsequently issued to Sask on August 14, 2019.

Power Up Lending Ltd

On August 6, 2018, the Company entered into a Securities Purchase Agreement with Power Up Lending Up Ltd ("PULG") under which PULG agreed to issue notes of up to $1,500,000 in aggregate over twelve months at the discretion of PULG (the "PULG SPA"). Under this agreement, the Company issued the following convertible notes:

- ***PULG – $253,000***
  On August 6, 2018, the Company issued a convertible note for $253,000 to PULG, with a net $250,000 received by the Company. The note incurs interest at 10% per year and the outstanding principal and accrued interest are due August 6, 2019. The note includes a conversion feature where, beginning 180 days after the issuance date, at which time the lender may convert all or a portion of the outstanding principal and accrued interest balance into shares of the Company's common stock at a discounted rate of 65%. The Company incurred $3,000 in financing fees associated with the loan. The Company paid this note on January 30, 2019, at which time it repaid the principal, accrued interest and an early repayment penalty of $93,333, which was recorded as interest expense.
- ***PULG – $53,000***
  On September 27, 2018, the Company issued a convertible note for $53,000 to PULG, with a net $50,000 received by the Company. The note incurs interest at 10% per year and the outstanding principal and accrued interest are due September 27, 2019. The note includes a conversion feature where, beginning 180 days after the issuance date, at which time the lender may convert all or a portion of the outstanding principal and accrued interest balance into shares of the Company's common stock at a discounted rate of 65%. The Company incurred $3,000 in financing fees associated with the loan. The Company paid this note on March 13, 2019, at which time it repaid the principal, accrued interest and an early repayment penalty of $19,378, which was recorded as interest expense.
- ***PULG – $83,000***
  On December 13, 2018, PubCo issued a convertible note for $83,000 to PULG, with a net $80,000 received by PubCo. The note incurs interest at 10% per year and the outstanding principal and accrued interest are due December 13, 2019. The note includes a conversion feature where, beginning 180 days after the issuance date, at which time the lender may convert all or a portion of the outstanding principal and accrued interest balance into shares of the PubCo's common stock at a discounted rate of 65%. PubCo incurred $3,000 in financing fees associated with the loan. The Company paid this note on March 13, 2019, at which time it repaid the principal, accrued interest and an early repayment penalty of $17,005, which was recorded as interest expense.

8. CONVERTIBLE NOTES PAYABLE (continued)

RB Cap – $200,000

On November 26, 2018, PubCo issued a convertible promissory note for $200,000 to RB Cap (the "RB Cap $200K Note"). The note incurs interest at 12% per year and the outstanding principal and accrued interest are due November 26, 2019. RB Cap may elect to convert the note at any time from six months from the date of issuance at a fixed price per share of $4.50. This note became part of a claim/counter claim suit with RB Capital (See Section C. Legal Matters below.)

RB Cap – $300,000

On or about March 15, 2018, PrivCo issued a twelve-month, $300,000 convertible promissory note to RB Capital Partners ("RB Cap"), with an interest rate of 12% per annum ("RB Cap 300K Note"). The note's convertibility feature commenced six months after the note's issuance, at a conversion rate of $0.001 per share of the Company's common stock. Under the terms of the Agreement which memorialized the Verbal Agreement, we assumed the note, however, PrivCo agreed to pay $185,000 of the principal balance due on this note. On or about June 8, 2018, PrivCo transferred 440,476 restricted shares of Common Stock from the Control Block, with a market value of $185,000, to a purported designee of RB Cap, as a payment of principal of the note. Subsequently, RB Cap disputed the reduction in principal and subsequently, and we, along with PrivCo, disputed whether these shares should have been issued by PrivCo, and sought their return. On or about October 23, 2018, we issued 7,500,000 newly issued, restricted shares of our stock to RB Cap, in repayment of $7,500 of the RB Cap $300,000 Note. Subsequently, we disputed whether these shares should have been issued to RB Cap. As of December 31, 2018, our recorded principal balance for the note was $107,500 and accrued interest on the note was $15,880. On or about March 13, 2019, we issued a final cash payment towards the RB Cap 300K Note of approximately $126,092 (the "Payoff Funds"). However, RB Cap contested the amount of the Payoff Funds. (See Section C. Legal Matters below, under Note 12 – Subsequent Events)

9. SHORT-TERM NOTES PAYABLE

Short-term notes payable consisted of the following:

	December 31, 2019	December 31, 2018
December 10, 2019 ($260,000) – Total interest charge of $106,000 with daily installments (5 days per week) of $4,073 for four months totaling $366,000.	$ 213,671	$ -
December 9, 2019 ($200,000) – Total interest charge of $40,000 with 15 weekly installments of $16,000 totaling $240,000.	160,000	-
November 12, 2019 ($400,000) – Total interest charge of $196,000 with daily installments (5 days per week) of $5,960 for four months totaling $596,000.	400,000	-
Total short-term notes payable	$ 773,671	-
Debt discount	(32,418)	
Total short-term notes payable, net of debt discount	**$ 741,253**	

Fox Capital Group, Inc. - $260,000

On or about December 5, 2019, PubCo entered into a Secured Merchant Agreement with Fox Capital Group, Inc. ("Fox"). Under the terms of the Secured Merchant Agreement, the Company agreed to sell Fox $366,000 of future incoming cashflow from the GreenBox Business, to be delivered to Fox in daily installments of $4,073, for $260,000, from which $26,000 in fees was deducted, providing the Company with net cash of $234,000. For accounting purposes, the Company recorded this transaction as a loan of $260,000, with interest of $106,000, which will be repaid over the following four months. Both Nisan and Errez, individually, signed personal guarantees for this Secured Merchant Agreement.

9. SHORT-TERM NOTES PAYABLE (continued)

Complete Business Solutions Group, Inc. - $200,000

On or about December 9, 2019, PubCo entered into an Agreement for the Purchase and Sale of Future Receivables (the "Purchase and Sale Agreement") with Complete Business Solutions Group Inc, ("CBSG"). Under the terms of the Purchase and Sale Agreement, we agreed to sell CBSG $240,000 of future incoming cashflow from the GreenBox Business, to be delivered to CBSG in weekly installments of $16,000, for $200,000, from which $35 in fees was deducted, providing us with net cash of $199,965. For accounting purposes, we recorded this transaction as a loan of $200,000, with interest of $40,000, which will be repaid over the following four months. Both Nisan and Errez, individually, signed personal guarantees for this Purchase and Sale Agreement.

West Coast Business Capital, LLC - $400,000

On or about November 12, 2019, the Company entered into a Purchase Agreement with West Coast Business Capital, LLC ("West Coast"). Under the terms of the Purchase Agreement, the Company agreed to sell West Coast $596,000 of future incoming cashflow from the GreenBox Business, to be delivered to West Coast in daily installments of $5,960, for $400,000, from which $16,000 in fees was deducted, providing the Company with net cash of $384,000. For accounting purposes, the Company recorded this transaction as a loan of $400,000, with interest of $196,000, which will be repaid over the following four months. Both Nisan and Errez, individually, signed personal guarantees for this Purchase Agreement.

MTrac - $200,000

On or about September 10, 2019, the Company entered into a loan agreement of $200,000 including fixed interest of $72,975. The loan was fully paid off on September 23, 2019.

10. DERIVATIVE LIABILITY

Derivative liability consisted of the following:

	December 31, 2019	December 31, 2018
Beneficial conversion feature – convertible debt	$ 1,050,063	$ -
Total derivative liability	**$ 1,050,063**	**$ -**

On March 11, 2019, PubCo issued a convertible promissory note for $500,000 to Vista Capital Investments, LLC ("Vista") (the "Vista Note"), due October 6, 2019 (the "Maturity Date"). The Vista Note incurred a onetime interest charge of 8%, which was recorded at issuance, and was due upon payback of the Vista Note. The Vista Note included an original issue discount of $125,000, netting the balance received by PubCo from Vista at $375,000. The Vista transaction included commitment fees, which took the form of an obligation by PubCo to issue Vista 25,0000 shares and a four-year warrant to purchase 125,000 shares (the "Commitment Shares") which are only provided in the event of default. Upon the occurrence of an event of default, as defined in the Vista Note, the conversion price shall become equal to a 65% of the lowest traded price for the Company's common stock in the 25 consecutive trading days preceding the notice of conversion and the balance due shall be multiplied by 130% (the "Default Provision").

Derivative financial instruments, as defined in ASC 815, "Accounting for Derivative Financial Instruments and Hedging Activities", consist of financial instruments or other contracts that contain a notional amount and one or more underlying (e.g. interest rate, security price or other variable), require no initial net investment and permit net settlement. Derivative financial instruments may be free-standing or embedded in other financial instruments. Further, derivative financial instruments are initially, and subsequently, measured at fair value and recorded as liabilities or, in rare instances, assets.

10. DERIVATIVE LIABILITY (continued)

The accounting treatment of derivative financial instruments requires that the Company record the embedded conversion option and warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value is recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification. As a result of entering into warrant agreements, for which such instruments contained a variable conversion feature with no floor, the Company has adopted a sequencing policy in accordance with ASC 815-40-35-12 whereby all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

Based on ASC 815, the Company determined that the convertible debt contained embedded derivatives and valued the derivative using the Black-Scholes method. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates (such as volatility, estimated life and interest rates) that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the trading market price of our common stock, which has a high-historical volatility. Since derivative financial instruments are initially and subsequently carried at fair values, the Company's operating results will reflect the volatility in these estimate and assumption changes.

The Company performs valuation of derivative instruments at the end of each reporting period. The fair value of derivative instruments is recorded and shown separately under current liabilities as these instruments can be converted anytime. Changes in fair value are recorded in the consolidated statement of income under other income (expenses).

11. INCOME TAXES

The Company did not have income tax provision (benefit) due to net loss and deferred tax assets having a full valuation allowances as of and for the year ended December 31, 2019 and 2018.

The provision for income taxes differs from the amounts computed by applying the federal statutory tax rate of 21% to earnings before income taxes, as follows:

	Years Ended December 31,	
	2019	**2018**
Book income at statutory rate	21.00%	21.00%
Others	0%	-0.80%
Change in Valuation Allowance	-21.00%	-20.14%
Effective income tax rate	0%	**0.06%**

Deferred tax assets and liabilities consist of the following tax-effected temporary differences:

	December 31, 2019	**December 31, 2018**
Deferred tax assets (liabilities):		
Charitable contributions	$ -	$ (3,700)
Unearned revenue	-	(75,600)
Depreciation	-	(26,300)
Net operating loss carryforward	498,888	612,800
Total deferred tax assets, net	498,888	507,200
Valuation allowance	(498,888)	(507,300)
Net deferred tax assets (liabilities)	**$ -**	**$ (100)**

11. INCOME TAXES (continued)

The Company uses the liability method of accounting for income taxes as set forth in ASC 740. Under the liability method, deferred taxes are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. As of December 31, 2019, the Company had federal and California net operating loss carryforwards of approximately $2.4 million. The federal and California net operating loss carryforwards will expire at various dates from 2026 through 2028; however, $2.4 million of the Federal operating loss does not expire and will be carried forward indefinitely.

As of December 31, 2019 and 2018, the Company maintained full valuation allowance for net operating loss carryforward deferred tax asset. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income are reduced.

The Company files a consolidated federal income tax return and files tax returns in various state and local jurisdictions. The statutes of limitations for its consolidated federal income tax returns are open for years 2016 and after, and state and local income tax returns are open for years 2015 and after.

12. EQUITY TRANSACTIONS

The Company issued the following common shares:

- On or about May 10, 2019, PubCo issued 10,000 shares to a non-affiliated legal consultant for services rendered.
- On or about June 18, 2019, PubCo issued a total of 850,000 shares to nine PubCo employees as performance bonuses. The shares were fully vested upon issuance and worth $0.10 per share, at closing, on the day of issuance.
- On or about August 14, 2019, PubCo issued 2,307,692 shares to a lender, that chose to convert a $150,000 promissory note at a 50% discount into shares of PubCo.
- On or about August 14, 2019, PubCo issued 1,085,000 shares to PrivCo, as repayment of shares inadvertently transferred by PrivCo to third parties on behalf of PubCo as follows
  - On or about December 27, 2018, PrivCo inadvertently transferred 1,000,000 restricted PubCo shares, with a market value of $150,000, which money was deposited into PrivCo's bank accounts (control of which bank accounts were shared by PubCo and PrivCo from April 12, 2018 through approximately December 31, 2018).
  - On or about January 4, 2019, PrivCo inadvertently transferred 50,000 restricted PubCo shares to a non-affiliated service provider to PubCo for services rendered to PubCo.
  - On or about January 4, 2019, PrivCo inadvertently transferred 35,000 PubCo shares of to a non-affiliated service provider to PubCo for services rendered to PubCo.

13. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

- **Related Party Employees and Employee Entity:**

Dan Nusinovich – The Company hired Dan Nusinovich on or about February 19, 2018 as the Company's Development and Testing Manager. Dan is the brother of Fredi Nisan, our CEO and Director. Subsequently, the Company entered into a Referral Commission Agreement with Dan in November 2018, which expired November 2019, under which Dan is to receive 10% for new business resulting from his direct introductions. To date, no new business has been generated by Dan, thus Dan has not been paid under the Referral Agreement. On or about June 18, 2019, the Company issued 160,000 restricted shares to Dan, who was one of nine employees to receive a performance bonus in stock on this day. The shares were fully vested upon issuance and worth $16,000 at closing, on the day of issuance. The Company currently pays Dan approximately $96,000 per year.

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13. RELATED PARTY TRANSACTIONS (continued)

Liron Nusinovich – The Company hired Liron Nusinovich on or about July 16, 2018 as our Risk Analyst. Liron is the brother of Fredi Nisan, our CEO and Director. On or about June 18, 2019, the Company issued 110,000 restricted shares to Liron, who was one of nine employees to receive a performance bonus in stock on this day. The shares were fully vested upon issuance and worth $11,000 at closing, on the day of issuance. The Company currently pays Liron approximately $92,000 per year.

Pop N Pay, LLC – In addition to his employment with the Company, Dan Nusinovich owns 100% of Pop N Pay, LLC ("PNP"), a Delaware registered limited liability company, that he formed on August 20, 2018. During the late summer of 2018, when both market opportunity and demand necessitated opening additional bank accounts to support our payment processing products and services, we turned to PNP to open new accounts, as a trustee, on our behalf. For his assistance, Dan, through his ownership of PNP, received approximately $3,000 (in addition to Dan's salary) in early 2019, for services rendered in the fourth quarter of 2018.

- **Related Party Entities:**

IPX Referral Payments, LLC – Pouya Moghavem, an employee since August 1, 2018, owns 25% of IPX Referral Payments, LLC ("IPX"). In addition to the $5,000 monthly salary we pay Moghavem, the Company entered into a Referral Agreement with IPX wherein the Company agreed to compensate IPX for referrals, which subsequently become the Company's customer. For the three and nine months ended September 30, 2019 and 2018, IPX did not earn any commissions. Additionally, in or about October 2018, IPX provided GreenBox with a merchant trust account in Mexico through Affinitas Bank, one of the Gateways that process payment transactions on the Company's behalf. The Company did not pay IPX for this service, however, IPX reported that Affinitas paid IPX approximately $1,830.

RB Capital – Because PrivCo agreed to sell RB Cap 4% of PrivCo in January 2018, which currently purportedly gives RB Cap a claim to approximately six million PubCo shares, RB Cap is deemed an affiliated Party. In March 2018, PrivCo issued a $300,000 convertible promissory note to RB Cap, the balance of which PubCo assumed when we acquired the GreenBox Business from PrivCo. On November 26, 2018, we issued a $200,000 convertible promissory to RB Cap. Subsequently, RB Cap and GreenBox disputed the implications of the share purchase and promissory notes. The implications of this ownership and RB Cap's claim to PubCo shares are in dispute, which became the subject of a lawsuit with RB Cap (see Legal Matters under Subsequent Events). This was settled on February 27, 2020.

America 2030 Capital Limited and Bentley Rothschild Capital Limited – On or about July 30, 2018, Nisan and Errez, the sole officers and directors of PubCo, and the majority owners of PrivCo, each entered into a separate Master Loan Agreement (each an "MLA"): Errez with America 2030 Capital Limited ("America 2030") and Nisan with Bentley Rothschild Capital Limited ("Bentley"), a company affiliated with America 2030, both located in Nevis, West Indies. Each MLA was for a $5,700,000 loan, at 5.85% interest, maturing in ten years. Per the MLA's terms, Nisan and Errez caused PrivCo to transfer 1,600,000 PubCo shares, valued at $2,144,000 at close of trading on the day of issuance, as "Transferred Collateral" from the Control Block (not a new issuance by PubCo) to Bentley (although both contracts acknowledge receipt of 1.6 million shares, there was only was transference of 1.6 million shares). The transfer occurred on or about August 1, 2018. To date, there has been no funding under either of the MLAs. Subsequently, both Nisan and Errez received constitutive notice, regarding arbitration of an alleged breach of their respective MLAs. As of March 31, 2020, both parties have abandoned the matter and no further action was required by either party.

- **Kenneth Haller and the Haller Companies**

Kenneth Haller ("Haller") became the Company's Senior Vice President of Payment Systems in November 2018. The Company began working indirectly with Haller earlier in 2018, both individually and through our relationship with MTrac Tech Corporation ("MTrac"), which in turn has business relationships with Haller. Haller brings considerable advantages to the Company's platform development and business development efforts and capabilities, including transactional business relations and a large network of agents, which the Company believes, are capable of processing $1 billion transactions annually (the "Haller Network"). The Haller Network is an amalgamation of the collective networks of Haller and three companies owned or majority-owned by Haller, which are Sky Financial & Intelligence, LLC ("Sky"), Charge Savvy, LLC, Cultivate, LLC (collectively, the "Haller Companies"), each of which has formalized business relationships with the Company, as well as with some of the Company's partners, which the Company believes allows the Company to maximize and diversity the Company's market penetration capabilities. Haller, through Sky, owns controlling interests in Charge Savvy, LLC and Cultivate, LLC, with whom we do business indirectly, through their respective business relationship with MTrac. We also do business directly with Cultivate LLC, through a three-party agreement, which includes us, MTrac and Cultivate.

13. RELATED PARTY TRANSACTIONS (continued)

The following are certain transactions between the Company and the Haller Companies:

- ***MTrac Agreement*** – On or about May 4, 2018, Sky entered into a two year, Associate/Referral Agreement-E-Commerce with MTrac, wherein Sky agreed to promote MTrac's solution payment platform (which is based on the GreenBox platform) and related services; to provide new sales, sales leads, introductions to merchants and ISOs, and other potential customers of MTrac's services, for which Sky receives ongoing commissions from all credit card transactions processed as a result of new business generated by Sky for MTrac. Most services provided under this contract are executed by Sky's majority owned subsidiary, Charge Savvy, LLC (see Charge Savvy, LLC below). The agreement noted MTrac's license of GreenBox's payment processing technology and contained terms whereby Sky could (but was not required to) refer certain customers to MTrac in exchange for various referral fees. Sky never referred customers to MTrac, and therefore, did not collect, and is not collecting, any referral fees from MTrac.

- **Kenneth Haller and the Haller Companies (continued)**

  - ***Sky Financial & Intelligence, LLC*** – Haller owns 100% of Sky Financial & Intelligence LLC ("Sky"), a Wyoming limited liability company, and serves as its sole Managing Member. Sky is a strategic merchant services company that focuses on high risk merchants and international credit card processing solutions. In 2018, Sky was using GreenBox's QuickCard payment system as its main payment processing infrastructure, through Sky's relationship with MTrac (see Sky - MTrac Agreement above). It was through this successful relationship, that we came to know Haller and the Haller Network. Realizing that the Haller Network and Haller's unique skill set was highly complementary to our business objectives, we commenced discussions to retain Haller through his consulting firm, Sky, for a senior role, directly responsible for growing GreenBox's operations. Subsequently, in November 2018, Haller was appointed as our Senior Vice President of Payment Systems, for a monthly consulting fee of $10,000, paid to Sky ("Haller Consulting Fee"). This relationship was referenced in press releases as GreenBox's "acquisition of Sky MIDs Technologies" (see Sky MIDs below). We accrued and/or paid Haller $55,365 in the quarter ending December 31, 2018, which included $30,000 in consulting fees and $23,365 in travel and relocation expense reimbursement. As our relationship with Haller / Sky is non-exclusive, Haller and the Haller Companies provide services to other companies, including those listed below. Any revenue generated by Haller and/or the Haller Companies through these other relationships is in addition to the Haller Consulting Fee.

    - ***Charge Savvy, LLC*** – Sky owns 68.4% of Charge Savvy, LLC ("Charge Savvy"), an Illinois limited liability company. Haller serves as one of three Managing Members of Charge Savvy, along with Higher Ground Capital, LLC (owns 14%), and Jeff Nickel (owns 17.4%). It is through Charge Savvy, that the Haller Network is most visible as part of our operations, as Charge Savvy is the ISO through which revenue generated from Haller Network Agents is processed, under a contract between Sky and MTrac, who in turn, has a contract with us. The three managing members of Charge Savvy own the same percentages of Cultivate (see below), as they do Charge Savvy.

    - ***Cultivate, LLC*** – Sky owns 68.4% of Cultivate, LLC ("Cultivate"), an Illinois limited liability company, and serves as one of three Managing Members, along with Higher Ground Capital, LLC (owns 14%), and Jeff Nickel (owns 17.4%). When Cultivate was first formed, it was the licensor of certain proprietary point of sale software, retail point of sale operations, and complementary support of Cultivate's software and related hardware for on-site credit and debit card processing. Subsequently, Cultivate the entity became exclusively a software provider, ceasing all service and support operations. Eventually certain beneficial aspects of the Cultivate software functionality were integrated into QuickCard, then upgraded and replaced with certain updates. On or about May 4, 2018, Cultivate entered into a two year, Associate/Referral Agreement-E-Commerce with MTrac, wherein Cultivate agreed to promote MTrac's solution payment platform and related services; to provide new sales, leads, merchants, ISO Agents, and other potential customers of MTrac services, for which Cultivate receives ongoing commissions from all credit card transactions processed as a result of new business generated by Cultivate for MTrac, who in turn has a contract with us. The Associate/Referral Agreement-E-Commerce between Cultivate and MTrac noted MTrac's license of GreenBox's payment processing technology, and contained terms whereby Cultivate could (but was not required to) refer certain customers to MTrac in exchange for various referral fees. Cultivate never referred customers to MTrac, and therefore, did not collect, and is not collecting, any referral fees from MTrac.

13. RELATED PARTY TRANSACTIONS (continued)

- o ***Haller Commissions*** – Under a verbal agreement in Spring 2018, we offered Haller commissions on any referrals that resulted in new business for the Company ("Haller Commissions"). Under this agreement, Haller introduced us to three merchants who became three of the first merchants to use our system. Under the verbal agreement, we paid Haller commissions from transactions processed by these three merchants, summing to approximately $210 in June 2018, $8,396 in July 2018 and $321 in August 2018. In or about September 2018, we commenced discussions with Haller to join our management team and discontinued paying Haller commissions related to these three merchants.

- o ***GreenBox, Cultivate and MTrac Agreement*** – On or about December 17, 2018, PubCo entered into a 5-year exclusive three-party license agreement with MTrac and Cultivate (see Section E. MTrac above). The three Managing Members of Cultivate and Charge Savvy, owning the same percentages in each entity, subsequently decided to collect all revenue through Charge Savvy instead of Cultivate.

- **Kenneth Haller and the Haller Companies (continued)**

  - o ***Sky Mid***s –Previous references in press releases issued by PubCo in or about August 2018 regarding a "Sky Mids Acquisition" are references to the non-exclusive working relationship between PrivCo (and subsequently, PubCo) and Sky / Haller. The designation "Sky MIDs" was a colloquial reference to Sky, based upon a Sky-owned and operated website, which is no longer in use. While an acquisition of Sky has not formally been executed, nor have we (nor subsequently, PubCo) executed a formal engagement with Haller nor Sky, previous statements regarding the nature of our relationship with Sky Mids, which include our beliefs in the advantages of this relationship, accurately represent the working relationship between the Company and Sky / Haller.

  - o ***Verbal Agreement*** – As part of Haller's remuneration, the Company and Haller have a verbal agreement for Haller to be issued approximately 14 to 18 million shares of the Company's stock. While a formalized remuneration agreement has not yet been executed as of February 3, 2020, the Company does not foresee the issuance to be dilutive, as PrivCo will likely surrender an equal number of shares to PubCo, as a means of compensating PubCo for the issuance.

The Company did not pay any commissions to Charge Savvy or Cultivate for the three and nine months ended September 30, 2019 and 2018.

14. EXCLUSIVE LICENCING AGREEMENT - MTrac

Exclusive Licensing Agreement: MTrac JV

On or about February 1st, 2018, we signed a joint venture agreement ("MTrac JV"), with MTrac Tech Corporation ("MTrac"), a wholly owned subsidiary of Global Payout, Inc. (OTC:GOHE), by which we gave exclusive rights to MTrac to use our technology for merchants, that we are not servicing. The initial term of this agreement was one year, with automatic renewals in one-year increments, until such time as the agreement is restructured or cancelled, for which MTrac would pay a total of $360,000 annually. Additionally, as part of the MTrac JV, MTrac was to acquire 4% in membership interests in the Company for $1,000,000, representing a post-money valuation for the Company of $25,000,000. We received $360,000 on or about March 15, 2018 from MTrac and were to receive $1,000,000 on or before May 15, 2018.

New Exclusive Licensing Agreement: MTrac 5 Year License

On or about June 12, 2018, we agreed with MTrac to cancel the MTrac JV and replace it with a new exclusive licensing agreement (the "MTrac 5 Year License") which granted MTrac exclusive use of our technology for high risk industries for a period of 5 years, while cancelling MTrac's planned equity investment. We applied $270,000 of the $360,000 MTrac had paid us on March 15, 2018 to this MTrac 5 Year License, with the remaining $90,000 paid by MTrac on or about November 6, 2018.

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14. EXCLUSIVE LICENCING AGREEMENT – Mtrac (continued)

New Exclusive Licensing Agreement: Unified Agreement

On or about October 2, 2018, we entered into a three-party agreement with MTrac and Cultivate Technologies, LLC ("Cultivate") a Nevada Corporation, to redefine pricing and revenue sharing under a new agreement (the "Unified Agreement"). The Unified Agreement did not eliminate the licensing fees stated in the MTrac 5 Year License, but added and defined a profit sharing agreement on all accounts generated by the merchants and agents that MTrac procured for PubCo, as follows: 40% to MTrac, 40% to PubCo, and 20% to Cultivate, with profit defined as Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA"), adjusted for non-cash long-term compensation, based upon publicly filed financial information. Under the terms of the Unified Agreement, MTrac was granted the exclusive right by Cultivate and us to market the GreenBox Business' new blockchain ledger-based payment platform which combined our proprietary system with certain proprietary technologies owned by Cultivate, which in combination offer a payment platform that allows a much more user-friendly payment system (the "Current Platform").

New Exclusive Licensing Agreement: Current Exclusive License

On or about December 17, 2018, all previous agreements with MTrac were revoked, at which point we entered into a new 5-year exclusive three-party Software License and Services Agreement with Exclusivity with MTrac and Cultivate (referred to as the "Current Exclusive License"). Under the terms of the Current Exclusive License, PubCo waived all future licensing fees for the remaining 4-year term (in recognition of MTrac's introduction of Kenneth Haller to PubCo – see Section M. Kenneth Haller below) and gave MTrac the exclusive right to market the Current Platform to high risk cannabis merchants in North America and to license the Current Platform to non-high risk merchant on a nonexclusive basis. The parties' revenue sharing agreement was newly defined as a split of revenue derived from the processing of the payments from merchants referred under the Current Exclusive License, distributed after deducting certain agreed upon costs, as follows: 50% to MTrac, 25% to PubCo and 25% to Cultivate.

In order for MTrac to maintain exclusivity rights under the Current Exclusive License, MTrac must meet certain merchant payment processing targets, subsequently modified under a verbal agreement, as follows: as of September 1, 2019, $10,000,000 in monthly processing volume (which MTrac achieved); as of January 1, 2020, $25,000,000; and as of June 1, 2020, $40,000,000 in monthly process volume.

Lawsuit
On November 25, 2019, five companies (the "Plaintiffs") filed a complaint against us, MTrac, Global Payout, Inc. and Cultivate Technologies, LLC in the Superior Court of the State of California. The Plaintiffs filed suit to recover processed funds and processing fees alleged to be withheld illegally (see Legal Matters under Subsequent Events below).

15. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company has the following legal proceedings:

- ***MTrac, Global Payout, Inc. and Cultivate Technologies, LLC*** – On November 25, 2019, five companies (the "Plaintiffs") filed a complaint against us, MTrac, Global Payout, Inc. and Cultivate Technologies, LLC in the Superior Court of the State of California. The Plaintiffs filed suit to recover processed funds and processing fees alleged to be withheld illegally. This was dismissed by both parties as of September 30, 2019.

- ***America 2030 Capital Limited and Bentley Rothschild Capital Limited*** – On or about October 31, 2018, Nisan and Errez received constitutive notice, regarding arbitration against Nisan, Errez, PrivCo and possibly PubCo, from Bentley Rothschild Capital Limited ("Bentley") and America 2030 Capital Limited ("America 2030"), both located in Nevis, West Indies, and both claiming breach of contract by Nisan and Errez of Nisan and Errez's respective individual Master Loan Agreements (see Note 7 – Related Party Transactions above) and seeking forfeiture of 1,600,000 PubCo shares that PrivCo had transferred, on or about August 1, 2018, from PrivCo's Control Shares under the terms of the MLAs. To date, only informal conversational proceedings have ensued.

15. COMMITMENTS AND CONTINGENCIES (continued)

Legal Proceedings (continued)

- ***RB Capital Partners, Inc.*** – On April 24, 2019, RB Cap and related parties (the "RB Cap Parties") filed a complaint in the San Diego Superior Court against PrivCo, PubCo, Ben Errez and Fredi Nisan (collectively, the "GreenBox Parties"); and on October 1, 2019, the RB Cap Parties filed an amended complaint against the GreenBox Parties alleging claims of fraud, breach of fiduciary duty, breach of contract and other, related claims in the Superior Court for the State of California, County of San Diego. The GreenBox Parties filed a cross-complaint against the RB Capital Parties, alleging claims of fraud, breach of contract, tortious interference, and other, related claims. On or about December 15, 2019, the GreenBox Parties and RB Cap Parties resolved to negotiate a settlement and agreed in principal to settlements terms. The documentation of the settlement terms was underway as of February 3, 2020. This was dismissed by both parties on February 27, 2020.

- ***Dahan*** – Yoram Dahan, Melissa Dahan, Forty8 Ltd., and Trustees of the Melissa H. Dahan Living Trust (collectively, "the Dahan Parties") were also named by RB Capital in the suit listed in the previous paragraph. On October 31, 2019, the GreenBox Parties filed a cross-complaint against the Dahan Parties, alleging claims of fraud, securities fraud, misrepresentation, promissory estoppel, and other related claims, in the Superior Court for the State of California, County of San Diego. On or about December 15, 2019, the GreenBox Parties and the Dahan Parties resolved to negotiate a settlement and agreed in principal to settlements terms. The documentation of the settlement terms was underway as of February 3, 2020. This was dismissed by both parties on February 27, 2020.

- ***Withholding Suit*** – On November 25, 2019, five companies (the "Plaintiffs") filed a complaint against us, Global Payout, Inc., MTrac Tech Corporation and Cultivate Technologies, LLC (collectively the "Defendants") in the Superior Court of the State of California. Plaintiffs filed suit to recover processed funds and processing fees alleged to be withheld illegally (collectively, the "Withholding Suit"). Pursuant to a mandatory arbitration clause in the controlling agreement, the parties to the Withholding Suit have agreed to arbitrate their claims. We do not dispute the funds owed; however, we do believe it's within our rights to hold the funds, per the terms of agreements signed by Plaintiffs. We disagree with any allegations of any wrongdoing and will aggressively defend ourselves against the Withholding Suit. Ideally, we will settle this claim in the near term. While the results of this matter cannot be predicted with certainty, especially at this early stage, we believe that losses, if any, resulting from resolution of this matter will not have a materially adverse effect on operations or cash flow. This was dismissed by both parties as of March 30, 2020.

Operating Leases

The Company entered into the following operating facility lases:

- Hyundai Rio Vista – On October 4, 2018, the Company entered into an operating facility lease for its corporate office located in San Diego with 38 months term and with option to renew. The lease started on October 4, 2018 and expires on October 3, 2021

The Company entered into an operating lease for corporate location on October 4, 2018. Rent expense paid under the lease agreements for the year ended December 31, 2019 was $127,680 and for the year ended December 31, 2018 was $0.

For operating leases, we calculated right of use assets and lease liabilities based on the present value of the remaining lease payments as of the date of adoption using the incremental borrowing rate. The adoption of ASC 842 resulted in recording an adjustment to operating lease right of use asset and operating lease liabilities of $229,639 and $120,110 respectively, as of December 31, 2019. The difference between the operating lease ROU asset and operating lease liabilities at transition represented existing deferred rent expenses and tenant improvements, and indirect costs that was derecognized. The adoption of ASC 842 did not materially impact our results of operations, cash flows, or presentation thereof.

In accordance with ASC 842, the components of lease expense were as follows:

	December 31,	
	2019	2018
Operating lease expense – Hyundai Rio Vista	$ 4,406	$ -
Total lease expense	**$ 4,406**	**$ -**

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15. COMMITMENTS AND CONTINGENCIES (continued)

In accordance with ASC 842, maturities and operating lease liabilities as of December 31, 2019 were as follows:

For the year ended		***Hyundai Rio Vista, Inc.***
Undiscounted cash flows:		
2019	$	-
2020		110,948
2021		95,026
2022		-
2023		-
2024		-
Thereafter		-
Total undiscounted cash flows		205,974
Discounted cash flows:		
Lease liabilities - current		113,935
Lease liabilities - long-term		120,110
Total discounted cash flows		234,045
Difference between undiscounted and discounted cash flows	**$**	**(28,071)**

In accordance with ASC 842, future minimum lease payments as of December 31, 2019 were as follows:

For the year ended		***Hyundai Rio Vista, Inc.***
2019	$	-
2020		132,601
2021		124,944
2022		-
2023		-
Thereafter		-
Total	**$**	**257,545**

16. SUBSEQUENT EVENTS

The Company follows the guidance in FASB ASC Topic 855, Subsequent Events ("ASC 855"), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before the consolidated financial statements are issued or are available to be issued. ASC 855 sets forth (i) the period after the balance sheet date during which management of a reporting entity evaluates events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its consolidated financial statements, and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Accordingly, the Company did not have any subsequent events that require disclosure other than the following:

- ***Formalizing the Reverse Acquisition*** – On January 4, 2020, PubCo and PrivCo entered into an Asset Purchase Agreement (the "Agreement"), to formalize and memorialize a verbal agreement (the "Verbal Agreement") entered into on April 12, 2018, by and among PubCo and PrivCo. The Agreement was disclosed in a Form 8-K filed with the Securities and Exchange Commission on January 7, 2020.

- ***Product Development, Launch and Sales*** – In 2019, we commenced a larger deployment of our blockchain-based, payment and ledger system, which we believe was enthusiastically received. As we increased our Independent Sales Organizations ("ISO") relationships, we were able to on-board clients at an increasing pace, resulting in increasing revenues. As client acquisitions accelerated, we experienced significant growth in payment processing volume through the third quarter of 2019. Servicing our quickly growing customer base required us to grow our "acquiring bandwidth" proportionally. Acquiring bandwidth is the technology nomenclature for the ability to push transactional volume to an accumulation account held by a commercial bank, sponsoring such activity for a company. We work with several acquiring banks, each of which provides this support to us, as well as setting support limits and/or transactional volume limits, for each account. Additionally, each account comes with policies for disbursements and reserves set by each sponsor bank, under which we operate. We then apply these policies, limits and reserve requirements to each of our client accounts. In some cases, we experienced challenging reserve policies from certain acquirers, which in turn created challenging situations for us. Where we couldn't negotiate more favorable conditions with an acquirer, we formed relations with new acquirers, which better suited our needs. As we grew, it became apparent to us that market demand for our services could be substantial and that we would need to upgrade and reengineer certain technology modules of our acquiring engine. As a result, we scaled back our acquiring capabilities in the fourth quarter of 2019, which allowed us to focus on the technology upgrades. As anticipated, this shift in focus resulted in a reduction of revenues in the fourth quarter. However, we anticipate these upgrades will enable growth acceleration in 2020 and beyond.

- ***Kenneth Haller and the Haller Companies / Affiliated Party Transactions*** – Kenneth Haller ("Haller") became our Senior Vice President of Payment Systems, a key member of our management team, in November 2018. Haller brings considerable advantages to our platform's development and our business development efforts and capabilities, including transactional business relations and a large network of agents, which we believe capable of processing $1 billion annually (the "Haller Network"). The Haller Network is an amalgamation of the collective networks of Haller and three companies owned or majority-owned by Haller: Sky Financial & Intelligence, LLC ("Sky"), Charge Savvy, LLC and Cultivate, LLC (collectively, the "Haller Companies"), each of which has formalized business relationships with us, as well as with some of our partners (for example, MTrac), which we believe allows us to maximize and diversify our market penetration capabilities. We pay Haller a monthly consulting fee, through Sky, a company 100% owned by Haller, of $10,000, which was subsequently increased to $16,667 per month commencing September 2019 ("Haller Consulting Fee"). In 2019, we paid Sky consulting fees of $30,000 in the quarter ending March 31, $30,000 in the quarter ending June 30, $36,667 in consulting fees in the quarter ending September 30, and $124,150 in the quarter ending December 31, which included $50,000 in consulting fees and $74,150 in expense reimbursement. In 2019, Sky facilitated $1,397,822 in payments (using our funds) on our behalf during the quarter ending September 30, and similarly $184,056 in the quarter ending December 31. During the quarters ending June 30 and September 30 of 2019, Charge Savvy, a company 68.4% owned by Sky, PubCo POS-related equipment totaling $22,450 and $16,000, respectively.

- ***Lawsuit*** – On November 25, 2019, five companies (the "Plaintiffs") filed a complaint against us, Cultivate Technologies, LLC (a company 68.4% owned by Sky), Global Payout, Inc. and MTrac Tech Corporation in the Superior Court of the State of California. Plaintiffs filed suit to recover processed funds and processing fees alleged to be withheld illegally (see Withholding Suit in Section C. Legal Matters above).

- ***Issuance of Unregistered Securities*** – PubCo issued the following securities that were not registered under the Securities Act. Except where noted, all the securities stated below were issued in reliance on the exemption under Section 4(a)(2) of the Securities Act.

o On or about December 12, 2019, PubCo entered into an agreement to issue 600,000 restricted shares to a non-affiliated service provider as renumeration in lieu of cash fees, on a vesting schedule as follows: 200,000 shares vest upon each of the following milestones: the Company filing its Form 10-K for 2018, the Company filing its three interim Form 10-Qs for 2019, and the Company filing its Form 10-K for 2019.

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16. SUBSEQUENT EVENTS

- ***Purchase Agreements*** – The Company entered into the following purchase agreements:

o ***West Coast Business Capital, LLC*** – On or about November 12, 2019, PubCo entered into a Purchase Agreement with West Coast Business Capital, LLC ("West Coast"). Under the terms of the Purchase Agreement, we agreed to sell West Coast $596,000 of future incoming cashflow from the GreenBox Business, to be delivered to West Coast in daily installments of $5,960, for $400,000, from which $16,000 in fees was deducted, providing us with net cash of $384,000. For accounting purposes, we recorded this transaction as a loan of $400,000, with interest of $196,000, which will be repaid over the following four months. Both Nisan and Errez, individually, signed personal guarantees for this Purchase Agreement.

o ***Fox Capital Group, Inc.*** – On or about December 5, 2019, PubCo entered into a Secured Merchant Agreement with Fox Capital Group, Inc. ("Fox"). Under the terms of the Secured Merchant Agreement, we agreed to sell Fox $366,000 of future incoming cashflow from the GreenBox Business, to be delivered to Fox in daily installments of $4,073.33, for $260,000, from which $26,000 in fees was deducted, providing us with net cash of $234,000. For accounting purposes, we recorded this transaction as a loan of $260,000, with interest of $106,000, which will be repaid over the following four months. Both Nisan and Errez, individually, signed personal guarantees for this Secured Merchant Agreement.

o ***Complete Business Solutions Group, Inc.*** – On or about December 9, 2019, PubCo entered into an Agreement for the Purchase and Sale of Future Receivables (the "Purchase and Sale Agreement") with Complete Business Solutions Group Inc, ("CBSG"). Under the terms of the Purchase and Sale Agreement, we agreed to sell CBSG $240,000 of future incoming cashflow from the GreenBox Business, to be delivered to CBSG in weekly installments of $16,000, for $200,000, from which $35 in fees was deducted, providing us with net cash of $19,965. For accounting purposes, we recorded this transaction as a loan of $200,000, with interest of $40,000, which will be repaid over the following four months. Both Nisan and Errez, individually, signed personal guarantees for this Purchase and Sale Agreement.

EXHIBIT 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act

I, Fredi Nisan, certify that:

1. I have reviewed this annual report on Form 10-K of GreenBox POS;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 15, 2020

By: */s/ Fredi Nisan*
Fredi Nisan
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act

I, Ben Errez, certify that:

1. I have reviewed this annual report on Form 10-K of GreenBox POS;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 15, 2020

By: */s/ Ben Errez*
Ben Errez
Executive Vice President
(Principal Financial Officer)

EXHIBIT 32.1

Certification of Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act

I, Fredi Nisan, the Principal Executive Officer of GreenBox POS (the "Company"), hereby certify that, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge:

1. The Company's Form 10-K for the year ended December 31, 2019 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

By: */s/ Fredi Nisan*
Fredi Nisan
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

Certification of Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act

I, Ben Errez, the Principal Financial Officer of GreenBox POS (the "Company"), hereby certify that, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, to my knowledge:

1. The Company's Form 10-K for the year ended December 31, 2019 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

By: */s/ Ben Errez*
Ben Errez
Executive Vice President
(Principal Financial Officer)