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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from _____ to _____

Commission file number **000-55323**

Mentor Capital, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**77-0395098**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

511 Fourteenth Street, Suite A-2, A-4, A-6, Ramona, CA 92065
(Address of principal executive offices) (Zip Code)

(760) 788-4700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-5 (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

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

At May 12, 2017, there were 22,694,282 shares of Mentor Capital, Inc.'s common stock outstanding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements," as defined in the United States Private Securities Litigation Reform Act of 1995. All statements contained in this report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "seek", "look", "hope", "intend," "expect," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Moreover, as we begin to increase our investments in the cannabis-related industry we may be subject to heightened scrutiny and our portfolio companies may be subject to additional laws, rules, regulations, and statutes. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Registration Statement may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

All references in this Form 10-Q to the "Company", "Mentor", "we", "us," or "our" are to Mentor Capital, Inc.

MENTOR CAPITAL, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Mentor Capital, Inc.
Condensed Consolidated Balance Sheets

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,742,213	$ 1,311,338
Investments in securities, at fair value	967,520	-
Accounts receivable, net	350,465	381,404
Prepaid expenses and other current assets	52,825	42,863
Investment in accounts receivable, current portion, net of discount	49,226	-
Notes receivable, current portion	18,882	-
Interest receivable	1,626	-
Convertible notes receivable, current portion	-	12,951
Employee advances	-	700
Total current assets	3,182,757	1,749,256
Convertible notes receivable, net of current portion	132,363	119,104
Property and equipment		
Property and equipment	215,034	215,034
Accumulated depreciation and amortization	(182,430)	(178,482)
Property and equipment, net	32,604	36,552
Other assets		
Investment in account receivable, net of discount and current portion	456,362	481,987
Receivable - Bhang Corporation	1,500,000	1,500,000
Contractual interest in legal recovery	500,002	-
Notes receivable, net of current portion	481,118	-
Deposits	9,575	9,575
Long term investments	55,943	55,943
Goodwill	1,426,182	1,426,182
Total other assets	4,429,182	3,473,687
Total assets	$ 7,776,906	$ 5,378,599

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Condensed Consolidated Balance Sheets (Continued)

	March 31, 2017 (Unaudited)	December 31, 2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 30,300	$ 25,572
Accrued expenses	162,333	165,528
Current portion of long term debt	29,078	28,226
Total current liabilities	221,711	219,326
Long-term liabilities		
Accrued salary, retirement and incentive fee - related party	1,289,865	1,038,378
Long term debt, net of current portion	58,549	69,266
Total long-term liabilities	1,348,414	1,107,644
Total liabilities	1,570,125	1,326,970
Commitments and Contingencies	-	-
Shareholders' equity		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, $0.0001 par value, 75,000,000 shares authorized; 22,561,951 and 20,980,510 shares issued and outstanding at March 31, 2017 and December 31, 2016	2,256	2,098
Additional paid in capital	12,170,287	9,565,695
Accumulated deficit	(5,770,258)	(5,310,082)
Accumulated other comprehensive income (loss), net of tax	-	-
Non-controlling interest	(195,504)	(206,082)
Total shareholders' equity	6,206,781	4,051,629
Total liabilities and shareholders' equity	$ 7,776,906	$ 5,378,599

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Condensed Consolidated Income Statements (Unaudited)
For The Three Months Ended March 31, 2017 and 2016

	Three Months Ended March 31,	
	2017	2016
Revenue		
Service fees	$ 738,144	$ 642,844
Webcast revenue	-	450
Total revenue	738,144	643,294
Cost of sales	474,248	394,432
Gross profit	263,896	248,862
Selling, general and administrative expenses	648,290	430,358
Operating income (loss)	(384,394)	(181,496)
Other income and (expense)		
Interest income	28,294	27,247
Interest expense	(4,050)	(11,868)
Loss on disposal of Investor Webcast assets and liabilities	-	(345)
Gain (loss) on investments	(81,566)	(21,944)
Other income (expense)	500	(738)
Total other income and (expense)	(56,822)	(7,648)
Income (loss) before provision for income taxes	(441,216)	(189,144)
Provision for income taxes	7,400	3,000
Net income (loss)	(448,616)	(192,144)
Gain (loss) attributable to non-controlling interest	11,560	10,165
Net income (loss) attributable to Mentor	$ (460,176)	$ (202,309)
Basic and diluted net income (loss) per Mentor common share:		
Basic and diluted	$ (0.021)	$ (0.012)
Weighted average number of shares of Mentor common stock outstanding:		
Basic and diluted	21,538,779	16,353,691

*The company recorded operating loss and so the diluted EPS will not be calculated for the diluted EPS effect is anti-dilutive

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Three Months Ended March 31, 2017 and 2016

	Three Months Ended March 31,	
	2017	2016
Net loss	$ (448,616)	$ (192,144)
Other comprehensive income (loss):		
Net losses reclassified from AOCI to net income	-	12,563
Comprehensive income	$ (448,616)	$ (179,581)

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
For The Three Months Ended March 31, 2017 and 2016

	For the Three Months Ended March 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (448,616)	$ (192,144)
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:		
Depreciation and amortization	3,948	5,938
Bad debt expense	2,899	-
Amortization of discount on investment in account receivable	(23,601)	(24,458)
Loss on disposal of Investor Webcast assets and liabilities	-	345
Accrued investment interest income	(1,934)	(95)
Investment loss	81,566	21,944
Decrease (increase) in operating assets		
Accounts receivable - trade	28,040	50,499
Prepaid expenses and other current assets	(9,962)	3,328
Employee advances	700	(1,344)
Increase (decrease) in operating liabilities		
Accounts payable	4,728	32,926
Accrued expenses	(3,195)	(11,736)
Deferred revenue	-	350
Accrued salary, retirement and benefits - related party	251,487	113,498
Net cash provided by (used by) operating activities	(113,940)	(949)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(6,297)
Purchase of investment securities	(1,049,086)	-
Cash advanced on notes receivable	(500,000)	-
Cash paid at Investor Webcast disposition	-	(550)
Proceeds from securities sold	-	28,669
Receipt of investment in receivable	-	26,000
Net cash provided by (used by) investing activities	(1,549,086)	47,822
CASH FLOWS FROM FINANCING ACTIVITIES:		
Warrants converted to common stock, net of costs	2,104,748	43,450
Borrowing on line of credit	-	(10,000)
Short term loan from related parties	-	25,000
Payments on long-term debt	(9,865)	(3,492)
Sale of convertible security	-	28,500
Non-controlling interest distribution	(982)	-
Net cash provided by (used by) financing activities	2,093,901	83,458

See accompanying Notes to Financial Statements

Mentor Capital, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited, Continued)
For The Three Months Ended March 31, 2017 and 2016

	For the Three Months Ended March 31,	
	2017	2016
Net change in cash	$ 430,875	$ 130,331
Beginning cash	1,311,338	73,679
Ending cash	$ 1,742,213	$ 204,010
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	$ 4,113	$ 10,700
Cash paid for income taxes	$ 8,800	$ 600
NON-CASH INVESTING AND FINANCING TRANSACTION:		
Shareholder assumption of warrant liability resulting in increased liability to shareholder	$ (75,490)	$ (105,400)
Contractual interest in legal recovery purchased through issuance of 222,223 shares of restricted common stock in a private offering	$ 500,002	$ -

See accompanying Notes to Financial Statements

Note 1 - Nature of operations

Mentor Capital, Inc. ("Mentor" or "the Company"), reincorporated under the laws of the State of Delaware in late 2015. The entity was originally founded as an investment partnership in Silicon Valley, California by the current CEO in 1985 and subsequently incorporated under the laws of the State of California on July 29, 1994. On September 12, 1996, the Company's offering statement was qualified pursuant to Regulation A of the Securities Act, and the Company began to trade its shares publicly. On August 21, 1998, the Company filed for voluntary reorganization and, on January 11, 2000, the Company emerged from Chapter 11. The Company relocated to San Diego, California and contracted to provide financial assistance and investment into small businesses. On May 22, 2015, a corporation, named Mentor Capital, Inc. ("Mentor Delaware") was incorporated under the laws of the State of Delaware. A merger between Mentor and Mentor Delaware was approved by the California and Delaware Secretaries of State, and became effective September 24, 2015, thereby establishing Mentor as a Delaware corporation.

Since the August 2008, name change back to Mentor Capital, Inc., the Company's common stock has traded publicly under the trading symbol OTCQB: MNTR.

In 2009, the Company began focusing its investing activities in leading edge cancer companies. In 2012, in response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer development sector, the Company decided to exit that space. In the summer of 2013 the Company was asked to consider investing in a cancer related project with a medical marijuana focus. On August 29, 2013, the Company made a decision to divest of its cancer assets and focus future investments in the cannabis and medical marijuana sector.

Mentor has a 51% interest in Waste Consolidators, Inc. ("WCI"). WCI was incorporated in Colorado in 1999 and operates in Arizona and Texas. It is a legacy investment which was acquired prior to the Company's current focus on the cannabis sector and is included in the condensed consolidated financial statements presented.

On February 28, 2014, the Company entered into an agreement to purchase 60% of the outstanding shares of Bhang Corporation, formerly known as Bhang Chocolate Company, Inc. ("Bhang"), which was ultimately rescinded. Following arbitration, on December 29, 2016, Mentor obtained a judgment against Bhang in the United States District Court for the Northern District of California. The judgment is comprised of $1,500,000 of Mentor's funds retained by Bhang plus pre-judgment interest in the amount of $421,534.62. The judgment also accrues post-judgment interest at the rate of 10% from December 29, 2016 until such time as the judgment is paid in full. Amounts paid to Bhang are reported as Receivable from Bhang Chocolate Company in the condensed consolidated balance sheets at March 31, 2017 and December 31, 2016. Interest receivable is fully reserved at March 31, 2017 and December 31, 2016 pending the outcome of the Company's collection process.

On April 18, 2016, the Company formed Mentor IP, LLC ("MCIP"), a South Dakota limited liability company and wholly owned subsidiary of Mentor. MCIP was formed to invest in intellectual property and specifically to hold the investment in patent interests obtained on April 4, 2016 when Mentor Capital, Inc. entered into an agreement with R. Larson and Larson Capital ("Larson") to seek and secure the benefits of mutual effort directed toward the capture of license fees from domestic and foreign THC and CBD cannabis vape patents. See Note 17.

Condensed consolidated financial statements

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The results of operations for the periods ended March 31, 2017 and 2016 are not necessarily indicative of the operating results for the full years.

Basis of presentation

The Company's condensed consolidated financial statements include majority owned subsidiaries of 51% or more. The condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All material intercompany balances and transactions have been eliminated in consolidation.

Note 2 - Summary of significant accounting policies

Concentrations of cash

The Company maintains its cash and cash equivalents in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts nor does the Company believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Company had no short-term debt securities as of March 31, 2017 and December 31, 2016.

Accounts receivable

Customer accounts receivable are classified as current assets and are carried at original invoice amounts less an estimate for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. The estimate of allowance for doubtful accounts is based on the Company's bad debt experience, market conditions, collateral available, and aging of accounts receivable, among other factors. If the financial condition of the Company's customers deteriorates resulting in the customer's inability to pay the Company's receivables as they come due, additional allowances for doubtful accounts will be required. At March 31, 2017 and December 31, 2016, the Company has recorded an allowance in the amount of $36,736 and $33,837, respectively.

Convertible notes receivable

The convertible note receivable from Electrum Partners, LLC ("Electrum") is recorded at the principal face amount of $100,000 plus accrued interest of $6,874 at both March 31, 2017 and December 31, 2016. The note matures March 12, 2022 and bears interest at 10% per annum. The conversion price is the note balance plus any accrued interest at conversion date. The conversion percentage is [conversion price divided by (conversion price plus $1.9 million)], which is currently approximately 5%. The note called for monthly interest payments of $898 through March 12, 2017 after which monthly payments of principal and interest would be $2,290 until the note was paid full. Subsequent to March 31, 2017, an addendum to the convertible note provides for continued monthly interest payments of $898 until such time as the Company may request commencement of principal and interest of $2,290 per month. The addendum also provided for a second investment in Electrum through an additional $100,000 promissory note with monthly principal and interest payments of $2,290 per month and an original equity conversion rate of approximately 0.5%, see Note 21.

The Company has a convertible note receivable from NeuCourt, Inc., which it entered into on November 8, 2016, that is recorded at the principal face amount of $25,000 plus accrued interest of $181 at December 31, 2016. The note bears 5% interest and matures on November 8, 2018. No payments are required prior to maturity. Principal and unpaid interest may be converted into a blend of shares of a to-be-created series of Preferred Stock, and common stock, of NeuCourt (defined as "Conversion Shares") (i) on closing of a future financing round of at least $750,000, (ii) on the election of NeuCourt on maturity of the Note, or (iii) an election of Mentor following NeuCourt's election to prepay the Note. The Conversion Price for the Note is the lower of (i) 75% of the price paid in the Next Equity Financing, or the price obtained by dividing a $3,000,000 valuation cap by the fully diluted number of shares. The number of Conversion Shares issued on conversion shall be the quotient obtained by dividing the outstanding principal and unpaid accrued interest on a Note to be converted on the date of conversion by the Conversion Price (the "Total Number of Shares"). The Total Number of Shares shall consist of Preferred Stock and Common Stock as follows: (i) That number of shares of Preferred Stock obtained by dividing (a) the principal amount of each Note and all accrued and unpaid interest thereunder by (b) the price per share paid by other purchasers of Preferred Stock in the Next Equity Financing (such number of shares, the "Number of Preferred Stock") and (ii) that number of shares of Common Stock equal to the Total Number of Shares minus the Number of Preferred Stock. Using the valuation cap of $3,000,000, the Note would today convert into 128,583 Conversion Shares. In the event of a Corporate Transaction prior to repayment or conversion of the Note, the Company shall receive back two times its investment, plus all accrued unpaid interest. NeuCourt is a Delaware corporation that is developing a technology that is expected to be useful in the cannabis space.

Note 2 - Summary of significant accounting policies (continued)

Long term investments

The Company's investments in entities where it is a minority owner and does not have the ability to exercise significant influence are recorded at fair value if readily determinable. If the fair market value is not readily determinable, the investment is recorded under the cost-method. Under this method, the Company's share of the earnings or losses of such investee company is not included in the Company's financial statements. The Company reviews the carrying value of its long term investments for impairment each reporting period.

Investment in account receivable, net of discount

On April 10, 2015, the Company entered into an exchange agreement whereby the Company received an investment in account receivable with installment payments of $117,000 per year for 11 years. The investment is stated at face value, net of unamortized purchase discount. The discount is amortized to interest income over the term of the exchange agreement.

Notes receivable

Notes receivable are stated at amortized cost, less impairment, if any.

Property, equipment and machinery

Property, equipment and machinery are recorded at cost. Depreciation is computed on the straight-line and declining balance methods over the estimated useful lives of various classes of property ranging from 3 to 7 years.

Expenditures for renewals and betterments are capitalized and maintenance and repairs are charged to expense. Upon retirement or sale, the cost of assets disposed and the accumulated depreciation is removed from the accounts. The resulting gain or loss is credited or charged to income.

Goodwill

Goodwill of $1,324,142 was derived from consolidating WCI effective January 1, 2014 and $102,040 of goodwill related to the 1999 acquisition of a 50% interest in WCI. The Company accounts for its Goodwill in accordance with FASB Accounting Standards Codification 350, Intangibles – Goodwill and Other, which requires the Company to test goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, rather than amortize. Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. Impairment exists when the carrying amount of goodwill exceeds the implied fair value for each reporting unit. To estimate the fair value, management used valuation techniques which included the discounted value of estimated future cash flows. The evaluation of impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and are subject to change as future events and circumstances change. Actual results may differ from assumed and estimated amounts. Management determined that no impairment write-downs were required as of March 31, 2017 and December 31, 2016.

Revenue recognition

The Company recognizes revenue in accordance with ASC 605 "Revenue Recognition". The Company records revenue under each contract once persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable and collectability is reasonably assured. Service fees are generated by WCI for monthly services performed to reduce customer's operating costs. Service fees are invoiced and recognized as revenue in the month services are performed. Revenue from consulting agreements is recognized at the time the related services are provided as specified in the related consulting agreements.

Note 2 - Summary of significant accounting policies (continued)

Basic and diluted income (loss) per common share

Basic net income (loss) per common share (EPS) is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS adjusts basic net income (loss) per common share, computed using the treasury stock method, for the effects of potentially dilutive common shares, if the effect is not antidilutive. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock warrants. Diluted EPS excludes all dilutive potential shares if their effect is antidilutive. Outstanding warrants that had no effect on the computation of dilutive weighted average number of shares outstanding as their effect would be antidilutive were approximately 7,540,831 and 18,008,395 as of March 31, 2017 and 2016, respectively. There were 7,540,831 and 4,500 potentially dilutive warrants outstanding at March 31, 2017 and 2016, respectively.

Income taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect for years in which the temporary differences are expected to reverse. A valuation is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities.

Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

Advertising and promotion

The Company expenses advertising and promotion costs as incurred. Advertising and promotion costs for the three months ended March 31, 2017 and 2016 were $1,847 and $2,541, respectively.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from these estimates.

Fair value measurements

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements (continued)

The Fair Value Measurements and Disclosure Topic establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources. Cost approach (Level 2) – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach (Level 3) – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The carrying amounts of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, customer deposits and other accrued liabilities approximate their fair value due to the short-term nature of these instruments.

The fair value of the investment in account receivable is based on the net present value of calculated interest and principle payments. The carrying value approximates fair value as interest rates charged are comparable to market rates for similar investments.

The fair value of notes receivable are based on the net present value of calculated interest and principle payments. The carrying value approximates fair value as interest rates charged are comparable to market rates for similar notes.

The fair value of long-term notes payable is based on the net present value of calculated interest and principle payments. The carrying value of long-term debt approximates fair value due to the fact that the interest rate on the debt is based on market rates.

Recent Accounting Standards

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 3 - Prepaid expenses and other assets

Prepaid expenses and other assets consist of the following:

	March 31, 2017	December 31, 2016
Prepaid health insurance	$ 3,784	$ 3,784
Prepaid legal expense	1,500	-
Other prepaid costs	47,541	39,079
	$ 52,825	$ 42,863

Note 4 - Bhang Corporation (formerly known as Bhang Chocolate Company, Inc.) and Judgment

On January 17, 2014, the Company transitioned out of its cancer related trading dormancy by announcing its first cannabis sector letter of intent amidst significantly increased share volume and price. The Company entered into an agreement with Bhang Chocolate Company, Inc., the predecessor in interest to Bhang Corporation (together "Bhang"), effective February 28, 2014. As part of that agreement, which was ultimately rescinded, Mentor delivered $1,500,000 to Bhang which Bhang refused to return following rescission of the agreement. Following arbitration of the dispute, on December 29, 2016, Mentor obtained a judgment in the amount of $1,921,534 against Bhang Corporation and its predecessor in interest, Bhang Chocolate Company, Inc., in the United States District Court for the Northern District of California. The judgment accrues interest at the rate of 10% from December 29, 2016 until such time as the judgment is satisfied. See Notes 20 and 23. Accrued interest receivable is fully reserved at March 31, 2017 and December 31, 2016 and the Company is analyzing its ability to collect the interest on this award and subsequent judgement. Mentor intends to vigorously pursue collection of the entire $1,500,000 plus all accrued interest.

The receivable and accrued interest consists of the following:

	March 31, 2017	December 31, 2016
Receivable from Bhang Chocolate Company	$ 1,500,000	$ 1,500,000
Accrued interest	469,698	422,588
Total	1,969,698	1,922,588
Reserve pending collection efforts	(469,698)	(422,588)
Receivable from Bhang Chocolate Company	$ 1,500,000	$ 1,500,000

As part of the judgment Bhang owners, Scott Van Rixel and Richard Sellers, who together purchased 117,000 shares of Mentor Common Stock pursuant to the Bhang Agreement have the option until December 29, 2017 to return all or part of those shares in exchange for payment of the original purchase price of $1.95 per share plus a pro-rata amount of $58,568 in interest for such returned shares. Mentor will account for the return of the shares as a capital transaction if and when the shares are remitted back to the Company.

Note 5 – Investment in account receivable

On April 10, 2015, the Company entered into an exchange agreement whereby the Company received an investment in an account receivable with installment payments of $117,000 per year for 11 years totaling $1,287,000 in exchange for 757,059 shares of Mentor Common Stock obtained through exercise of Series D warrants at $1.60 per share. The Counterparty to the exchange agreement may elect to partially rescind the exchange at any time after June 1, 2017 and ending on the earlier of (i) December 1, 2017, and (ii) two weeks following the date on which the Counterparty receives notice from Mentor that Mentor's warrant holders have been notified that they have approximately 30 days left to exercise Mentor warrants. The partial rescission election may be exercised for all or part of 313,820 of the Mentor shares exchanged for all or part of the installment payments due in or around January of each of 2018, 2019, 2020 and 2021. At this time the 313,820 shares are being reviewed at a brokerage for deposit which would terminate the partial rescission option. No adjustment has been made to the estimated present value or shares for this contingency.

The Company valued the transaction based on the market value of Company common shares exchanged in the transaction, resulting in a 17.87% discount from the face value of the account receivable. The discount is being amortized monthly to interest over the 11 year term of the agreement.

Note 5 – Investment in account receivable (continued)

The April 10, 2015 investment in account receivable is supported by an exchange agreement and consisted of the following at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
Face value	$ 1,053,000	$ 1,053,000
Unamortized discount	(547,412)	(571,013)
Net balance	505,588	481,987
Current portion *	(49,226)	-
Long term portion	$ 456,362	$ 481,987

* The 2016 installment receivable was exchanged with a third party as payment for service on December 13, 2016 and therefore there was no current balance due at December 31, 2016.

For the three months ended March 31, 2017 and 2016, $23,601 and $24,552 of discount amortization is included in interest income, respectively.

Note 6 - Property and equipment

Property and equipment is comprised of the following:

	March 31, 2017	December 31, 2016
Computers	$ 22,251	$ 22,251
Furniture and fixtures	23,042	23,043
Machinery and vehicles	169,740	169,740
	215,034	215,034
Accumulated depreciation and amortization	(182,430)	(178,482)
Net Property and equipment	$ 32,604	$ 36,552

Depreciation and amortization expense was $3,948 and $5,938 for the three months ended March 31, 2017 and 2016, respectively.

Note 7 – Convertible notes receivable

Convertible notes receivable consists of the following:

	March 31, 2017	December 31, 2016
March 12, 2014 Electrum Partners, LLC convertible note receivable including accrued interest of $6,874 and $6,874, respectively. The note bears interest at 10% per annum, compounded until maturity or until it is converted to shares of equity in Electrum. From October 12, 2015 to March 12, 2017 interest only payments are required; and from March 12, 2017 through March 12, 2022 payments of principal and interest in the amount of $2,289.83 are required.* Mentor has the option to convert the note plus any accrued interest or fees into shares of equity in Electrum at any time prior to its maturity. **	$ 106,874	$ 106,874
NeuCourt, Inc. convertible note receivable including accrued interest of $489 and $181 at March 31, 2017 and December 31, 2016, respectively. The note bears interest at 5% per annum and matures November 8, 2018. Principal and accrued interest are due at maturity. Principal and unpaid interest may be converted into shares of a to-be-created series of Preferred Stock of NeuCourt (i) on closing of a future financing round of at least $750,000, (ii) on the election of NeuCourt on maturity of the Note, or (iii) on election of Mentor following NeuCourt's election to prepay the Note. ***	25,489	25,181
Total convertible notes receivable	132,363	132,055
Less current portion	-	(12,951)
Long term portion	$ 132,363	$ 119,104

* Subsequent to March 31, 2017, an addendum to the convertible note provides for continued monthly interest payments of $898 until such time as the Company may request commencement of principal and interest of $2,290 per month. The addendum also provided for a second promissory note from Electrum in a principal face amount of $100,000 with an approximate 0.5% equity conversion option, see Note 21.

** The conversion price is the Electrum Partners, LLC note balance plus any accrued interest at conversion date. The conversion percentage is [conversion price divided by (conversion price plus $1.9 million)], currently approximately 5%.

*** The Conversion Price for the Note is the lower of (i) 75% of the price paid in the Next Equity Financing, or the price obtained by dividing a $3,000,000 valuation cap by the fully diluted number of shares. The number of Conversion Shares issued on conversion shall be the quotient obtained by dividing the outstanding principal and unpaid accrued interest on a Note to be converted on the date of conversion by the Conversion Price (the "Total Number of Shares"). The Total Number of Shares shall consist of Preferred Stock and Common Stock as follows: (i) That number of shares of Preferred Stock obtained by dividing (a) the principal amount of each Note and all accrued and unpaid interest thereunder by (b) the price per share paid by other purchasers of Preferred Stock in the Next Equity Financing (such number of shares, the "Number of Preferred Stock") and (ii) that number of shares of Common Stock equal to the Total Number of Shares minus the Number of Preferred Stock. Using the valuation cap of $3,000,000, the Note would today convert into 128,583 Conversion Shares. In the event of a Corporate Transaction prior to repayment or conversion of the Note, the Company shall receive back two times its investment, plus all accrued unpaid interest.

Note 8 - Note purchase agreement and consulting agreement with G FarmaLabs Limited

On March 17, 2017, the Company entered into a Notes Purchase Agreement with G Farmalabs Limited ("G Farma"), a Nevada corporation. Under the Agreement the Company purchased two secured promissory notes from G Farma in an aggregate principal amount of $500,000, both of which bear interest at 7.42% per annum, with monthly payments beginning on April 15, 2017, and mature on April 15, 2022. The first promissory note in the amount of $120,000 is for the purchase of real estate, which is secured by a deed of trust on real property, and requires monthly payments of $1,107 beginning April 15, 2017 with a balloon payment of approximately $93,585 at maturity. The second promissory note in the amount of $380,000 is to be used for working capital and is secured by all assets of G Farma and guaranteed by two owners of G Farma, which requires monthly payments of $3,505 with a balloon payment of approximately $296,352 at maturity. Subsequent to March 31, 2017, the Company and G Farma executed an Addendum II (the "Addendum II") by which Mentor agreed to invest an additional $100,000 in G Farma by increasing the aggregate principal face amount of the working capital note to $480,000 and G Farma agreed to increase the monthly payments on the working capital note to $4,427 per month from $3,505 per month, see Note 21.

Associated with the Notes Purchase Agreement, on March 17, 2017, the Company and G Farma entered into a Rights Agreement which provides that G Farma will not register its stock in a public offering unless it obtains either (i) the written consent of the Company, or (ii) without the Company's written consent if G Farma issues to the Company shares of each class or series of G Farma stock then outstanding equal to 1.5% of each such number of shares, calculated on a full dilution full conversion basis. Addendum II, executed subsequent to March 31, 2017, increases item (ii) above to 1.8% from 1.5%, see Note 21.

In addition, on March 17, 1017, the Company entered into a Consulting Agreement with G Farma whereby the Company will receive a monthly consulting fee in arears of $1,400 per month beginning April 15, 2017 and continuing until the later of (i) 12 months, and (ii) the date on which G Farma has paid in full all obligations under the Notes Purchase Agreement. This consulting fee is increased to $1,680 by Addendum II, executed subsequent to March 31, 2017, beginning with the May 15, 2017 payment, see Note 21.

Notes receivable from G Farma consists of the following at March 31, 2017:

		March 31, 2017
Real estate note	$	120,000
Working capital note		380,000
		500,000
Less current portion		(18,882)
Net Property and equipment	$	481,118

Note 9 - Contractual interest in legal recovery

On March 17, 2017, G Farma purchased 222,223 restricted shares of the Company's Common Stock in a private placement at a price of $2.25 per share, for an aggregate purchase price of $500,002 to be paid as follows: (i) Assignment to the Company of an interest, equal to the amount of the purchase price, in any and all civil forfeiture or similar recoveries received by, or due to, G Farma including a $10 million claim filed March 29, 2017 against the County of Calaveras, or (ii) at any time before payment of the full purchase price from recovery, the Company may elect to have G Farma pay all or some of the purchase price on the date of the maturity of the promissory notes, described above under the Notes Purchase Agreement, or (iii) The Company may elect to have G Farma pay all or some of the purchase price by issuance to the Company of G Farma securities in aggregate amount equal to the purchase price as are offered to any other person (other than stock options offered to employees).

Pursuant to the Addendum II entered into subsequent to March 31, 2017, G Farma purchased an additional 66,667 shares of the Company's Common Stock at $1.50 per share for an additional purchase price of $100,000 payable as above, see Note 21.

Note 10 - Investments and fair value

We account for our financial assets in accordance with ASC 820, *Fair Value Measurement*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value measurement disclosures are grouped into three levels based on valuation factors: Level 1 represents assets valued at quoted prices in active markets using identical assets; Level 2 represents assets valued using significant other observable inputs, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs; and, Level 3 represents assets valued using significant unobservable inputs.

The hierarchy of Level 1, Level 2 and Level 3 Assets are listed as following:

	Fair Value Measurement Using			
	Unadjusted Quoted Market Prices (Level 1)	Quoted Prices for Identical or Similar Assets in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)
	Equity Securities	Other investment	Equity Options	Equity Funding Agreements
Balance at December 31, 2015	$ 37,500	$ -	$ -	$ 55,943
Total gains or losses				
Included in earnings (or changes in net assets)	(8,831)	-	-	(20,000)
Purchases, issuances, sales, and settlements				
Purchases	-	-	-	-
Issuances	-	-	-	50,000
Sales	(28,669)	-	-	-
Settlements	-	-	-	(30,000)
Balance at December 31, 2016	-	-	-	55,943
Total gains or losses				
Included in earnings (or changes in net assets)	(81,566)	-	-	-
Purchases, issuances, sales, and settlements				
Purchases	1,049,086	-	-	-
Issuances	-	-	-	-
Sales	-	-	-	-
Settlements	-	-	-	-
Balance at March 31, 2017	$ 967,520	$ -	$ -	$ 55,943

Note 11 - Common stock warrants

The Company's Plan of Reorganization, which was approved by the United States Bankruptcy Court for the Northern District of California on January 11, 2000, provided for the creditors and claimants to receive new warrants in settlement of their claims. The warrants expire May 11, 2038.

All Series A, B, C and D warrants have been called and all Series A, B, and C warrants have been exercised. Today only the Series D warrants remain active for exercise. The warrant holders have a minimum of 30 calendar days during which to exercise their warrants once they are called. However, the Company intends to allow warrant holders or Company designees in place of original holders additional time as needed to exercise the remaining series D warrants. The Company may lowerthe exercise price of all or part of a warrant series at any time. Similarly, the Company could, but does not anticipate, reverse splitting the stock to raise the stock price above the warrant exercise price. The warrants are specifically not affected and do not split with the shares in the event of a reverse split. If the called warrants are not exercised, the Company has the right to designate the warrants to a new holder in return for a $0.10 per share redemption fee payable to the original warrant holders as discussed further in Note 12. All such changes in the exercise price of warrants were provided for by the court in the Plan of Reorganization in order to provide a mechanism for all debtors to receive value even if they could not or did not exercise their warrant. Therefore, Management believes that the act of lowering the exercise price is not a change from the original warrant grants and the Company has not recorded an accounting impact as the result of such change in exercise prices.

All Series A and Series C warrants were exercised by December 31, 2014. Exercise prices in effect at January 1, 2015 through March 31, 2017 for Series B warrants were $0.11 and Series D warrants were $1.60. Subsequent to March 31, 2017 the remaining 4,500 Series B warrants were exercised, see Note 21.

In 2009, the Company entered into an Investment Banking agreement with Network One Securities, LLC and a related Strategic Advisory Agreement with Lenox Hill Partners, LP with regard to a potential merger with a cancer development company. In conjunction with those related agreements, the Company issued 689,159 Series H ($7) Warrants, with a 30 year life. The warrants are subject to cashless exercise based upon the ten day trailing closing bid price preceding the exercise as interpreted by the Company.

As of March 31, 2017 and December 31, 2016 the weighted average contractual life for all Mentor warrants was 21.26 years and 21.49 years, respectively, and the weighted average outstanding warrant exercise price was $2.09 and $2.02 per share, respectively.

During the three months ended March 31, 2017 and 2016, a total of 1,359,218 and 395,000 warrants were exercised, respectively. There were no warrants issued during the periods ended March 31, 2017 and 2016. The intrinsic value of outstanding warrants at March 31, 2017 and December 31, 2016 was $4,382,190 and $4,275, respectively.

The following table summarizes Series B and Series D common stock warrants as of each period:

	Series B	Series D	B and D Total
Outstanding at December 31, 2015	4,500	12,709,736	12,714,236
Issued	-	-	-
Exercised	-	(4,503,346)	(4,503,346)
Outstanding at December 31, 2016	4,500	8,206,390	8,210,890
Issued	-	-	-
Exercised	-	(1,359,218)	(1,359,218)
Outstanding at March 31, 2017	4,500	6,847,172	6,851,672

Note 11 - Common stock warrants (continued)

Series E, F, G and H warrants were issued for investment banking and advisory services during 2009. Series E, F and G warrants were exercised in 2014. The following table summarizes Series H ($7) warrants as of each period:

	Series H $7.00 exercise price
Outstanding at December 31, 2015	689,159
Issued	-
Exercised	-
Outstanding at December 31, 2016	689,159
Issued	-
Exercised	-
Outstanding at March 31, 2017	689,159

On February 9, 2015, in accordance with Section 1145 of the United States Bankruptcy Code and the Company's Plan of Reorganization, the Company announced a minimum 30 day partial redemption of up to 1% (approximately 90,000) of the already outstanding Series D warrants to provide for the court specified redemption mechanism for warrants not exercised timely by the original holder or their estates. Company designees that applied during the 30 days paid 10 cents per warrant to redeem the warrant and then exercised the Series D warrant to purchase a share at the court specified formula of not more than one-half of the closing bid price on the day preceding the 30 day exercise period. In the Company's October 7, 2016 press release, Mentor stated that the 1% redemptions which were formerly priced on a calendar month schedule would subsequently be initiated and be priced on a random date schedule after the prior 1% redemption is completed to prevent potential third party manipulation of share prices at month-end. The periodic partial redemptions will continue to be periodically recalculated and repeated until such unexercised warrants are exhausted or the partial redemption is otherwise truncated by the Company. The regular and 1% partial redemptions authorization, which was recalculated and repeated according to the court formula, resulted in a combined average exercise price of $1.55 for the three months ended March 31, 2017 and $0.32 for the year ended December 31, 2016.

Note 12 - Warrant redemption liability

The Plan of Reorganization provides the right for the Company to call, and the Company or its designee to redeem warrants that are not exercised timely, as specified in the Plan, by transferring a $0.10 redemption fee to the former holders. Certain individuals desiring to become a Company designee to redeem warrants have deposited redemption fees with the Company that, when warrants are redeemed, will be forwarded to the former warrant holders at their last known address 30 days after the last warrant of a class is exercised, or earlier at the discretion of the Company. The Company has arranged for a service to process the redemption fees in offset to an equal amount of liability. In prior years the Series A and Series C redemption fees have been distributed through DTCC into holder's brokerage accounts or directly to the holders and are no longer outstanding. In addition, subsequent to March 31, 2017 the remaining Series B warrants were redeemed and the redemption fees were distributed in the same manner, see Note 21. Once the D warrants have been fully redeemed the fees for the D warrant series will likewise be distributed. The President and CEO, Chet Billingsley has agreed to assume liability for paying the redemption fees and therefore warrant redemption fees received are retained by the Company for operating costs. Should Mr. Billingsley be incapacitated or otherwise become unable to pay the warrant redemption fees, the Company will remit the warrant liability to former holders from amounts due him which are sufficient to cover the redemption fee at March 31, 2017 and December 31, 2016.

Note 13 - Stockholders' equity

Common Stock

The Company was incorporated in California in 1994 and had a total of 400,000,000 shares of Common Stock, no par value, authorized at December 31, 2014. Effective September 24, 2015, Mentor was redomiciled as a Delaware corporation. Prior to the effective date of the merger between Mentor and Mentor Delaware, Mentor Delaware reduced the number of its authorized shares of Common Stock from 400,000,000 to 75,000,000, at $0.0001 par value. There was no change to the number of outstanding shares or warrants from redomiciling in Delaware. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders.

On August 8, 2014, the Company announced that it was initiating the repurchase of approximately 2% of the Company's common shares outstanding at that time. As of March 31, 2017 and December 31, 2016, 44,748 and 44,748 shares have been repurchased and retired, respectively.

Preferred Stock

The Company had 100,000,000, no par, preferred shares authorized at December 31, 2014. Following redomicile of Mentor as a corporation under the laws of the State of Delaware, Mentor has 5,000,000, $0.0001 par value, preferred shares authorized effective September 24, 2015. No preferred shared are issued or outstanding.

Note 14 - Lease commitments

Operating Leases

Mentor currently rents approximately 2,000 square feet of office space under a one year lease in Ramona, California in San Diego County, expiring in May 2017. Rent expense for the three months ended March 31, 2017 and 2016 were $7,350 and $6,750, respectively.

WCI rents approximately 3,000 of office and warehouse space in Tempe, Arizona under an operating lease expiring in January 2018. Rent expense for the three months ended March 31, 2017 and 2016 was $4,422 and $6,633, respectively

WCI leases vehicles under a master fleet management agreement with initial terms of 4 years expiring through July 2020. Vehicle lease expense is included in cost of sales in the condensed consolidated income statement. Vehicle lease expense for the three months ended March 31, 2017 and 2016 was $43,381 and $37,485, respectively.

WCI entered into two operating leases for office equipment in 2015 which expire in February and April 2020. Equipment lease expense for the three months ended March 31, 2017 and 2016 was $379 and $639, respectively.

The approximate remaining annual minimum lease payments under the non-cancelable operating leases existing as of December 31, 2016 with original or remaining terms over one year were as follows:

Years ending December 31,		Rental expense
2017	$	161,019
2018		86,363
2019		58,260
2020		17,786
	$	323,428

Note 15 - Long term debt and revolving line of credit

Long term debt

Long term debt consists of the following:

	March 31, 2017	December 31, 2016
Commercial credit agreement with Bond Street Servicing, LLC at 11.6% interest per annum, semi-monthly payments of $1,648, maturing October 16, 2019. Net of $3,390 and $3,723 unamortized loan service fee, respectively.	$ 84,570	$ 91,488
Auto loan through Hyundai Motor Finance, interest at 2.99% per annum, monthly principle and interest payments of $878, maturing December 2018.	3,057	6,004
Total notes payable	87,627	97,492
Less: Current maturities	(29,078)	(28,226)
	$ 58,549	$ 69,226

Commercial credit agreement with Bond Street Servicing, LLC

WCI entered into a commercial credit agreement with Bond Street Servicing, LLC which required a $4,000 loan service fee which is being amortized as additional interest over the life of the loan on a straight line basis. The unamortized loan service fee balance was $3,390 and $3,723 at March 31, 2017 and December 31, 2016, respectively.

Note 16 - Accrued salary, accrued retirement and incentive fee - related party

The Company had an outstanding liability to Chet Billingsley, its Chief Executive Officer ("CEO"), as follows:

	March 31, 2017	December 31, 2016
Accrued salaries and benefits	$ 759,701	$ 759,701
Accrued incentive fee and bonus	366,578	190,581
Accrued retirement and other benefits	457,079	457,079
Offset by shareholder advance	(293,493)	(368,983)
	$ 1,289,865	$ 1,038,378

The Company agreed to advance the CEO $944,000 against the accrued liabilities due him, in January 2014, to exercise additional warrants into shares to be used as collateral for a potential loan to the Company. The warrant exercise was a cashless transaction made solely for the benefit of the Company in its efforts to obtain financing.

After the warrants were exercised, the CEO put 100% of his shares owned, 5,000,486 shares, in an escrow which was to guarantee the potential loan. The loan was mutually rescinded on June 12, 2014, and the shares remained in escrow until March 28, 2016, at which time the CEO's shares were removed from escrow and, in August 2016, 135,000 shares were placed under a 10b5-1 Plan under third party control to preclude any directed share sales by a company officer when non-public information is known. The CEO's remaining shares are held in certificate form and are not held in any brokerage account or in any other manner for intended resale.

As provided by Board of Director resolution in 1998, the CEO will be paid an incentive fee and a bonus which are payable in cash upon merger, resignation or termination or in installments at the CEO's option. The incentive fee is 1% of the increase in market capitalization based on the bid price of the Company's stock beyond the book value at confirmation of the bankruptcy, which was approximately $260,000. The bonus is 0.5% of the increase in market capitalization for each $1.00 increase in stock price up to a maximum of $8 per share (4%) based on the bid price of the stock beyond the book value at confirmation of the bankruptcy. The accrued incentive fee increased by $175,997 and $0 for the three months ended March 31, 2017 and 2016, respectively.

Note 17 - Patent and License Fee Facility with Larson

Effective April 4, 2016 Mentor Capital, Inc. entered into a certain "Larson - Mentor Capital, Inc. Patent and License Fee Facility with Agreement Provisions for an -- 80% / 20% Domestic Economic Interest -- 50% / 50% Foreign Economic Interest" agreement with R. L. Larson and Larson Capital, LLC ("Larson"). Under this agreement, Mentor's subsidiary Mentor Capital IP, LLC ("MCIP") obtained rights in an international patent application for foreign THC and CBD cannabis vape pens under the provisions of the Patent Cooperation Treaty of 1970, as amended. If and upon approval of the United States patent application, MCIP intends to seek exclusive licensing rights in the United States for THC and CBD cannabis vape pens for various THC and CBD percentage ranges and concentrations. Per the agreement Mentor paid $25,000 in exchange for 15.7% of the domestic licensing rights and 41.4% of international licensing rights for the vape pens.

Note 18 – Commitments and contingencies

On December 29, 2016, Mentor obtained a judgment in the amount of $1,921,534.62 against Bhang Corporation and its predecessor in interest, Bhang Chocolate Company, Inc., in the United States District Court for the Northern District of California related to an action filed by Mentor on August 11, 2014 seeking rescission of the February 28, 2014 co-operative funding agreement with Bhang Corporation ("Bhang Agreement") and return of the $1,500,000 paid by the Company to Bhang. The judgment accrues interest at the rate of 10% from December 29, 2016 until such time as the judgment is satisfied. Mentor intends to enforce this judgment. As part of the judgment Bhang owners, Scott Van Rixel and Richard Sellers, who together purchased 117,000 shares of the Company's Common Stock pursuant to the Bhang Agreement have the option until December 29, 2017 to return some or all of those shares in exchange for payment of the original purchase price of $1.95 per share plus a pro-rata amount of $58,568.92 in interest for such returned shares. Mentor will account for the return of the shares as a capital transaction if and when the shares are remitted back to the Company. See Note 4 to condensed consolidated financial statements.

In July 2015, Mentor was served with a complaint in an action in the United States District Court for the District of Utah initiated by the wife and daughter of Bhang's corporate counsel related to 75,000 shares of Mentor's Common Stock purchased from Bhang Corporation's CEO in a secondary sale. The shares purchased by plaintiffs are returnable to Mentor per the judgement awarded in the Bhang matter, above. Mentor was not a party to this transaction and intends to vigorously defend itself against all claims in this case. No trial date has currently been set in this action.

Note 19 – Segment Information

The Company is operating an acquisition and investment business. Majority owned subsidiaries of 51% or more are consolidated. The Company has determined that there are two reportable segments; 1) the cannabis and medical marijuana segment which includes the receivable from Bhang of $1,500,000, the convertible notes receivables and accrued interest from Electrum and NeuCourt, the notes receivable from GFarma, the contractual interest in legal recovery, and the operation of subsidiaries in the Cannabis and medical marijuana sector, and 2) the Company's legacy investment in WCI which works with business park owners, governmental centers, and apartment complexes to reduce their facility related operating costs. The Company also has certain small cancer related legacy investments and an investment in note receivable from a non-affiliated party that is included in the Corporate and Eliminations section below.

	Cannabis and Medical Marijuana Segment	Legacy Investment	Corporate and Eliminations	Consolidated
Three months ended March 2017				
Net sales	$ -	$ 738,144	$ -	$ 738,144
Income before taxes	(299)	23,592	(464,509)	(441,216)
Interest income	-	1	28,293	28,294
Interest expense	-	5,184	(1,134)	4,050
Total assets	1,148,992	1,116,210	5,511,704	7,776,906
Property additions	-	-	-	-
Depreciation and amortization	-	3,323	625	3,948
Three months ended March 2016				
Net sales	450	642,844	-	643,294
Income before taxes	4,094	20,745	(213,983)	(189,144)
Interest income	2,694	-	24,553	27,247
Interest expense	-	4,316	7,552	11,868
Total assets	1,607,772	1,123,451	1,575,690	4,306,913
Property additions	-	5,268	1,029	6,297
Depreciation and amortization	1,568	30,004	(25,634)	5,938

Note 19 – Segment Information (continued)

The following table reconciles operating segments and corporate-unallocated operating income (loss) to consolidated income before income taxes, as presented in the unaudited condensed consolidated income statements:

	Three Months Ended March 31,	
	2017	2016
Operating loss	$ (384,394)	$ (181,496)
Interest income	28,294	27,247
Interest expense	(4,050)	(11,868)
Gain (loss) on investments	(81,566)	(21,944)
Loss on disposal of Investor Webcast assets and liabilities	-	(345)
Other income (expense)	500	(738)
Income before income taxes	$ (441,216)	$ (189,144)

Note 20 – Accumulated other comprehensive income (loss)

The changes in the balances for accumulated other comprehensive income (loss) ("AOCI") were as follows:

	Three Months Ended March 31,	
Marketable securities	2017	2016
Beginning balance	$ -	$ (12,563)
Gains (losses) on available for sale securities	-	-
Less: Tax (tax benefit)	-	-
Net gains (losses) on available for sale securities	-	-
(Gains) Losses reclassified from accumulated other comprehensive income to net income	-	12,563
Less: Tax (tax benefit)	-	-
Net gains (losses) reclassified from accumulated other comprehensive income to net income	-	12,563
Other comprehensive income (loss), net of tax	-	12,563
Ending balance	$ -	$ -

Note 21 – Subsequent events

On April 13, 2017 Mentor entered into an agreement to provide $40,000 of funding to offset costs of the application of cannabis oil in a glaucoma study conducted by and otherwise paid for by Dr. Robert M. Mandelkorn, MD. Mentor, doing business as GlauCanna, will have the right to invest in any commercial opportunities that result from the study and will hold an 80% interest in such opportunities. Dr. Mandelkorn will hold the remaining 20%.

On April 14, 2017, Earl Kornbrekke, a director of the Company resigned. On April 14, 2017, David G. Carlile, was appointed a director of the Company.

On April 14, 2017 the remaining 4,500 Series B warrants were redeemed for 4,500 shares of common stock. The Company announced on April 17, 2017 that shareholders who hold approximately 3,000,000 Series B Warrants will receive the $0.10 per warrant redemption payment. Payment of the Series B redemption was made by the Company's redemption service and funded personally by Chet Billingsley who has assumed liability for paying the warrant redemptions, see Note 12. For shareholders who had deposited their Series B warrants with a broker their redemption payments were processed on April 20, 2017 electronically through the DTCC participant system. Payment to other Series B warrant holders who have presented their Series B warrants to the Company for payment were mailed directly to the warrant holder by April 20, 2017.

On April 28, 2017, the Company entered into an Addendum to Convertible Note and Purchase Option Agreement ("Addendum") with Electrum. Under the Addendum, the Company invested an additional $100,000 in Electrum by purchase of a second promissory note in principal face amount of $100,000 ("Note II") from Electrum with interest at 10% per annum compounded monthly. Note II requires monthly principal and interest payments of $2,290 to the Company beginning June 12, 2017, until fully repaid or until the Company requests that the residual principal and unpaid interest is converted into an equity investment in Electrum, based upon a fixed equity conversion rate of $164 per share. The note is collateralized by cannabis equity securities owned by Electrum. In addition, the Addendum modifies the repayment terms of the initial convertible promissory note ("Note") to Electrum to allow interest only payments of $898 to continue until Mentor determines, in its sole discretion, to require monthly payments of principal and interest of $2,124 per month. The Note originally called for monthly payment of principal and interest to commence on April 12, 2017.

On April 28, 2017, the Company entered into Addendum II to the Notes Purchase Agreement with G Farma. Pursuant to Addendum II the Company increased the total amount invested in G Farma to $600,000 from $500,000 by increasing the principal face amount of the working capital note by $100,000 to $480,000. The monthly principal and interest payments on the working capital note will increase to $4,427 per month from $3,505 per month effective May 15, 2017. Additionally, the payments for services provided under the Consulting Agreement will increase to $1,680 from $1,400 per month beginning with the May 15, 2017 payment. G Farma also purchased an additional 66,667 shares of Company Common Stock at $1.50 per share for an additional $100,000 payable in accordance with that certain Subscription Agreement by and between the parties dated March 17, 2017. As part of the Addendum II agreement, the percentage of shares of each class of G Farma stock required to be issued to the Company if G Farma registers its stock in a public offering without consent of the Company increases from 1.5% to 1.8%.

From April 1, 2017 through May 12, 2017, the Company received approximately $98,358 from warrant redemptions, see Note 11.

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

The following discussion will assist in the understanding of our financial position at March 31, 2017 and the results of operations for the three months ended March 31, 2017 and 2016. The information below should be read in conjunction with the information contained in the unaudited Condensed Consolidated Financial Statements and related notes to the financial statements included within this Quarterly Report on Form 10-Q for the three months ended March 31, 2017 and 2016 and our Annual Report on Form 10-K for the year ended December 31, 2016.

Corporate Background

Since the August 2008, name change back to Mentor Capital, Inc., the Company's common stock has traded publicly under the trading symbol OTC Markets: MNTR.

In 2009 the Company began focusing its investing activities in leading edge cancer companies. In response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer development sector, the Company decided to exit that space. In the summer of 2013 the Company was asked to consider investing in a cancer related project with a medical marijuana focus. On August 29, 2013, the Company made a decision to begin to divest of its cancer assets and focus future investments in the medical marijuana and cannabis sector.

Waste Consolidators, Inc. (WCI)

WCI is a legacy investment of which the Company owns a 51% interest and is included in the condensed consolidated financial statements for the three months ended March 31, 2017 and 2016.

Bhang Chocolate Company, Inc. (Bhang)

On February 28, 2014, the Company entered into an agreement to purchase a 60% ownership in Bhang Corporation, formerly known as Bhang Chocolate Company, Inc., ("Bhang"), see Item 3 "Legal Proceedings" regarding repudiation of all contract obligations by Bhang and Mentor's subsequent rescission of the Bhang Agreement. Following arbitration, on December 29, 2016, Mentor obtained a judgment against Bhang in the United States District Court for the Northern District of California. The judgment is comprised of $1,500,000 delivered by Mentor to Bhang plus pre-judgment interest in the amount of $421,534.62. The judgment also accrues post-judgment interests at the rate of 10% from December 29, 2016 until such time as the judgment is paid in full. Amounts paid to Bhang are reported as Receivable from Bhang Chocolate Company in the consolidated balance sheets at March 31, 2017 and December 31, 2016. Interest receivable is fully reserved at March 31, 2017 and December 31, 2016 pending the outcome of the Company's collection process.

Electrum Partners, LLC (Electrum)

The Company invested $100,000 in Electrum as a convertible note receivable on March 12, 2014. Mentor has the option to convert the note plus any accrued interest or fees into shares of Electrum (currently equal to approximately 5% of the outstanding number of shares of Electrum based on the current balance of the initial advance plus accrued interest) at any time prior to its maturity. On April 28, 2017, under an addendum to the convertible note, Mentor invested an additional $100,000 in Electrum under the convertible note agreement. Electrum is a Nevada based cannabis consulting, management and investment company.

Mentor IP, LLC (MCIP)

On April 18, 2016, the Company formed Mentor IP, LLC ("MCIP"), a South Dakota limited liability company and wholly owned subsidiary of Mentor. MCIP was formed to hold the patent rights obtained on April 4, 2016 when Mentor Capital, Inc. entered into that certain "Larson - Mentor Capital, Inc. Patent and License Fee Facility with Agreement Provisions for an -- 80% / 20% Domestic Economic Interest -- 50% / 50% Foreign Economic Interest" with R. L. Larson and Larson Capital, LLC ("MCIP Agreement"). Pursuant to the MCIP Agreement, MCIP obtained rights to an international patent application for foreign THC and CBD cannabis vape pens under the provisions of the Patent Cooperation Treaty of 1970, as amended. If and upon approval of the United States patent application, MCIP intends to seek exclusive licensing rights in the United States for THC and CBD cannabis vape pens for various THC and CBD percentage ranges and concentrations.

NeuCourt, Inc.

On November 8, 2016, the Company invested $25,000 in NeuCourt, Inc. ("NeuCourt") as a convertible note receivable ("Note"). Principal and unpaid interest may be converted into a blended amount of shares of common stock and a to-be-created series of Preferred Stock of NeuCourt (i) on closing of a future financing round of at least $750,000, (ii) on the election of NeuCourt on maturity of the Note, or (iii) an election of Mentor following NeuCourt's election to prepay the Note. NeuCourt is a Delaware corporation that is developing a technology that is expected to be useful in the cannabis space.

GlauCanna

On April 13, 2017, the Company agreed to provide $40,000 of funding to offset costs for the application of cannabis oil in a glaucoma study conducted by and otherwise paid for by Dr. Robert M. Mandelkorn, MD. In exchange for the funding Mentor, dba GlauCanna, will have the right to invest in any commercial opportunities that result from the study and will hold an 80% interest in such opportunities under the dba GlauCanna. Dr. Mandelkorn will hold the remaining 20%.

G Farmalabs Limited

On March 17, 2017, the Company entered into a Notes Purchase Agreement with G FarmaLabs Limited, a Nevada corporation. Under the Agreement the Company purchased two secured promissory notes from G Farma in an aggregate principal face amount of $500,000. On April 28, 2017, Addendum II to the Note Purchase Agreement increased the investment amount to $600,000. The investment consists of a secured promissory note in the principal face amount of $120,000 intended for purchase of real estate and a second secured promissory note in principal face amount of $480,000 intended for working capital of G Farma.

Associated with the Notes Purchase Agreement, on March 17, 2017, the Company and G Farma entered into a Rights Agreement which provides that G Farma will not register its stock in a public offering unless it obtains either (i) the written consent of the Company, or (ii) without the Company's written consent if G Farma issues to the Company shares of each class or series of G Farma stock then outstanding equal to 1.5% of each such number of shares, calculated on a full dilution full conversion basis. Addendum II, executed April 28, 2018, increases item (ii) above to 1.8% from 1.5%, see Note 21.

In addition, On March 17, the Company entered into a Consulting Agreement with G Farma whereby the Company will provide consulting services to G Farma in exchange for a monthly payment of $1,680 per month after the Addendum II modification.

Overview

Our goal is to focus future investments in the medical marijuana and social use cannabis sector. Currently, our general business operations are intended to provide management consultation and headquarters functions, especially with regard to accounting and audits, for our larger investment targets and our majority owned subsidiaries. We monitor our smaller and less than majority positions for value and investment security. Management also spends considerable effort reviewing possible acquisition candidates within the cannabis industry on an ongoing basis.

Mentor seeks to take significant positions in medical marijuana and cannabis companies to provide public market liquidity for founders, protection for investors, funding for cannabis companies, and to incubate private cannabis companies that have the potential to be spun off as stand-alone pubic companies. When Mentor takes a significant position in its investees it provides financial management when needed, but leaves operating control in the hands of the cannabis company founders. Retaining control, receiving greater liquidity, and working with an experienced organization to efficiently develop disclosures and compliance to consider the public markets are three key advantages to cannabis founders working with Mentor Capital, Inc.

Because adult social use and medical marijuana opportunities often overlap, Mentor Capital participates in the legal recreational marijuana market. However, Mentor's preferred focus is medical and the company seeks to facilitate the application of cannabis to cancer wasting, Parkinson's disease, calming seizures, reducing ocular pressures from glaucoma and blunting chronic pain.

Business Segments

We manage our operations through two operating segments, a cannabis and medical marijuana segment which is our current focus of business, and a legacy investment acquired prior to the Company's focus in the cannabis and medical marijuana segment. The largest legacy investment is in WCI which works with business park owners, governmental centers, and apartment complexes to reduce their operating costs.

Liquidity and Capital Resources

The Company's future success is dependent upon its ability to make a return on its investments, to generate positive cash flow and to obtain sufficient capital from non-portfolio-related sources. Management believes they have three years of operating resources and can raise additional funds as may be needed to support their business plan and develop an operating, cash flow positive company.

Results of Operations

Three Months Ended March 31, 2017 compared to the Three Months Ended March 31, 2016

Revenues

Revenue for the three months ended March 31, 2017 was $738,144 compared to $643,294 for the three months ended March 31, 2016 ("the prior year period"), an increase of $94,850 or 14.7%. This increase is due to an increase in WCI monthly service fees of $95,300, partially offset by a decrease of ($450) in revenue from CAST which was acquired April 20, 2015 and disposed of March 1, 2016.

Gross profit

Gross profit for the three months ended March 31, 2017 was $263,896 compared to $248,862 for the prior year period. Cost of goods sold relate primarily to WCI who experienced gross profit of 35.8% for the three months ended March 31, 2017 compared to 38.7% for the prior year period, a decrease of (2.9%). This was due to an increase in salary, contract labor and related costs of 1.1%, an increase in fuel costs of 0.9%, and an increase in vehicle costs of 2.7%, partially offset by a decrease in other costs of (1.8%) as a percent of revenue over the prior year period.

Selling, general and administrative expenses

Our selling, general and administrative expenses for the three months ended March 31, 2017 was $648,290 compared to $430,358 for the prior year period, an increase of $217,932. The increase is due to a $175,997 increase in accrued incentive fees to the Company CEO, a $8,095 increase in salary and related costs, a $7,379 increase in insurance costs, a $6,317 increase in dues and membership fees, a $7,500 increase in management fees, a $7,896 increase in shareholder service costs, and a $14,193 increase in professional fees, partially offset by a ($9,445) decrease in other selling, general and administrative expenses in the current period as compared to the prior year period.

Other income and expense

Other income and expense, net, totaled ($56,822) for the three months ended March 31, 2017 compared to ($7,648) for the prior year period, a decrease of ($49,174). Of the decrease, ($59,622) is due to increased loss on equity investments, partially offset by a $1,047 increase in interest income, a $7,818 decrease in interest expense, a $1,238 increase in other income in the current period as compared to the prior year period, as well as a $345 loss in prior year period due to the disposal of Investor Webcast assets and liabilities.

Net results

The net result for the three months ended March 31, 2017 was a loss attributable to Mentor of ($460,176) or ($0.021) per common share compared to net loss attributable to Mentor in the prior year period of ($202,309) or ($0.012) per common share. Management will continue to make an effort to lower operating expenses and increase revenue and gross margin. The Company will continue to look for acquisition opportunities to expand its portfolio in the cannabis industry in larger companies that are positive for operating revenue or have the potential to become positive for operating revenue.

Changes in cash flows

At March 31, 2017, we had cash and cash equivalents of $1,742,213 and a working capital of $2,961,046. Operating cash outflows during the three months ended March 31, 2017 were ($113,940), outflows from investing activities were ($1,549,086), and inflows from financing activities were $2,093,901. From April 1, 2017 to May 12, 2017, the Company received approximately $98,365 from partial warrant redemptions. We are evaluating various options to raise additional funds, including loans.

Liquidity and Capital Resources

Since our reorganization, we have raised capital through warrant holder exercise of warrants for common stock. At March 31, 2017 we had cash of $1,742,213 and a working capital of $2,961,046. Operating cash outflows in the three months ended March 31, 2017 were ($113,940), including ($448,616) of net loss, and ($23,601) of non-cash amortization of discount on investment, and ($1,934) of accrued investment income, partially offset by $3,948 of non-cash depreciation and amortization, $2,899 of non-cash bad debt expense, non-cash investment loss of $81,566, and cash provided by decreases in operating assets of $18,778 and increases in operating liabilities of $253,020. Cash outflows from investing activities in the three months ended March 31, 2017 were ($1,549,086) due to purchase of investment securities of ($1,049,086), and cash advanced on note receivable of ($500,000). Net inflows from financing activities during the three months ended March 31, 2017 were $2,093,901 of which $2,104,748 proceeds received from exercise of warrants, offset by ($9,865) payments on long-term debt, and ($982) from non-controlling interest distribution. We will be required to raise additional funds through financing, additional collaborative relationships or other arrangements until we are able to raise revenues to a point of positive cash flow.

In addition, On February 9, 2015, in accordance with Section 1145 of the United States Bankruptcy Code and the Company's Plan of Reorganization, the Company announced a 30 day partial redemption of up to 1% of the already outstanding Series D warrants to provide for the court specified redemption mechanism for warrants not exercised timely by the original holder or their estates. Company designees that applied during the 30 days must pay 10 cents per share to redeem the warrant and then exercise the Series D warrant to purchase a share at the court specified formula of one-half of the closing bid price on the day preceding the 30 days, plus the 10 cent fee. The Company announcement stated that in successive months, the authorized 1% partial warrant redemption will be periodically recalculated and the redemption offer repeated according to the court formula until such unexercised warrants are exhausted or the partial redemption is otherwise truncated by the Company. On October 7, 2016, the Company announced that the 1% redemptions, which were being priced on a calendar month schedule, would subsequently be initiated and be priced on a random date schedule after the prior 1% redemption is completed to prevent potential third party manipulation of share prices at month-end. During the three months ending March 31, 2017 shareholders requested to participate in the regular or partial redemption as designees and exercised 1,359,218 outstanding Series D warrants for an aggregate exercise price of $2,104,749 plus warrant redemption fees of $75,490. During the year ended December 31, 2016 shareholders requested to participate in the partial redemption as designees and exercised 4,503,346 outstanding Series D warrants for an aggregate exercise price of $1,442,983 plus warrant redemption fees of $450,335. From April 1, 2017 to May 12, 2017, the Company had partial redemptions on 61,164 warrants for an aggregate exercise price of $98,371 plus warrant redemption fees of $3,700. We believe that if such redemptions and exercise continue, regular and partial warrant redemptions will provide monthly cash in excess of what is required for monthly operations for an extending period of time while we are exploring other major sources of funding for further acquisitions.

Disclosure About Off-Balance Sheet Arrangements

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information called for by this item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 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 resources 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 chief financial officer concluded that, as of March 31, 2017, our disclosure controls and procedures are designed at a reasonable assurance level and are effective 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 managers, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting.

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

On December 29, 2016, Mentor obtained a judgment in the amount of $1,921,534.62 against Bhang Corporation and its predecessor in interest, Bhang Chocolate Company, Inc., in the United States District Court for the Northern District of California related to an action filed by Mentor on August 11, 2014 seeking rescission of the February 28, 2014 co-operative funding agreement with Bhang Corporation ("Bhang Agreement") and return of the $1,500,000 paid by the Company to Bhang. The judgment accrues interest at the rate of 10% from December 29, 2016 until such time as the judgment is satisfied. Mentor intends to enforce this judgment. As part of the judgment Bhang owners, Scott Van Rixel and Richard Sellers, who together purchased 117,000 shares of the Company's Common Stock pursuant to the Bhang Agreement have the option until December 29, 2017 to return some or all of their shares in exchange for payment of the original purchase price of $1.95 per share plus a pro-rata amount of $58,568 in interest for such returned shares. Mentor will account for the return of shares as a capital transaction if and when the shares are remitted back to the Company. See Note 4 to condensed consolidated financial statements.

In July 2015, Mentor was served with a complaint in an action in the United States District Court for the District of Utah initiated by the wife and daughter of Bhang's corporate counsel related to 75,000 shares of Mentor's Common Stock purchased by them from Bhang Corporation's CEO in a secondary sale. The shares purchased by plaintiffs are returnable to Mentor as part of the 117,000 shares covered in the judgment awarded in the Bhang matter, above. Mentor was not a party to this transaction and intends to vigorously defend itself against all claims in this case. No trial date has currently been set in this action.

Item 1A. Risk Factors.

In addition to other information in this Quarterly Report on Form 10-Q, the following risk factors should be carefully considered in evaluating our business since it operates in a highly changing and complex business environment that involves numerous risks, some of which are beyond our control. The following discussion highlights a few of these risk factors, any one of which may have a significant adverse impact on our business, operating results and financial condition.

As a result of the risk factors set forth below and elsewhere in this Form 10-Q and in our Form 10-K, and the risks discussed in our Rule 15c2-11 and other publicly disclosed submissions, actual results could differ materially from those projected in any forward-looking statements.

We face significant risks, and the risks described below may not be the only risks we face. Additional risks that we do not know of or that we currently consider immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be harmed and the trading price of our Common Stock could decline.

Management has a lack of experience operating as a fully reporting company and meeting the associated reporting obligations.

Management has operated Mentor Capital, Inc. as a non-reporting public company for 20 years, and only two years ago voluntarily transitioned to reporting company status subject to financial and other SEC required disclosures. Prior to such voluntary transition, management has not been required to prepare and make such required disclosures. As a reporting company we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of a national securities exchange, and other applicable securities rules and regulations. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating activities. As management has never before been required to prepare and file these disclosure reports, doing so may impose a significant expense, time and reporting burden upon management. This distraction can divert management from its operation of the business to the detriment of core operations. Also, improper reporting due to inexperience can result in trading restrictions and other sanctions that may impair or even suspend trading in the company Common Stock.

Investors may suffer risk of dilution following exercise of warrants for cash.

As of March 31, 2017, the Company had 22,561,951 outstanding shares of its Common Stock trading at approximately $2.24. As of the same date the Company also had 6,847,172 outstanding Series D warrants exercisable for shares of Common Stock at $1.60 per share. These Series D warrants do not have a cashless exercise feature. The Company anticipates that the warrants will not be exercised until the per share price of the Company's Common Stock is greater than $1.60 per share. Exercise of these Series D warrants may result in immediate and potentially substantial dilution to current holders of the Company's Common Stock. The Company also has 689,159 outstanding Series H warrants with a per share exercise price of $7.00 held by an investment bank. These $7.00 Series H warrants include a cashless exercise feature. Current and future shareholders may suffer dilution of their investment and equity ownership if any of the warrant holders elect to exercise their warrants.

Beginning on February 9, 2015, in accordance with Section 1145 of the United States Bankruptcy Code and in accordance with the Company's court-approved Plan of Reorganization, the Company announced that it would allow for partial redemption of up to 1% per month of the outstanding Series D warrants to provide for the court specified redemption mechanism for warrants not exercised timely by the original holder or their estates. On October 7, 2016, the Company announced that the 1% redemptions which were formerly priced on a calendar month schedule would subsequently be initiated and priced on a random date schedule after the prior 1% redemption is complete to prevent potential third party manipulation of share prices during the pricing period at month-end. Company designees that apply during the redemption period must pay 10 cents per warrant to redeem the warrants and then exercise the Series D warrant to purchase a share of the Company's Common Stock at a maximum of one-half of the closing bid price on the day preceding the 1% partial redemption. The 1% partial redemption will continue to be periodically recalculated and repeated according to the court formula until such unexercised warrants are exhausted or the partial redemption is otherwise slowed or truncated by the Company.

We operate in a turbulent market populated by businesses that are highly volatile.

The US market for cannabis products is highly volatile. While we believe that it is an exciting and growing market, many companies involved in cannabis products and services used to be involved in illegal activities, some still are, and many of them operate in unconventional ways. Some of these differences which represent challenges to us include not keeping appropriate financial records, inexperience with business contracts, not having access to customary business banking relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. Any one of these challenges, if not managed well, could materially adversely impact our business.

Many cannabis activities, products, and services still violate law.

The legal patchwork to which cannabis companies are subject is still evolving and frequently uncertain. While we believe that anti-cannabis laws are softening and that the trend is toward legalization of cannabis products, many states and the US government still view some or all cannabis activity as illegal. Notwithstanding this uncertainty we intend to do our best to engage in activities that are unambiguously legal and to use what influence we have with our affiliates for them to do the same. But we will not always have control over those companies with whom we do business and there is a risk that we could suffer a substantial and material loss due to routine legal prosecution. Similarly many jurisdictions have adopted so-called "zero tolerance" drug laws and laws prohibiting sale of what is considered drug paraphernalia. If our, or our affiliates' activities related to cannabis activities, products, and services are deemed to violate one or more federal or state laws, we may be subject to civil and criminal penalties, including fines, impounding of cannabis products, and seizure of our assets.

Our business model is to partner with or acquire other companies.

We do not manufacture or sell cannabis products or services. Rather we try to find cannabis businesses whose products, managers, technology or other factors we like and invest in or acquire those businesses. There is no certainty that we will find suitable partners or that we will be able to engage in transactions on advantageous terms with partners we identify. There is also no certainty that we will be able to consummate a transaction on favorable terms, or any transaction at all, with any potential cannabis related acquisitions or that our partners will be able to navigate the maze of cannabis laws that may affect them. To date several of our acquisitions/investments have not turned out well for us, and an effort to secure a $35 million loan has resulted in a $621,250 loss.

The federal government's attitude toward cannabis could materially harm our business

Changes to the Federal Government's administration and the manner in which the federal government regulates cannabis, including how it intends to enforce laws prohibiting medical marijuana and recreational cannabis use could materially negatively affect our business. If recreational use is limited that could represent 75% of the potential overall cannabis market revenues. Eliminating recreational cannabis use would be an existential threat to many cannabis entities. Being historically illegal, many cannabis contracts, including the types used by Mentor, could not be enforced in the courts.

Many of the people and entities with whom we work in the cannabis industry are not used to engaging in other than normal course business transactions.

Many of the people and entities with whom we engage may not be used to operating in business transactions in the normal course. Entities and persons operating in the cannabis industry may be unaccustomed to entering into written agreements or keeping financial records according to GAAP. Additionally, entities and persons with whom we engage may not pay particular attention to the obligations with which they have agreed in written contracts. We have experienced these differences with several different entities in which we've invested or considered investing, including an entity which failed to comply with contractual obligations, some of which have led us into litigation or to rely on other legal remedies.

Our actual results could differ materially from those anticipated in our forward-looking statements.

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws that relate to future events or future financial performance. When used in this report, you can identify forward-looking statements by terminology such as "believes," "anticipates," "seeks", "looks", "hopes", "plans," "predicts," "expects," "estimates," "intends," "will," "continue," "may," "potential," "should" and similar expressions. These statements are only expressions of expectation. Our actual results could, and likely will, differ materially from those anticipated in such forward-looking statements as a result of many factors, including those set forth above and elsewhere in this report and including factors unanticipated by us and not included herein. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. Accordingly, we caution readers not to place undue reliance on these statements. Where required by applicable law, we will undertake to update any disclosures or forward-looking statements.

A failure to obtain financing could prevent us from executing our business plan.

We anticipate that current cash resources will be sufficient for us to execute our business plan for the next 36 months. It is possible that if future financing is not obtained we will not be able to execute our plans. We believe that securing substantial additional sources of financing is possible but there is no assurance of our ability to secure such financing. A failure to obtain additional financing could prevent us from making necessary expenditures for advancement and growth, to partner with more cannabis businesses, and to hire additional personnel. If we raise additional financing by selling equity or convertible debt securities, the relative equity ownership of our existing investors could be diluted or the new investors could obtain terms more favorable than previous investors. If we raise additional funds through debt financing, we could incur significant borrowing costs and be subject to adverse consequences in the event of a default.

If we are unable to protect our intellectual property, our competitive position would be adversely affected.

We, and our partners and subsidiaries, intend to rely on patent protection, trademark and copyright law, trade secret protection and confidentiality agreements with our employees and others to protect our intellectual property. Despite our precautions, unauthorized third parties may copy our products and services or reverse engineer or obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Our means of protecting our proprietary rights may not be adequate and third parties may infringe or misappropriate our patents, copyrights, trademarks and similar proprietary rights. If we fail to protect our intellectual property and proprietary rights, our business, financial condition and results of operations would suffer. We believe that we do not infringe upon the proprietary rights of any third party, and no third party has asserted an infringement claim against us. It is possible, however, that such a claim might be asserted successfully against us in the future. We may be forced to suspend our operations to pay significant amounts to defend our rights, and a substantial amount of the attention of our management may be diverted from our ongoing business, all of which would materially adversely affect our business.

We are engaged in litigation.

Since 2014 we have initiated and obtained judgments in two disputes; one against the owner of a bank account into which we wired $621,250 as part of an effort to secure a $35 million loan, and one against Bhang Corporation (formerly known as Bhang Chocolate Company, Inc.) to recover $1,500,000 delivered to Bhang pursuant to a now-rescinded agreement between the parties. Additionally, relatives of the one-time corporate counsel of Bhang have initiated a lawsuit against Mentor and others seeking a refund of the approximate $150,000 purchase price for Mentor shares of Common Stock they bought from the Bhang CEO in a secondary sale. Mentor has filed a cross-complaint against Bhang's CEO and a relative of the plaintiffs. There is no surety that we will prevail in the ongoing lawsuit or that we will be able to recover funds where we have obtained judgments.

We depend on our key personnel and may have difficulty attracting and retaining the skilled staff we need to execute our growth plans.

Our success will be dependent largely upon the personal efforts of our Chief Executive Officer, Chet Billingsley, and other senior managers. The loss of key staff could have a material adverse effect on our business and prospects. To execute our plans, we will have to retain current employees. Competition for recruiting and retaining highly skilled employees with technical, management, marketing, sales, product development and other specialized training is intense. We may not be successful in retaining such qualified personnel. Specifically, we may experience increased costs in order to retain skilled employees. If we are unable to retain experienced employees as needed, we would be unable to execute our business plan.

Founder and CEO Chet Billingsley, along with other members of the Company Board of Directors, have considerable control over the company through their aggregate ownership of 28.8% of the outstanding shares of the Company's Common Stock on a fully diluted basis.

As of May 12, 2017, Mr. Billingsley owned approximately 22.4% of the outstanding shares of the Company's Common Stock on a fully diluted basis. Together with other members of the Company's Board of Directors, management of the Company owns approximately 28.8% of the outstanding shares of the Company's Common Stock on a fully diluted basis. Mr. Billingsley also holds 2,137,684 Series D warrants which are exercisable at $1.60 per share. Additionally, Robert Meyer, Stan Shaul, David Carlile and Lori Stansfield, directors of the Company, hold an aggregate of 854,352 Series D warrants exercisable at $1.60 per share. Due to the large number of shares of Common Stock owned by the management of the Company, management has considerable ability to exercise control over the Company and matters submitted for shareholder approval, including the election of directors and approval of any merger, consolidation or sale of substantially all of the assets of the Company. Additionally, due to his position as CEO and director, Mr. Billingsley has the ability to control the management and affairs appointed as director of the Company. As board members and officers, Mr. Billingsley and the other persons in management positions of the Company owe a fiduciary duty to our shareholders and must act in good faith in a manner each reasonably believes to be in the best interests of our shareholders. As shareholders, Mr. Billingsley and the other officers and directors are entitled to vote their shares in their own interests, which may not always be in the interests of our shareholders generally.

We face rapid change.

The market for our partners' and subsidiaries' products and services is characterized by rapidly changing law and technologies, marketing efforts, and extensive research and the introduction of new products and services. We believe that our future success will depend in part upon our ability to continue to develop and enhance products and services offered in the cannabis market. As a result, we expect to continue to make investments in engineering and research and development. There can be no assurance that we will be able to develop and introduce new products and services or enhance initial products in a timely manner to satisfy customer needs, achieve market acceptance or address technological changes in our target markets. Failure to develop products and services and introduce them successfully and in a timely manner could adversely affect our competitive position, financial condition and results of operations.

If we experience rapid growth, we will need to manage such growth well.

We may experience substantial growth in the size of our staff and the scope of our operations, resulting in increased responsibilities for management. To manage this possible growth effectively, we will need to continue to improve our operational, financial and management information systems, will possibly need to create departments that do not now exist, and hire, train, motivate and manage a growing number of staff. Due to a competitive employment environment for qualified technical, marketing and sales personnel, we expect to experience difficulty in filling our needs for qualified personnel. There can be no assurance that we will be able to effectively achieve or manage any future growth, and our failure to do so could delay product development cycles and market penetration or otherwise have a material adverse effect on our financial condition and results of operations.

We could face product liability risks and may not have adequate insurance.

Our partners' and affiliates' products may be used for medical purposes. We may become the subject of litigation alleging that our products were ineffective or unsafe. Thus, we may become the target of lawsuits from injured or disgruntled customers or other users. We intend to, but do not now, carry product and liability insurance, but in the event that we are required to defend more than a few such actions, or in the event our products are found liable in connection with such an action, our business and operations may be severely and materially adversely affected.

There is a limited market for our Common Stock.

Our Common Stock is not listed on any exchange and trades on the OTC Markets OTCQB system. As such, the market for our Common Stock is limited and is not regulated by the rules and regulations of any exchange. Freely trading shares of even fully reporting cannabis companies receive careful scrutiny by brokers before deposit. Further, the price of our Common Stock and its volume in the market may be subject to wide fluctuations. Our stock price could decline regardless of our actual operating performance, and stockholders could lose a substantial part of their investment as a result of industry or market-based fluctuations. Our stock may trade relatively thinly. If a more active public market for our stock is not sustained, it may be difficult for stockholders to sell shares of our Common Stock. Because we do not anticipate paying cash dividends on our Common Stock for the foreseeable future, stockholders will not be able to receive a return on their shares unless they are able to sell them. The market price of our Common Stock will likely fluctuate in response to a number of factors, including but not limited to, the following:

- sales, sales cycle and market acceptance or rejection of our affiliates' products;
- our ability to engage with partners who are successful in selling products;
- economic conditions within the cannabis industry;
- development of law related to cannabis products and services;
- the timing of announcements by us or our competitors of significant products, contracts or acquisitions or publicity regarding actual or potential results or performance thereof;
- domestic and international economic, business and political conditions;
- justified or unjustified adverse publicity; and
- proper or improper third party short sales of stock.

We have a long business and corporate existence.

We began in Silicon Valley in 1985 as a limited partnership and operated as Mentor Capital, LP until we incorporated as Main Street Athletic Clubs, Inc. in California in 1994. We were privately owned until September 1996, at which time our Common Stock began trading on the Over The Counter Pink Sheets. Our merger and acquisition and business development activities have spanned many business sectors and we went through a bankruptcy reorganization in 1998. In late 2015, we reincorporated under the laws of the State of Delaware.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC require annual management assessments of the effectiveness of our internal control over financial reporting. If we fail to adequately maintain compliance with, or maintain the adequacy of, our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC. If we cannot favorably assess our internal controls over financial reporting, investor confidence in the reliability of our financial reports may be adversely affected, which could have a material adverse effect on our stock price.

We have indemnified our officers and directors.

We have indemnified our Officers and Directors against possible monetary liability to the maximum extent permitted under California and Delaware law.

The fragile state of the worldwide economy could impact the company in numerous ways.

The effects of negative worldwide economic events has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, has impacted levels of consumer spending, and may impact our business, operating results, or financial condition. The ongoing worldwide economic crisis, weakness in the credit markets and significant liquidity problems for the financial services industry may also impact our financial condition in a number of ways. For example, current or potential customers may delay or decrease spending with us or may not pay us or may delay paying us for previously purchased products and services. Also, we may have difficulties in securing additional financing.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On March 17, 2017, Mentor sold 222,223 shares of its unregistered Common Stock in a private placement for $500,002. There have been no other unregistered securities sold within the past three years.

Item 3. Defaults Upon Senior Securities and Use of Proceeds.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of this report:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Mentor's Definitive Information Statement on Schedule 14C filed with the SEC on July 10, 2015).
3.2	Bylaws of the Company (Incorporated by reference to Mentor's Definitive Information Statement on Schedule 14C filed with the SEC on July 10, 2015).
4.1	Instrument Defining Rights of Security Holders. (A copy of our Bankruptcy Plan of Reorganization, including Mentor's Sixth Amended Disclosure Statement, incorporated by reference to Exhibit 4 of our Registration Statement on Form 10, filed with the SEC on November 19, 2014.)
4.2	Description of assumed warrants to purchase shares of Mentor's Common Stock (Incorporated by reference to Mentor's Definitive Information Statement on Schedule 14C filed with the SEC on July 10, 2015).
10.1	Notes Purchase Agreement between G FarmaLabs Limited and Mentor Capital, Inc. dated March 17, 2017.
10.2	Rights Agreement between G FarmaLabs Limited and Mentor Capital, Inc. dated March 17, 2017.
10.3	Security Agreement between G FarmaLabs Limited and Mentor Capital, Inc. dated March 17, 2017.
10.4	Guaranty made in favor of Mentor Capital, Inc. dated March 17, 2017.
10.5	Consulting Agreement between G FarmaLabs Limited and Mentor Capital, Inc. dated March 17, 2017.
11.1	Statement regarding computation of earnings per share (Incorporated by reference to Exhibit 11 to our Registration Statement on Form 10 filed with the SEC on November 19, 2014.)
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	XBRL Exhibits

SIGNATURES

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

Mentor Capital, Inc.

Date: May 12, 2017

By: */s/ Chet Billingsley*
Chet Billingsley, Chief Executive Officer

Date: May 12, 2017

By: */s/ Lori Stansfield*
Lori Stansfield, Chief Financial Officer

09

NOTES PURCHASE AGREEMENT

THIS NOTES PURCHASE AGREEMENT, dated as of March 17TH, 2017 (this "***Agreement***"), is entered into by and between **G FARMALABS LIMITED**, a Nevada corporation (the "***Company***"), and **MENTOR CAPITAL, INC.**, a Delaware corporation, its successors or assigns (the "***Buyer***").

W I T N E S S E T H:

WHEREAS, the Buyer wishes to acquire from the Company, and the Company desires to issue and sell to the Buyer, the Notes (as defined below), upon the terms and subject to the conditions of the Notes, this Agreement, and the other Transaction Documents (as defined below).

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. CERTAIN DEFINITIONS. As used herein, each of the following terms has the meaning set forth below, unless the context otherwise requires:

"***Affiliate***" means, with respect to a specific Person referred to in the relevant provision, another Person who or which controls or is controlled by or is under common control with such specified Person.

"***Closing Date***" means the date of the closing of the purchase and sale of the Notes as agreed by the Buyer and the Company.

"***Holder***" means the Person holding the Notes.

"***Material Adverse Effect***" means an event or combination of events, which individually or in the aggregate, would reasonably be expected to (a) materially adversely affect the legality, validity or enforceability of the Notes or any of the Transaction Documents, (b) have or result in a material adverse effect on the results of operations, assets, or financial condition of the Company and its subsidiaries, taken as a whole, or (c) adversely impair the Company's ability to perform fully on a timely basis its material obligations under any of the Transaction Documents or the transactions contemplated thereby.

"***Person***" means any living person or any entity, such as, but not necessarily limited to, a corporation, partnership or trust.

"***Transaction Documents***" means this Agreement, the Notes, the Security Agreement (defined below), the Trust Deed, the Guaranty, a Consulting Agreement with Buyer, and all other certificates, documents, agreements, resolutions and instruments delivered to any party under or in connection with this Agreement.

2. AGREEMENT TO PURCHASE; PURCHASE PRICE.

(a) **Purchase.** Subject to the terms and conditions of this Agreement and the other Transaction Documents, the undersigned Buyer hereby agrees to purchase from the Company two Promissory Notes with an aggregate principal amount of $500,000 (the "***Purchase Price***") substantially in the forms attached hereto as **Attachment 1** and **Attachment 2** as the same may be amended from time to time (respectively, "***Real Estate Purchase Note***" and "***Working Capital Note***," and collectively, the "***Notes***"). The Notes shall be secured by a Security Agreement substantially in the form attached hereto as **Attachment 3** (the "***Security Agreement***"). Additionally, the Real Estate Purchase Note shall be secured by a Deed of Trust substantially in the form attached hereto as **Attachment 4** or any other Deed of Trust as requested by Buyer related to an additional or substituted parcel of real property (the "***Trust Deed***"), and the Working Capital Note shall be guaranteed by a guaranty substantially in the form attached hereto as **Attachment 5** (the "***Guaranty***").

(b) **Form of Payment; Delivery of Notes.** The purchase and sale of the Notes shall take place virtually at a closing (the "***Closing***") to be held on the Closing Date. At the Closing, the Company will deliver to the Buyer the Transaction Documents against receipt by the Company of the Purchase Price.

3. BUYER REPRESENTATIONS AND WARRANTIES. The Buyer represents and warrants to, and covenants and agrees with, the Company, as of the date hereof and as of the Closing Date, as follows:

(a) **Binding Obligation**. The Transaction Documents to which the Buyer is a party, and the transactions contemplated hereby and thereby, have been duly and validly authorized by the Buyer. This Agreement has been executed and delivered by the Buyer, and this Agreement is, and each of the other Transaction Documents to which the Buyer is a party, when executed and delivered by the Buyer (if necessary), will be valid and binding obligations of the Buyer enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

(b) **Approvals**. No consent, approval, authorization, order, filing, registration or qualification of or with any court, governmental authority or third person is required to be obtained by the Buyer in connection with the execution and delivery of the Transaction Documents by the Buyer or the performance of the Buyer's obligations hereunder or thereunder.

4. COMPANY REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Buyer as of the date hereof and as of the Closing Date that:

(i) **Status.** The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have or result in a Material Adverse Effect.

(ii) **Transaction Documents.** This Agreement and each of the other Transaction Documents, and the transactions contemplated hereby and thereby, have been duly and validly authorized by the Company. This Agreement has been duly executed and delivered by the Company and this Agreement is, and the Notes, the Security Agreement, the Trust Deed, the Guaranty, and each of the other Transaction Documents, when executed and delivered by the Company (if necessary), will be, valid and binding obligations of the Company or the maker thereof enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors' rights generally.

(iii) **Non-contravention.** The execution and delivery of this Agreement and each of the other Transaction Documents by the Company, and the consummation by the Company of the other transactions contemplated by this Agreement, the Notes, the Security Agreement, the Trust Deed, the Guaranty, and the other Transaction Documents do not and will not conflict with or directly or indirectly result in a breach by the Company of any of the terms or provisions of, or constitute a default under (i) the Articles of Incorporation or Bylaws of the Company, (ii) any indenture, mortgage, deed of trust, or other material agreement or instrument, including any oral agreements or understandings, to which the Company is a party or by which it or any of its properties or assets are bound, (iii) to its knowledge, any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company or any of its properties or assets, except such conflict, breach or default which would not have or result in a Material Adverse Effect.

(iv) **Full Disclosure.** There is no fact known to the Company or that the Company should know after having made all reasonable inquiries that has not been disclosed in writing to the Buyer that would reasonably be expected to have or result in a Material Adverse Effect.

(v) **Absence of Litigation.** There is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company before or by any governmental authority or non-governmental department, commission, board, bureau, agency or instrumentality or any other person, wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect or which would adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, any of the Transaction Documents. The Company is not aware of any valid basis for any such claim that (either individually or in the aggregate with all other such events and circumstances) could reasonably be expected to have a Material Adverse Effect. There are no outstanding or unsatisfied judgments, orders, decrees, writs, injunctions or stipulations to which the Company is a party or by which it or any of its properties is bound, that involve the transaction contemplated herein or that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(vi) **Absence of Events of Default.** Neither the Company nor any of its Subsidiaries is in violation of or in default with respect to (i) its Articles of Incorporation or Bylaws or other organizational documents, each as currently in effect, or any material judgment, order, writ, decree, statute, rule or regulation applicable to such entity; or (ii) any material mortgage,

indenture, agreement, instrument or contract to which such entity is a party or by which it or any of its properties or assets are bound (nor is there any waiver in effect which, if not in effect, would result in such a violation or default), except such breach or default which would not have or result in a Material Adverse Effect.

(vii) **Confirmation.** The Company agrees that, if, to the knowledge of the Company, any events occur or circumstances exist prior to the payment of the Purchase Price to the Company which would make any of the Company's representations or warranties set forth herein materially untrue or materially inaccurate as of such date, the Company shall immediately notify the Buyer in writing prior to such date of such fact, specifying which representation, warranty or covenant is affected and the reasons therefor.

(viii) **Title**. The Company and the Subsidiaries, if applicable, own and have good and marketable title in fee simple absolute to, or a valid leasehold interest in, all their respective real properties and good title to their other respective assets and properties, subject to no liens, claims or encumbrances except as have been disclosed to the Buyer.

(ix) **Intellectual Property.** The Company owns or possesses or can obtain on commercially reasonable terms sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses (software or otherwise), information, know-how, inventions, discoveries, published and unpublished works of authorship, processes and any and all other proprietary rights ("***Intellectual Property***") necessary to the business of the Company as presently conducted, the lack of which could reasonably be expected to have a Material Adverse Effect. Except for agreements with its own employees or consultants, standard end-user license agreements, support/maintenance agreements and agreements entered in the ordinary course of the Company's business, all of which have been made available for review by the Buyer, there are no outstanding options, licenses or agreements relating to the Intellectual Property of the Company, and the Company is not bound by or a party to any options, licenses or agreements with respect to the Intellectual Property of any other person or entity. The Company has not received any written communication alleging that the Company has violated or, by conducting its business as currently conducted, would violate any of the Intellectual Property of any other person or entity, nor is the Company aware of any basis therefor. The Company is not obligated to make any payments by way of royalties, fees or otherwise to any owner or licensor of or claimant to any Intellectual Property with respect to the use thereof in connection with the present conduct of its business other than in the ordinary course of its business. There are no agreements, understandings, instruments, contracts, judgments, orders or decrees to which the Company is a party or by which it is bound which involve indemnification by the Company with respect to infringements of Intellectual Property, other than in the ordinary course of its business.

5. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

(a) **Covenants, Acknowledgements and Agreements of the Company.** As a condition to the Buyer's obligation to purchase the Notes contemplated by this Agreement, and as a material inducement for the Buyer to enter into this Agreement and the other Transaction Documents, until all of the Company's obligations hereunder and the Notes are paid and performed in full, or within the timeframes otherwise specifically set forth below, the Company shall comply with the following covenants:

(i) Use of Proceeds. The Company will use the proceeds received hereunder for the purposes identified in the Note.

(ii) Keeping of Records and Books of Account. The Company shall keep and cause each subsidiary, if any, to keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Company and such Subsidiaries, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

(iii) Corporate Existence. The Company shall (1) do all things necessary to preserve and keep in full force and effect its corporate existence, including, without limitation, preserving and keeping in full force and effect all licenses or similar qualifications required by it to engage in its business in all jurisdictions in which it is at the time so engaged; (2) continue to engage in business of the same general type as conducted as of the date hereof; and (c) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder.

(iv) Taxes. The Company shall pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become delinquent or in default, which, if unpaid, might reasonably be expected to give rise to liens or charges upon such properties or any part thereof, unless, in each case, the validity or amount thereof is being contested in good faith by appropriate proceedings and the Company has maintained adequate reserves with respect thereto in accordance with GAAP.

(v) Compliance. The Company shall comply in all material respects with all federal, state and local laws and regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations and requirements (collectively, "***Requirements***") of all governmental bodies, insurers, departments, commissions, boards, courts, authorities, officials or officers which are applicable to the Company, its business, operations, or any of its properties, except where the failure to so comply would not have a Material Adverse Effect on the Company or any of its properties; *provided, however*, that nothing provided herein shall prevent the Company from contesting in good faith the validity or the application of any Requirements.

(vi) Litigation. From and after the date hereof and until all of the Company's obligations under this Agreement and the Notes are paid and performed in full, the Company shall notify the Buyer in writing, promptly upon learning thereof, of any litigation or administrative proceeding commenced or threatened against the Company involving a claim in excess of $100,000.00.

(vii) Performance of Obligations. The Company shall promptly and in a timely fashion perform and honor all demands, notices, requests and obligations that exist or may arise under the Transaction Documents.

(viii) Further Assurances. The Company shall provide automatic withdrawal from one or more bank accounts of all amounts due hereunder or under any of the other

Transaction Documents. To the extent that the Company does business with or through one or more Affiliates, the Company hereby covenants and agrees that each such Affiliate shall use its best efforts to assist the Company in performing the Company's obligations under the Transaction Documents and, in the event that the Company is unable to perform such obligations, each such Affiliate shall perform the Company's obligations.

(ix) Substituted or Additional Deed of Trust. In the event that the parcel of real property located at 1086 South Lincoln Avenue, San Bernardino, California 92408 is either sold or determined to be of insufficient value to satisfy the obligations due by Company under the Real Estate Purchase Note or as otherwise reasonably requested by Buyer, Company shall cooperate with Buyer to prepare and record an additional or substituted Deed of Trust in a form substantially similar to that attached hereto as Attachment 4 for such additional or substituted parcel of real property.

(x) Certain Negative Covenants of the Company. From and after the date hereof and until all of the Company's obligations hereunder and the Notes are paid and performed in full, the Company shall not:

A. Incur any new indebtedness for borrowed money without the prior written consent of the Buyer, which consent may be withheld at the sole discretion of the Buyer; *provided, however* the Company may incur obligations under trade payables in the ordinary course of business consistent with past practice without the consent of the Buyer;

B. Grant or permit any security interest (or other lien or other encumbrance) in or on any of its assets;

C. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate of the Company, or amend or modify any agreement related to any of the foregoing, except on terms that are no less favorable, in any material respect, than those obtainable from any person or entity who is not an Affiliate of the Company;

D. Transfer, assign, sell, pledge, hypothecate or otherwise alienate or encumber any collateral without the prior written consent of the Buyer;

E. Enter into any debt or equity financing transaction without giving the Buyer at least ten (10) days' notice of such prospective financing transaction (the "***Transaction Notice***") and the pre-emptive right to provide such financing on substantially similar terms within five (5) days of receiving the Transaction Notice;

6. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL. The Company's obligation to sell the Notes to the Buyer pursuant to this Agreement on the Closing Date is conditioned upon all of the following conditions, any of which may be waived in whole or in part by the Company:

(a) The execution and delivery of this Agreement and, as applicable, the other Transaction Documents by the Buyer on or before the Closing Date;

(b) Delivery by the Buyer by or on the Closing Date of good funds as payment in full of an amount equal to the Purchase Price in accordance with this Agreement;

(c) The accuracy on the Closing Date of the representations and warranties of the Buyer contained in this Agreement, each as if made on such date, and the performance by the Buyer on or before such date of all covenants and agreements of the Buyer required to be performed on or before such date; and

(d) There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained.

7. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE. The Buyer's obligation to purchase the Notes is conditioned upon and subject to the fulfillment, on or prior to the Closing Date, of all of the following conditions, any of which may be waived in whole or in part by the Buyer:

(a) The execution and delivery of this Agreement, the Security Agreement, the Trust Deed, the Guaranty, the Consulting Agreement and, as applicable, the other Transaction Documents by the Company and others on or before the Closing Date;

(b) The delivery by the Company to the Buyer of the Notes, each in original form, duly executed by the Company, in accordance with this Agreement;

(c) On the Closing Date, each of the Transaction Documents executed by the Company on or before such date shall be in full force and effect and the Company shall not be in default thereunder;

(d) Receipt by Buyer of a Certificate of the Secretary of the Company to the effect that, as of the Closing Date, all of the representations and warranties of the Company contained in this Agreement and the other Transaction Documents, are accurate in all material respects, as if made on such date;

(e) The performance by the Company on or before such date of all covenants and agreements of the Company required to be performed on or before such date;

(f) There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained;

(g) All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents and instruments incident to such transactions shall be reasonably satisfactory in substance and form to the Buyer; and

8. INDEMNIFICATION.

(a) The Company agrees to defend, indemnify and forever hold harmless the Buyer and its stockholders, directors, officers, managers, partners, Affiliates, employees, and

agents (collectively, the "***Buyer Parties***") from and against any losses, claims, damages, liabilities or expenses incurred (collectively, "***Damages***"), joint or several, and any action in respect thereof to which the Buyer or any of the other Buyer Parties becomes subject, resulting from, arising out of or relating to any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of the Company contained in this Agreement or any of the other Transaction Documents, as such Damages are incurred. The Buyer Parties with the right to be indemnified under this Section (the "***Indemnified Parties***") shall have the right to defend any such action or proceeding with attorneys of their own selection, and the Company shall be solely responsible for all costs and expenses related thereto. If the Indemnified Parties opt not to retain their own counsel, the Company shall defend any such action or proceeding with attorneys of its choosing at its sole cost and expense, provided that such attorneys have been pre-approved by the Indemnified Parties, which approval shall not be unreasonably withheld, and provided further that the Company may not settle any such action or proceeding without first obtaining the written consent of the Indemnified Parties.

(b) The indemnification obligations contained in this Agreement shall be in addition to (i) any cause of action or similar rights of the Buyer Parties against the Company or others, and (ii) any other liabilities the Company may be subject to.

9. MISCELLANEOUS. The Company and the Buyer hereby agree that the provisions of this Section 9 shall apply to all of the Transaction Documents.

(a) **Governing Law and Venue**. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Each of the parties consents to the exclusive personal jurisdiction of the state or federal courts of the State of California in connection with any dispute arising under this Agreement or any of the other Transaction Documents, and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions or to any claim that such venue of the suit, action or proceeding is improper. Nothing in this subsection shall affect or limit any right to serve process in any other manner permitted by law.

(b) **No Waiver**. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(c) **Successors and Assigns**. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

(d) **Pronouns**. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may permit or require.

(e) **Counterparts**. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, but all of which together shall be deemed to constitute one instrument. Facsimile and email copies of signed signature pages will be deemed binding originals.

(f) **Headings**. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

(g) **Severability**. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such provision shall be modified to achieve the objective of the parties to the fullest extent permitted and such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

(h) **Amendment**. This Agreement may be amended only by an instrument in writing signed by the party to be charged with enforcement thereof.

(i) **Entire Agreement**. This Agreement together with the other Transaction Documents constitutes and contains the entire agreement between the Company and the Buyer and supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

(j) **Assignment by the Company**. Notwithstanding anything to the contrary herein, the rights, interests or obligations of the Company hereunder may not be assigned, by operation of law or otherwise, in whole or in part, by the Company without the prior written consent of the Buyer, which consent may be withheld at the sole discretion of the Buyer.

(k) **Advice of Counsel**. In connection with the preparation of this Agreement and all other Transaction Documents, each of the Company, its stockholders, officers, agents, and representatives acknowledges and agrees that the attorney that prepared this Agreement and all of the other Transaction Documents acted as legal counsel to the Buyer only. Each of the Company, its stockholders, officers, agents, and representatives (i) hereby acknowledges that he/she/it has been, and hereby is, advised to seek legal counsel and to review this Agreement and all of the other Transaction Documents with legal counsel of his/her/its choice, and (ii) either has sought such legal counsel or hereby waives the right to do so.

(l) **No Strict Construction**. The language used in this Agreement is the language chosen mutually by the parties hereto and no doctrine of construction shall be applied for or against any party.

(m) **Attorney's Fees**. In the event of any action at law or in equity to enforce or interpret the terms of this Agreement or any of the other Transaction Documents, the Prevailing Party (as defined hereafter) shall be entitled to reasonable attorneys' and other professionals' fees, court costs and collection costs in addition to any other relief to which such party may be entitled. "***Prevailing Party***" shall mean the party in any litigation or enforcement action that prevails in the highest number of final rulings, counts or judgments adjudicated by a court of competent jurisdiction.

(n) **Replacement of the Notes**. Subject to any restrictions on or conditions to transfer set forth in the Notes, the Holder of the Notes, at its option, may in person or by duly authorized attorney surrender the same for exchange at the Company's chief executive office, and promptly thereafter and at the Company's expense, except as provided below, receive in exchange

therefor one or more new promissory note(s), each in the principal requested by such Holder, dated the date to which interest shall have been paid on each Note so surrendered or, if no interest shall have yet been so paid, dated the date of the Note or Notes so surrendered and registered in the name of such person or persons as shall have been designated in writing by such Holder or its attorney for the same principal amount as the then unpaid principal amount of the Note or Notes so surrendered. As applicable, upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of the Notes and (a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it; or (b) in the case of mutilation, upon surrender thereof, the Company, at its expense, will execute and deliver in lieu thereof a new promissory note executed in the same manner as the Note or Notes being replaced, in the same principal amount as the unpaid principal amount of such Note or Notes and dated the date to which interest shall have been paid on the each Note or, if no interest shall have yet been so paid, dated the date of each Note.

(o) **Notices**. Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given on receipt. The Company acknowledges and agrees that, for all purposes, notices sent to 369 3rd Street, #464, San Rafael, California 94901 are sent to the Company and, upon delivery thereto, shall be delivered to and received by, the Company.

10. SURVIVAL OF COVENANTS, REPRESENTATIONS AND WARRANTIES. The Company's and the Buyer's covenants, agreements, representations and warranties contained herein shall survive the execution and delivery of this Agreement and the other Transaction Documents and the Closing hereunder, and shall inure to the benefit of the Buyer and the Company and their respective successors and permitted assigns.

IN WITNESS WHEREOF, each of the undersigned represents that the foregoing statements made by it above are true and correct and that it has caused this Agreement to be duly executed on its behalf (if an entity, by one of its officers thereunto duly authorized) as of the date first above written.

G FARMALABS LIMITED,
a Nevada corporation

By: _____
Cristina Gonzalez, its President

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

ATTACHMENT 1

Real Estate Purchase Note

PROMISSORY NOTE
For Purchase of Real Estate

$120,000.00 **March 17th, 2017**

G FARMALABS LIMITED
Secured Convertible Promissory Note

FOR VALUE RECEIVED, G FarmaLabs Limited, a Nevada corporation (the "***Borrower***"), hereby promises to pay to the order of Mentor Capital, Inc., a Delaware corporation, or its successors or assigns (the "***Lender***," and together with the Borrower, the "***Parties***"), the principal sum of $120,000.00 together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder, all as set forth below in this Promissory Note for Purchase of Real Estate (this "***Note***"). This Note is issued pursuant to that certain Note Purchase Agreement of substantially even date herewith, entered into by and between the Borrower and the Lender, as the same may be amended from time to time (the "***Purchase Agreement***"). This loan is being made to Borrower at its request and Borrower has represented that the proceeds will be applied toward the purchase of that certain real estate commonly referred to as vacant land located at 1086 South Lincoln Avenue, San Bernardino, California, 92408, in the County of San Bernardino, with Assessor's Parcel Number 0136 421 09 0000, which Borrower has represented it is purchasing for $390,000, or such other substituted property as may be agreed by Lender (the "***Real Estate***"). Defined terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Purchase Agreement.

1. **Principal and Interest Payments**. Interest on the unpaid principal balance of this Note shall accrue at the rate of 7.42% per annum, compounded monthly. The Borrower shall pay to the Lender (i) monthly payments of principal and interest in the amount of $1,107 each, commencing April 15, 2017, and (ii) all remaining amounts due hereunder (estimated to be $93,585 assuming all payments hereunder are timely made) in a payment due on or before April 15, 2022 (the "***Maturity Date***"). In the event that any monthly payment is paid more than ten days late, such payment shall accrue a late fee equal to ten percent (10%) of the amount due. All payments owing hereunder shall be in lawful money of the United States of America delivered to the Lender at the address furnished to the Borrower for that purpose. All payments shall be applied first to (a) costs of collection, if any, then to (b) fees and penalties, if any, then to (c) accrued and unpaid interest, and thereafter to (d) principal. For purposes hereof, the term "***Outstanding Balance***" means the sum of the outstanding principal balance of this Note and any accrued but unpaid interest, collection and enforcement costs, and any other fees or penalties incurred under this Note or as set forth in the Purchase Agreement.

2. **Prepayment by the Borrower**. The Borrower may, upon giving the Lender not less than thirty (30) days written notice (a "***Prepayment Notice***"), pay in cash all or any portion of the Outstanding Balance at any time prior to the Maturity Date.

3. **Security**. This Note is secured by that certain Security Agreement of substantially even date herewith (the "***Security Agreement***") executed by the Borrower in favor of the Lender encumbering certain assets of the Borrower, as more specifically set forth in the Security Agreement, all of the terms and conditions of which are hereby incorporated into and made a part

of this Note. This Note is further secured by a Deed of Trust of substantially even date herewith (the "***Deed of Trust***") executed by the Borrower in favor of the Lender encumbering the real property being purchased by the Borrower, all of the terms and conditions of which are hereby incorporated into and made a part of this Note. The Parties agree that an additional or substituted Deed of Trust ("***Substituted Deed of Trust***") may be required by Lender to secure the payments due by Borrower under this Note and Borrower agrees to cooperate with Lender in preparing and filing any such requested Substituted Deed of Trust on substantially similar terms as the Deed of Trust.

4. **Representations and Warranties of the Borrower**. In addition to the representations and warranties set forth in the Purchase Agreement, the Security Agreement, the Deed of Trust, and the Substituted Deed of Trust, if any, which are incorporated herein, the Borrower hereby represents and warrants to the Lender that (i) the issuance of this Note has been duly authorized by all necessary corporate action of the Borrower, and (ii) any debt encumbering the Real Estate prior and in preference to Borrower's Deed of Trust or Substituted Deed of Trust shall not exceed $290,000.

5. **Covenants**. In addition to the covenants set forth in the Purchase Agreement, the Security Agreement, the Deed of Trust, and the Substituted Deed of Trust, the Borrower covenants and agrees, while any portion of this Note remains outstanding and unconverted, as follows:

(a) The Borrower shall do all things necessary to preserve and keep in full force and effect its corporate existence including, without limitation, maintain all licenses or similar qualifications required by it to engage in its business in all jurisdictions in which it is at the time so engaged; and continue to engage in business of the same general type as conducted as of the date hereof; and continue to conduct its business substantially as now conducted or as otherwise permitted hereunder;

(b) The Borrower shall pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become delinquent or in default, which, if unpaid, might reasonably be expected to give rise to liens or charges upon such properties or any part thereof, unless, in each case, the validity or amount thereof is being contested in good faith by appropriate proceedings and the Borrower has maintained adequate reserves with respect thereto in accordance with GAAP;

(c) The Borrower shall comply in all material respects with all federal, state and local laws and regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations and requirements (collectively, "***Requirements***") of all governmental bodies, departments, commissions, boards, insurers, courts, authorities, officials or officers which are applicable to the Borrower or any of its properties, except where the failure to so comply would not have a Material Adverse Effect on the Borrower or any of its properties; *provided, however*, that nothing provided herein shall prevent the Borrower from contesting the validity or the application of any Requirements;

(d) The Borrower shall keep proper records and books of account with respect to its business activities, in which proper entries, reflecting all of their financial transactions, are made in accordance with GAAP;

(e) The Borrower shall notify the Lender in writing, promptly upon learning thereof, of any litigation or administrative proceeding commenced or threatened against the Borrower involving a claim in excess of $100,000.00;

(f) The Borrower shall use the proceeds from this Note to purchase the Real Estate; and

(g) The Borrower shall notify the Lender in writing, promptly upon the occurrence of any Event of Default.

6. **Default**. If any of the events specified below shall occur (each, an "***Event of Default***") and Borrower shall fail to cure such Event of Default within ninety (90) days of receipt of written notice from Lender, the Outstanding Balance shall immediately become due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

(a) The Borrower shall fail to make any payment within ninety (90) days of when due and payable under the terms of this Note including, without limitation, any payment of costs, fees, interest, principal or other amount due hereunder. For clarification, this Section 6 has no requirement of any notice, presentment, demand, protest, chance to cure, or other condition, all of which are expressly waived by Borrower.

(b) The Borrower or its subsidiaries or affiliates, if any, shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Note or any of the other Transaction Documents.

(c) Any representation, warranty or certificate made or furnished by or on behalf of the Borrower to the Lender shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.

(d) If any of the Borrower's assets are assigned to its creditors, if the Borrower fails to pay its debts generally as they become due, or if the Borrower files any petition, proceeding, case or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, rule, regulation, statute or ordinance (collectively, "***Laws and Rules***"), or any other Law and Rule for the relief of, or related to, debtors.

(e) If any involuntary petition is filed under any bankruptcy or similar Law or Rule against the Borrower, or a receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official is appointed to take possession of any of the assets or properties of the Borrower or any guarantor.

(f) If any governmental or regulatory authority takes or institutes any action that will materially affect the Borrower's financial condition, operations or ability to pay or perform the Borrower's obligations under this Note.

(g) A judgment is entered against the Borrower for an amount in excess of $100,000.00.

(h) In the event of (i) any transaction or series of related transactions (including any reorganization, merger or consolidation) that results in the transfer of 50% or more of the outstanding voting power of the Borrower, or (ii) a sale of all or substantially all of the assets of the Borrower to another person or entity.

7. **Unconditional Obligation**. No provision of this Note shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the currency as herein prescribed. This Note is a direct obligation of the Borrower.

8. **Binding Effect**. This Note shall be binding on the Parties and their respective heirs, successors, and assigns; *provided, however*, that the Borrower shall not assign its rights or obligations hereunder in whole or in part without the express written consent of the Lender.

9. **Governing Law; Venue**. The terms of this Note shall be construed in accordance with the laws of the State of California as applied to contracts entered into by California residents within the State of California, which contracts are to be performed entirely within the State of California. With respect to any disputes arising out of or related to this Note, the Parties consent to the exclusive personal jurisdiction of, and venue in, the state courts in California (or in the event of federal jurisdiction, the United States District Court for the Northern District of California), and hereby waive, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdiction or to any claim that such venue of the suit, action or proceeding is improper.

10. **Pronouns**. Regardless of their form, all words used in this Note shall be deemed singular or plural and shall have the gender as required by the text.

11. **Headings**. The various headings used in this Note as headings for sections or otherwise are for convenience and reference only and shall not be used in interpreting the text of the section in which they appear and shall not limit or otherwise affect the meanings thereof.

12. **Severability**. If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the Parties to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

13. **Attorneys' Fees**. If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Lender shall be entitled to recover reasonable attorneys' fees directly related to such enforcement or collection actions.

14. **Amendments and Waivers; Remedies**. No failure or delay on the part of a Party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a Party hereto at law, in equity or otherwise. Any amendment, supplement or modification of or to any provision

of this Note, any waiver of any provision of this Note, and any consent to any departure by either Party from the terms of any provision of this Note, shall be effective (i) only if it is made or given in writing and signed by the Borrower and the Lender and (ii) only in the specific instance and for the specific purpose for which made or given.

15. **Notices**. All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be deemed effective upon receipt.

16. **Rules of Construction**. The Parties intend that they be deemed joint authors hereof and that no rules of construction be employed in the interpretation hereof.

17. **Entire Agreement**. This Note, together with the other Transaction Documents, contains the complete understanding and agreement of the Borrower and the Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations with respect to the subject matter thereof. THIS NOTE, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties have executed this Note as of the date set forth above.

G FARMALABS LIMITED,
a Nevada corporation

By: _____
Cristina Gonzalez, its President

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

ATTACHMENT 2

Working Capital Note

PROMISSORY NOTE
For a Working Capital Loan

$380,000.00 **March 17TH, 2017**

G FARMALABS LIMITED
Secured Convertible Promissory Note

FOR VALUE RECEIVED, G FarmaLabs Limited, a Nevada corporation (the "***Borrower***"), hereby promises to pay to the order of Mentor Capital, Inc., a Delaware corporation, or its successors or assigns (the "***Lender***," and together with the Borrower, the "***Parties***"), the principal sum of $380,000.00 together with all accrued and unpaid interest thereon, fees incurred or other amounts owing hereunder, all as set forth below in this Promissory Note for Working Capital (this "***Note***"). This Note is issued pursuant to that certain Note Purchase Agreement of substantially even date herewith, entered into by and between the Borrower and the Lender, as the same may be amended from time to time (the "***Purchase Agreement***"). This loan is being made to Borrower at its request and Borrower has represented that the proceeds will be used for working capital. Defined terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Purchase Agreement.

1. **Principal and Interest Payments**. Interest on the unpaid principal balance of this Note shall accrue at the rate of 7.42% per annum, compounded monthly. The Borrower shall pay to the Lender (i) monthly payments of principal and interest in the amount of $3,505 each, commencing April 15, 2017, and (ii) all remaining amounts due hereunder (estimated to be $296,352 assuming all payments hereunder are timely made) in a payment due on or before April 15, 2022 (the "***Maturity Date***"). In the event that any monthly payment is paid more than ten days late, such payment shall accrue a late fee equal to ten percent (10%) of the amount due. All payments owing hereunder shall be in lawful money of the United States of America delivered to the Lender at the address furnished to the Borrower for that purpose. All payments shall be applied first to (a) costs of collection, if any, then to (b) fees and penalties, if any, then to (c) accrued and unpaid interest, and thereafter to (d) principal. For purposes hereof, the term "***Outstanding Balance***" means the sum of the outstanding principal balance of this Note and any accrued but unpaid interest, collection and enforcement costs, and any other fees or penalties incurred under this Note or as set forth in the Purchase Agreement.

2. **Prepayment by the Borrower**. The Borrower may, upon giving the Lender not less than thirty (30) days written notice (a "***Prepayment Notice***"), pay in cash all or any portion of the Outstanding Balance at any time prior to the Maturity Date.

3. **Security**. This Note is secured by that certain Security Agreement of substantially even date herewith (the "***Security Agreement***") executed by the Borrower in favor of the Lender encumbering certain assets of the Borrower, as more specifically set forth in the Security Agreement, all of the terms and conditions of which are hereby incorporated into and made a part of this Note.

4. **Guaranty**. Ata Gonzalez guarantees all obligations under this Note pursuant to a guaranty of substantially even date herewith (the "***Guaranty***").

5. **Representations and Warranties of the Borrower**. In addition to the representations and warranties set forth in the Purchase Agreement, the Security Agreement and the Guaranty, which are incorporated herein, the Borrower hereby represents and warrants to the Lender that the issuance of this Note has been duly authorized by all necessary corporate action of the Borrower.

6. **Covenants**. In addition to the covenants set forth in the Purchase Agreement, the Security Agreement and the Guaranty, the Borrower covenants and agrees, while any portion of this Note remains outstanding and unconverted, as follows:

(a) The Borrower shall do all things necessary to preserve and keep in full force and effect its corporate existence including, without limitation, maintain all licenses or similar qualifications required by it to engage in its business in all jurisdictions in which it is at the time so engaged; and continue to engage in business of the same general type as conducted as of the date hereof; and continue to conduct its business substantially as now conducted or as otherwise permitted hereunder;

(b) The Borrower shall pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property before the same shall become delinquent or in default, which, if unpaid, might reasonably be expected to give rise to liens or charges upon such properties or any part thereof, unless, in each case, the validity or amount thereof is being contested in good faith by appropriate proceedings and the Borrower has maintained adequate reserves with respect thereto in accordance with GAAP;

(c) The Borrower shall comply in all material respects with all federal, state and local laws and regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations and requirements (collectively, "***Requirements***") of all governmental bodies, departments, commissions, boards, insurers, courts, authorities, officials or officers which are applicable to the Borrower or any of its properties, except where the failure to so comply would not have a Material Adverse Effect on the Borrower or any of its properties; *provided*, *however*, that nothing provided herein shall prevent the Borrower from contesting the validity or the application of any Requirements;

(d) The Borrower shall keep proper records and books of account with respect to its business activities, in which proper entries, reflecting all of their financial transactions, are made in accordance with GAAP;

(e) The Borrower shall notify the Lender in writing, promptly upon learning thereof, of any litigation or administrative proceeding commenced or threatened against the Borrower involving a claim in excess of $100,000.00;

(f) The Borrower shall use the proceeds from this Note for its own working capital; and

(g) The Borrower shall notify the Lender in writing, promptly upon the occurrence of any Event of Default.

6. **Default**. If any of the events specified below shall occur (each, an "***Event of Default***") and Borrower shall fail to cure such Event of Default within ninety (90) days of receipt of written notice from Lender, the Outstanding Balance shall immediately become due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

(a) The Borrower shall fail to make any payment within ninety (90) days of when due and payable under the terms of this Note including, without limitation, any payment of costs, fees, interest, principal or other amount due hereunder. For clarification, this Section 6 has no requirement of any notice, presentment, demand, protest, chance to cure, or other condition, all of which are expressly waived by Borrower.

(b) The Borrower or its subsidiaries or affiliates, if any, shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Note or any of the other Transaction Documents.

(c) Any representation, warranty or certificate made or furnished by or on behalf of the Borrower to the Lender shall be false, incorrect, incomplete or misleading in any material respect when made or furnished.

(d) If any of the Borrower's assets are assigned to its creditors, if the Borrower fails to pay its debts generally as they become due, or if the Borrower files any petition, proceeding, case or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, rule, regulation, statute or ordinance, or any other law or rule for the relief of, or related to, debtors.

(e) If any involuntary petition is filed under any bankruptcy or similar Law or Rule against the Borrower, or a receiver, trustee, liquidator, assignee, custodian, sequestrator or other similar official is appointed to take possession of any of the assets or properties of the Borrower or any guarantor.

(f) If any governmental or regulatory authority takes or institutes any action that will materially affect the Borrower's financial condition, operations or ability to pay or perform the Borrower's obligations under this Note.

(g) A judgment is entered against the Borrower for an amount in excess of $100,000.00.

(h) In the event of (i) any transaction or series of related transactions (including any reorganization, merger or consolidation) that results in the transfer of 50% or more of the outstanding voting power of the Borrower, or (ii) a sale of all or substantially all of the assets of the Borrower to another person or entity.

7. **Unconditional Obligation**. No provision of this Note shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the currency as herein prescribed. This Note is a direct obligation of the Borrower.

8. **Binding Effect**. This Note shall be binding on the Parties and their respective heirs, successors, and assigns; *provided, however*, that the Borrower shall not assign its rights or obligations hereunder in whole or in part without the express written consent of the Lender.

9. **Governing Law; Venue**. The terms of this Note shall be construed in accordance with the laws of the State of California as applied to contracts entered into by California residents within the State of California, which contracts are to be performed entirely within the State of California. With respect to any disputes arising out of or related to this Note, the Parties consent to the exclusive personal jurisdiction of, and venue in, the state courts in California (or in the event of federal jurisdiction, the United States District Courts located in California), and hereby waive, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdiction or to any claim that such venue of the suit, action or proceeding is improper.

10. **Pronouns**. Regardless of their form, all words used in this Note shall be deemed singular or plural and shall have the gender as required by the text.

11. **Headings**. The various headings used in this Note as headings for sections or otherwise are for convenience and reference only and shall not be used in interpreting the text of the section in which they appear and shall not limit or otherwise affect the meanings thereof.

12. **Severability**. If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the Parties to the fullest extent permitted by law and the balance of this Note shall remain in full force and effect.

13. **Attorneys' Fees**. If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Lender shall be entitled to recover reasonable attorneys' fees directly related to such enforcement or collection actions.

14. **Amendments and Waivers; Remedies**. No failure or delay on the part of a Party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a Party hereto at law, in equity or otherwise. Any amendment, supplement or modification of or to any provision of this Note, any waiver of any provision of this Note, and any consent to any departure by either Party from the terms of any provision of this Note, shall be effective (i) only if it is made or given in writing and signed by the Borrower and the Lender and (ii) only in the specific instance and for the specific purpose for which made or given.

15. **Notices**. All notices, requests, demands, claims and other communications hereunder shall be in writing and shall be deemed effective upon receipt.

16. **Rules of Construction**. The Parties intend that they be deemed joint authors hereof and that no rules of construction be employed in the interpretation hereof.

17. **Entire Agreement**. This Note, together with the other Transaction Documents, contains the complete understanding and agreement of the Borrower and the Lender and

supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations with respect to the subject matter thereof. THIS NOTE, TOGETHER WITH THE OTHER TRANSACTION DOCUMENTS, REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties have executed this Note as of the date set forth above.

G FARMALABS LIMITED,
a Nevada corporation

By: _____
Cristina Gonzalez, its President

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

RIGHTS AGREEMENT

THIS RIGHTS AGREEMENT (this "***Agreement***"), is made as of March 17TH, 2017, by and among **G FarmaLabs Limited**, a Nevada corporation (the "***Company***"), and Mentor Capital, Inc., a Delaware corporation (the "***Investor***").

RECITALS

WHEREAS, the Company and the Investor are parties to that certain Notes Purchase Agreement of substantially even date herewith (the "***Purchase Agreement***"); and

WHEREAS, in order to induce the Investor to enter into the Purchase Agreement, the Company hereby agrees that this Agreement shall govern certain rights of the Investor;

NOW, THEREFORE, the parties hereby agree as follows:

1. **DEFINITIONS**. For purposes of this Agreement:

(a) "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

(b) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(c) "**New Securities**" means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

(d) "**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

(e) "**SEC**" means the Securities and Exchange Commission.

2. **REGISTRATION**. The Company covenants and agrees as follows:

(a) **Consent for Registration**. Until that date which is one year following the repayment to Investor of all amounts due to Investor, the Company shall not register or qualify or propose to register or qualify (including, for this purpose, a registration effected by the Company for stockholders other than the Investor) any of its securities in connection with the public offering of such securities, without the written consent of Investor, at Investor's sole option, which consent may be given or withheld for any reason and for no reason.

(b) **No Consent Option**. Notwithstanding Section 2(a) above, the Company may so register or qualify or propose to register or qualify such shares, without such consent, following and conditioned upon issuance to Investor of that number of shares of each class or series of stock then outstanding equal to 1.5% of each such number of shares, calculated on a full dilution full conversion

basis, including the deemed issuance of all shares reserved for equity and other incentive plans.

(c) Limitations on Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Investor, enter into any agreement with any holder or prospective holder of any securities of the Company that allows such holder or prospective holder (i) to include such securities in any registration, or (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder.

3. INFORMATION RIGHTS. The Company shall promptly deliver to Investor the following:

(a) Audit. Such information, documentation, and inspections as are necessary or desirable for Investor's auditors to review in connection with their review or audit of Investor's books and accounts;

(b) Other Information. Such other information relating to the financial condition, business, prospects, or corporate affairs of the Company related to the Purchase Agreement or the Notes as Investor may from time to time reasonably request; *provided, however,* that the Company shall not be obligated under this Section 3(b) to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form acceptable to the Company); or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

(c) Inspection. The Company shall permit Investor, at such Investor's expense, to visit and inspect the Company's properties.

(d) Confidentiality. Investor agrees that Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its loans and the Company's performance in repaying its obligations to the Investor) any confidential information obtained from the Company pursuant to the terms of this Agreement unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this paragraph by Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; *provided, however,* that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its loans to the Company; (ii) to any existing or prospective Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, *provided* that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iii) as may otherwise be required by law, *provided* that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

4. RIGHTS TO FUTURE STOCK ISSUANCES. If the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to Investor. Investor shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among itself and any Affiliates.

(a) Notice. The Company shall give notice (the "***Offer Notice***") to Investor,

stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities. Company shall candidly discuss the Offer Notice with Investor at Investor's request.

(b) Election. By notification to the Company within thirty (30) days after the Offer Notice is given, Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice all or any portion of the New Securities offered. The closing of any sale pursuant to this Section shall occur within ninety (90) days of the date that the Offer Notice is given.

(c) Unsubscribed. If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired the Company may, during the ninety (90) day period following the expiration of the period provided in paragraph (b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Investor in accordance with this Section.

(d) Termination. The covenants set forth in this Section 4 shall terminate and be of no further force or effect (i) immediately before the consummation of an IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon an actual dissolution and liquidation, without successor, whichever event occurs first.

5. ADDITIONAL COVENANTS. So long as the obligations to Investor under the Purchase Agreement and the Notes have not been repaid in full, the Company hereby covenants and agrees with Investor that it shall not, without Investor's approval:

(a) make, or permit any subsidiary to make, any loan or advance to, or purchase or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company;

(b) make, or permit any subsidiary to make, any loan or advance to any Person, including, without limitation, any employee or director of the Company or any subsidiary;

(c) guarantee, directly or indirectly, or permit any subsidiary to guarantee, directly or indirectly, any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business;

(d) incur any aggregate indebtedness in excess of $100,000 that is not already included in a budget approved by Company's Board of Directors, other than trade credit incurred in the ordinary course of business;

(e) otherwise enter into or be a party to any transaction with any director, officer, or employee of the Company or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such Person, including without limitation any "management bonus" or similar plan providing payments to employees, except for transactions made in the ordinary course of business and pursuant to reasonable requirements of the Company's business and upon fair and reasonable terms that are approved by a majority of the Company's Board of Directors;

(f) hire or change the compensation of the executive officers;

(g) sell, assign, license, pledge, or encumber real property, material technology, or intellectual property, other than licenses granted in the ordinary course of business; or

(h) enter into any corporate strategic relationship involving the payment, contribution, or assignment by the Company or to the Company of money or assets greater than $100,000.

6. MISCELLANEOUS.

(a) Successors and Assigns. The rights under this Agreement may be assigned by Investor.

(b) Governing Law. This Agreement shall be governed by the internal laws of the State of California.

(c) Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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

(e) Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon receipt.

(f) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the Investor. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

(g) Severability. In the event that any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

(h) Entire Agreement. This Agreement constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

(i) Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of California and to the jurisdiction of the United States District Court for the Northern District of California for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of California

or the United States District Court for the Northern District of California, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

(j) Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

(k) No Rules of Construction. The parties intend that for all purposes they be treated as joint authors hereof and intend that no rules of construction be employed in the interpretation herefo.

IN WITNESS WHEREOF, the parties have executed this Investor Rights Agreement as of the date first written above.

G FARMALABS LIMITED,
a Nevada corporation

By: _____
Cristina Gonzalez, its President

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

SECURITY AGREEMENT

This Security Agreement (this "***Security Agreement***"), dated as of March 17TH, 2017, is executed by G FarmaLabs Limited, a Nevada corporation ("***Debtor***"), in favor of Mentor Capital, Inc., a Delaware corporation ("***Secured Party***").

WHEREAS, Debtor has issued to Secured Party two Secured Promissory Notes, each of substantially even date herewith, in the aggregate face amount of $500,000 (the "***Notes***"); and

WHEREAS, in order to induce Secured Party to extend the credit evidenced by the Notes, Debtor has agreed to enter into this Security Agreement and to grant Secured Party the security interest in the Collateral (as defined below) described herein.

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor hereby agrees with Secured Party as follows:

1. **Definitions and Interpretation**. When used in this Security Agreement, the following terms have the following respective meanings:

"***Collateral***" has the meaning given to that term in ***Section 2*** hereof.

"***Lien***" shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or comparable law of any jurisdiction.

"***Obligations***" means (a) all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Debtor to Secured Party or any affiliate of Secured Party of every kind and description, now existing or hereafter arising, whether created by the Notes, this Security Agreement, that certain Note Purchase Agreement dated as of substantially even date herewith, entered into by and between Debtor and Secured Party, as the same may be amended from time to time (the "***Purchase Agreement***"), any other Transaction Documents (as defined in the Purchase Agreement), any modification or amendment to any of the foregoing, guaranty of payment or other contract or by a quasi-contract, tort, statute or other operation of law, whether incurred directly to Secured Party or as an affiliate of Secured Party or acquired by Secured Party or an affiliate of Secured Party by purchase, pledge or otherwise, (b) all costs and expenses, including attorneys' fees, incurred by Secured Party or any affiliate of Secured Party in connection with the Note or in connection with the collection of any portion of the indebtedness described in the foregoing clause (a), (c) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Security Agreement, and (d) the performance of the covenants and agreements of Debtor contained in this Security Agreement and all other Transaction Documents.

"***UCC***" means the Uniform Commercial Code as in effect in the State of California from time to time. Unless otherwise defined herein, all terms defined in the UCC have the respective meanings given to those terms in the UCC.

2. **Grant of Security Interest**. As security for the Obligations, Debtor hereby pledges to Secured Party and grants to Secured Party a security interest in all right, title and interests of Debtor in and to the property described in ***Schedule A*** hereto and all proceeds, products, and accessions thereof (collectively, the "***Collateral***").

3. **Authorization to File Financing Statements**. Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction or other jurisdiction of Debtor any financing statements or documents having a similar effect and amendments thereto that provide any other information required by the Uniform Commercial Code (or similar law of any non-United States jurisdiction, if applicable) such state or jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor. Debtor agrees to furnish any such information to Secured Party promptly upon Secured Party's request.

4. **General Representations and Warranties**. Debtor represents and warrants to Secured Party that (a) Debtor is the owner of the Collateral and that no other person has any right, title, claim or interest (by way of Lien or otherwise) in, against or to the Collateral, and (b) upon the filing of UCC-1 financing statements with the California Secretary of State, Secured Party shall have a perfected security interest in the Collateral to the extent that a security interest in the Collateral can be perfected by such filing.

5. **Additional Covenants**. Debtor hereby agrees:

(a) to perform all acts that may be necessary to maintain, preserve, protect and perfect in the Collateral, the Lien granted to Secured Party therein, and the perfection and priority of such Lien;

(b) to procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings reasonably deemed necessary or appropriate by Secured Party to perfect, maintain and protect Secured Party's Lien hereunder and the priority thereof;

(c) to provide at least fifteen (15) days prior written notice to Secured Party of any of the following events: (i) any changes or alterations of Debtor's name, (ii) any changes with respect to Debtor's address or principal place of business, (iii) any changes in the location of any Collateral, or (iv) the formation of any subsidiaries, partnerships, joint ventures, or affiliates of Debtor;

(d) upon Debtor's failure to cure an Event of Default under the Notes within ninety (90) days and, thereafter, at Secured Party's request, to endorse (up to the outstanding amount under such promissory notes at the time of Secured Party's request), assign and deliver any promissory notes included in the Collateral to Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as Secured Party may from time to time specify;

(e) to the extent the Collateral is not delivered to Secured Party pursuant to this Security Agreement, to keep the Collateral at the principal office of Debtor and not to remove the Collateral from such location without providing at least thirty (30) days prior written notice to Secured Party; and

(f) not to sell or otherwise dispose, or offer to sell or otherwise dispose, of the

Collateral or any interest therein or proceeds therefrom.

6. **Authorized Action by Secured Party**. Debtor hereby irrevocably appoints Secured Party as its attorney-in-fact (which appointment is coupled with an interest) and agrees that Secured Party may perform (but Secured Party shall not be obligated to and shall incur no liability to Debtor or any third party for failure so to do) any act which Debtor is obligated by this Security Agreement to perform, and to exercise such rights and powers as Debtor might exercise with respect to the Collateral, including the right to (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments, proceeds and other sums and property now or hereafter payable on or on account of the Collateral; (b) execute and file UCC financing statements and other documents, instruments and agreements required or permitted hereunder; and (c) take any and all appropriate action and to execute any and all documents and instruments that may be necessary or useful to accomplish the purposes of this Security Agreement; *provided, however*, that Secured Party shall not exercise any such powers granted pursuant to subsection (a) prior to the occurrence of an Event of Default, *provided that* Debtor shall have a ninety (90) day period of time to cure any such Event of Default, and shall only exercise such powers during the continuance of an Event of Default. The powers conferred on Secured Party under this Section 6 are solely to protect its interests in the Collateral and shall not impose any duty or obligation upon it to exercise any such powers. Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither Secured Party nor any of its stockholders, directors, officers, managers, employees or agents shall be responsible to Debtor for any act or failure to act, except with respect to Secured Party's own gross negligence or willful misconduct.

7. **Default and Remedies.**

(a) **Default**. Debtor shall be deemed in default under this Security Agreement upon Debtor's failure to cure an Event of Default (as defined in the Notes) within ninety (90) days.

(b) **Remedies**. Upon Debtor's failure to cure any such Event of Default, Secured Party shall have the rights of a secured creditor under the UCC, all rights granted by this Security Agreement and by law, including, without limiting the foregoing, (i) the right to require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party, and (ii) the right to take possession of the Collateral, and for that purpose Secured Party may enter upon premises on which the Collateral may be situated and remove the Collateral therefrom. Debtor hereby agrees that fifteen (15) days' notice of a public sale of any Collateral or notice of the date after which a private sale of any Collateral may take place is reasonable. In addition, Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of Secured Party's rights and remedies hereunder, including, without limitation, Secured Party's right following an Event of Default to take immediate possession of Collateral and to exercise Secured Party's rights and remedies with respect thereto. Secured Party may also have a receiver appointed to take charge of all or any portion of the Collateral and to exercise all rights of Secured Party under this Agreement. Secured Party may exercise any of its rights under this Section 7(b) without demand or notice of any kind. The remedies in this Security Agreement, including without limitation this Section 7(b), are in addition to, not in limitation of, any other right, power, privilege, or remedy, either in law, in equity, or otherwise, to which Secured Party may be entitled. No failure or delay on the part of Secured party in exercising any right, power, or remedy will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. All of Secured Party's rights and remedies, whether evidenced by this Agreement or by any other agreement, instrument or document shall be cumulative and may be

exercised singularly or concurrently.

(c) **Standards for Exercising Rights and Remedies**. To the extent that applicable law imposes duties on Secured Party to exercise remedies in a commercially reasonable manner, Debtor acknowledges and agrees that it is not commercially unreasonable for Secured Party (i) to fail to incur expenses reasonably deemed significant by Secured Party to prepare Collateral for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove liens or encumbrances on or any adverse claims against Collateral, (iv) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other persons, whether or not in the same business as Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, (xi) to purchase insurance or credit enhancements to insure Secured Party against risks of loss, collection or disposition of Collateral or to provide to Secured Party a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Secured Party in the collection or disposition of any of the Collateral. Debtor acknowledges that the purpose of this Section is to provide non-exhaustive indications of what actions or omissions by Secured Party would fulfill Secured Party's duties under the UCC in Secured Party's exercise of remedies against the Collateral and that other actions or omissions by Secured Party shall not be deemed to fail to fulfill such duties solely on account of not being indicated in this Section. Without limitation upon the foregoing, nothing contained in this Section shall be construed to grant any rights to Debtor or to impose any duties on Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section.

(d) **Application of Collateral Proceeds**. The proceeds and/or avails of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder (as well as any other amounts of any kind held by Secured Party at the time of, or received by Secured Party after, the occurrence of an Event of Default) shall be paid to and applied as follows:

(i) *First*, to the payment of reasonable costs and expenses, including all amounts expended to preserve the value of the Collateral, of foreclosure or suit, if any, and of such sale and the exercise of any other rights or remedies, and of all proper fees, expenses, liability and advances, including reasonable legal expenses and attorneys' fees, incurred or made hereunder by Secured Party;

(ii) *Second*, to the payment to Secured Party of the amount then owing or unpaid on the Notes or either of them (to be applied first to accrued interest and second to outstanding principal); and

(iii) *Third*, to the payment of the surplus, if any, to Debtor, his successors

and assigns, or to whosoever may be lawfully entitled to receive the same.

In the absence of final payment and satisfaction in full of all of the Obligations, Debtor shall remain liable for any deficiency.

8. **Miscellaneous**.

(a) **Notices**. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Debtor or Secured Party under this Security Agreement shall be effective on receipt.

(b) **Nonwaiver**. No failure or delay on Secured Party's part in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(c) **Amendments and Waivers**. This Security Agreement may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Debtor and Secured Party. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(d) **Assignment**. This Security Agreement shall be binding upon and inure to the benefit of Secured Party and Debtor and their respective successors and assigns; *provided, however*, that Debtor may not sell, assign or delegate rights and obligations hereunder without the prior written consent of Secured Party.

(e) **Cumulative Rights, etc**. The rights, powers and remedies of Secured Party under this Security Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any applicable law, rule or regulation of any governmental authority, or the Notes, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's rights hereunder. Debtor waives any right to require Secured Party to proceed against any person or entity or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

(f) **Partial Invalidity**. If any part of this Security Agreement is construed to be in violation of any law, such part shall be modified to achieve the objective of the parties to the fullest extent permitted and the balance of this Agreement shall remain in full force and effect.

(g) **Expenses**. Debtor shall pay on demand all reasonable fees and expenses, including reasonable attorneys' and other professionals' fees and expenses, incurred by Secured Party in connection with the custody, preservation or sale of, or other realization on, any of the Collateral or the enforcement or attempt to enforce any of the Obligations which are not performed as and when required by this Security Agreement.

(h) **Entire Agreement**. This Security Agreement and the other Transaction Documents, taken together, constitute and contain the entire agreement of Debtor and Secured Party with respect to this particular matter and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof.

(i) **Governing Law; Venue**. Except as otherwise specifically set forth herein, the parties expressly agree that this Agreement shall be governed solely by the laws of the State of California, without regard to its principles of conflict of laws. Debtor hereby expressly consents to the personal jurisdiction of the state and federal courts located in or about San Mateo County, California for any action or proceeding arising from or relating to this Agreement, waives, to the maximum extent permitted by law, any argument that venue in any such forum is not convenient, and agrees that any such action or proceeding shall only be venued in such courts.

(j) **Counterparts**. This Security Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one instrument. Facsimile or pdf copies of signed signature pages will be deemed binding originals.

(k) **Termination of Security Interest**. Upon the payment in full of all Obligations, the security interest granted herein shall terminate and all rights to the Collateral shall revert to Debtor. Upon such termination, Secured Party hereby authorizes Debtor to file any UCC termination statements necessary to effect such termination and Secured Party will execute and deliver to Debtor any additional documents or instruments as Debtor shall reasonably request to evidence such termination.

IN WITNESS WHEREOF, Secured Party and Debtor have caused this Security Agreement to be executed as of the day and year first above written.

G FARMALABS LIMITED,
a Nevada corporation

By: _____
Cristina Gonzalez, its President

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

SCHEDULE A

COLLATERAL

Debtor unconditionally grants, assigns, and pledges to Secured Party a continuing security interest in all property, real and personal, tangible or intangible, of the Debtor, whether now owned or hereafter acquired or arising and wherever located, including without limitation the Debtor's right, title, and interest in and to the following, whether now owned or hereafter acquired or arising and wherever located:

(a) all of the Debtor's accounts;

(b) all of the Debtor's books;

(c) all of the Debtor's chattel paper;

(d) all of the Debtor's deposit and brokerage accounts;

(e) all of the Debtor's equipment and fixtures;

(f) all of the Debtor's general Intangibles;

(g) all of the Debtor's inventory;

(h) all of the Debtor's negotiable collateral;

(i) all of the Debtor's intellectual property, trademarks, phone numbers, patents, indicia or origin, trade secrets, customer relationships, and marketing;

(j) all of the Debtor's accounts, notes, and obligations, receivable;

(k) all of the Debtor's vendor and subcontractor relationships;

(l) all of the Debtor's rights in respect of supporting obligations;

(m) all of the Debtor's commercial tort claims;

(n) all of the Debtor's money, cash equivalents, and other assets that now or hereafter come into the possession, custody, or control of Secured Party;

(o) all of the proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance, resulting from the sale, lease, license, settlement, accord, exchange, collection, or other disposition of any of the foregoing, the proceeds of any award in condemnation with respect to any of the foregoing, any rebates or refunds, whether for taxes or otherwise, and all proceeds of any such proceeds, or any portion thereof or interest therein, and the proceeds thereof, and all proceeds of any loss of, damage to, or destruction of the above, whether insured or not insured, and, to the extent not otherwise included, any indemnity, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to any of the foregoing (the "Proceeds"). Without limiting the generality of the foregoing, the term "Proceeds" includes whatever is receivable or received when proceeds are sold, exchanged, collected, or otherwise disposed of, whether such disposition is voluntary or involuntary.

GUARANTY

This **GUARANTY** (the "***Guaranty***"), dated as of March 17th, 2017, is executed and delivered by **Ata Gonzalez** (the "***Guarantor***") in favor of **Mentor Capital, Inc.** (the "***Holder***") or "***Secured Party***"), as Holder of that certain Note, as defined below, of substantially even date herewith made by **G FarmaLabs Limited** (the "***Maker***").

W I T N E S S E T H:

WHEREAS, in accordance with that certain Notes Purchase Agreement of substantially even date herewith between the Maker and the Secured Party (the "***Purchase Agreement***"), and that certain Promissory Note in initial principal face amount of $380,000 to be issued by the Maker in favor of the Holder (the "***Note***") and all Transaction Documents, as defined in the Purchase Agreement; and

WHEREAS, in order to induce the Secured Party to enter into the Transaction Documents and to loan the amounts to the Maker thereunder, and to accept the Note, and in consideration thereof, Guarantor has agreed to guaranty the Guarantied Obligations (as defined below) and execute and deliver this Guaranty; and

WHEREAS, the aforesaid loans will be beneficial to the Guarantor inasmuch as Guarantor is an owner of the Maker;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Guarantor, the Guarantor hereby agrees as follows:

1. **Guaranty of Payment and Performance**. The Guarantor hereby irrevocably and unconditionally guarantees to the Holder the full and punctual payment when due (whether at maturity, by acceleration, or otherwise and whether for principal or interest, fees, expenses or otherwise), and the performance, of all liabilities, agreements and other obligations of the Maker to the Holder under the Note, in each case, whether direct or indirect, absolute or contingent, due or to become due, secured or unsecured, now existing or hereafter arising or acquired, whether by way of discount, letter of credit, lease, loan, overdraft or otherwise (the "***Guarantied Obligations***"). This Guaranty is an absolute, unconditional and continuing guaranty of the full and punctual payment and performance of the Guarantied Obligations and not of their collectability only and is in no way conditioned upon any requirement that the Holder first attempts to collect any of the Guarantied Obligations from the Maker or resort to any security or other means of obtaining their payment. Should the Maker fail to pay any of the Guarantied Obligations as and when due, the obligations of the Guarantor hereunder shall become immediately due and payable to the Holder, without demand or notice of any nature, all of which are expressly waived by the Guarantor. Payments by the Guarantor hereunder may be required by the Holder on any number of occasions.

2. **Guarantor's Agreement to Pay**. The Guarantor further agrees, as the principal obligor and not as a guarantor only, to pay to the Holder, on demand, all costs and expenses (including court costs and reasonable legal expenses) incurred or expended by the Holder in

connection with enforcement of this Guaranty, together with interest on amounts recoverable under this Guaranty from the time such amounts become due under this Guaranty until payment; provided that if such interest exceeds the maximum amount permitted to be paid under applicable law, then such interest shall be reduced to such maximum permitted amount.

3. **Unlimited Guaranty; Covenant**. The liability of the Guarantor hereunder shall be unlimited to the extent of the Guarantied Obligations and the other obligations of the Guarantor hereunder (including, without limitation, under Section 2 above).

4. **Waivers by Guarantor; Holder's Freedom to Act**. The Guarantor agrees that the Guarantied Obligations will be paid and performed strictly in accordance with their terms regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Holder with respect thereto. The Guarantor waives presentment, demand, protest, notice of acceptance, notice of Guarantied Obligations incurred and all other notices of any kind, all defenses which may be available to the Company by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Company, and all suretyship defenses generally.

5. **Unenforceability of Obligations Against Maker**. If for any reason the Maker is under no legal obligation to discharge any of the Guarantied Obligations, or if any of the Guarantied Obligations have become irrecoverable from the Maker by operation of law or for any other reason, this Guaranty shall nevertheless be binding on the Guarantor to the same extent as if the Guarantor at all times had been the principal obligor on all such Guarantied Obligations. In the event that acceleration of the time for payment of the Guarantied Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Maker, or for any other reason, all such amounts otherwise subject to acceleration under the terms of any agreement evidencing, securing or otherwise executed in connection with any Obligation shall be immediately due and payable by the Guarantor.

6. **Subrogation; Subordination**. Until the payment and performance in full of all Guarantied Obligations, the Guarantor shall not exercise any rights against the Maker arising as a result of payment by the Guarantor hereunder, by way of subrogation or otherwise, (the Holder having no duty or obligation to take any action at any time to protect or preserve any right of subrogation) and will not prove any claim in competition with Holder or his affiliates in respect of any payment hereunder in bankruptcy or insolvency proceedings of any nature; the Guarantor will not claim any set-off or counterclaim against the Maker in respect of any liability of the Guarantor to the Maker; and the Guarantor waives any benefit of and any right to participate in any collateral which may be held by Holder. The payment of any amounts due with respect to any indebtedness of the Maker now or hereafter held by the Guarantor is hereby subordinated to the prior payment in full of the Guarantied Obligations. The Guarantor agrees that after the occurrence of any default in the payment or performance of the Guarantied Obligations, after the expiration of any applicable grace period, if any, it will not demand, sue for or otherwise attempt to collect after such time any such indebtedness of the Maker to the Guarantor until the Guarantied Obligations shall have been paid in full. If, notwithstanding the foregoing sentence, the Guarantor shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by the Guarantor as trustee for the Holder and be paid over to the Holder on account of the Guarantied Obligations without affecting in any manner the liability of the Guarantor under

the other provisions of this Guaranty.

7. **Further Assurances**. The Guarantor agrees to do all such things and execute all such documents, as the Holder may consider reasonably necessary or desirable to give full effect to this Guaranty and to perfect and preserve the rights and powers of the Holder hereunder.

8. **Termination; Reinstatement**. This Guaranty shall remain in full force and effect until the Guarantied Obligations are paid in full and not subject to any recapture or preference in bankruptcy or similar proceedings. This Guaranty shall continue to be effective or be reinstated if at any time any payment made or value received with respect to an Obligation is rescinded or must otherwise be returned by Holder upon the insolvency or bankruptcy of the Maker, or otherwise, all as though such payment had not been made or value received.

9. **Successors and Assigns**. This Guaranty shall be binding upon the Guarantor and his successors and assigns, and shall inure to the benefit of and be enforceable by the Holder and his successors, transferees and assigns. The Holder may assign or otherwise transfer any agreement or the Note or any other note held by it evidencing, securing or otherwise executed in connection with the Guarantied Obligations, or sell participations in any interest therein, to any other person or entity, and such other person or entity shall thereupon become vested, to the extent set forth in the agreement evidencing such assignment, transfer or participation, with all the rights in respect thereof granted to the Holder herein.

10. **Amendments and Waivers**. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Holder. No failure on the part of the Holder to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

11. **Governing Law**. This Agreement shall be governed in all respects by the laws of the State of California without regard to choice of law rules.

12. **Representations**. The representations, warranties, covenants and agreements made herein shall survive until all Guarantied Obligations are paid in full. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of the Maker or the Guarantor pursuant hereto or in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the Maker and the Guarantor hereunder as of the date of such certificate or instrument.

13. **Entire Agreement**. This Agreement (including the exhibits and schedules attached hereto) and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

14. **Notices**. All notices and other communications required or permitted hereunder shall be effective upon receipt and shall be in writing.

15. **Severability of this Agreement**. If any provision of this Agreement shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and

enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

16. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.

17. **Attorney's Fees**. The prevailing party in any action or proceeding between the parties arising out of or related to this Agreement shall be entitled to recover all reasonable expenses, including without limitation attorneys' and other professionals, fees and costs, incurred in connection with any such action or proceeding.

18. **No Rules of Construction**. The parties intend that for all purposes they be deemed joint authors hereof and that no rules of construction are intended or shall be employed in the interpretation hereof.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered as of the date appearing in the introductory paragraph of this Guaranty.

Ata Gonzalez

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

CONSULTING AGREEMENT

This **CONSULTING AGREEMENT** is made effective as of March 17th, 2017 by and between **G FarmaLabs Limited,** a Nevada corporation (the "Company") and **Mentor Capital, Inc.,** a Delaware corporation (the "Consultant").

THE PARTIES HERETO AGREE AS FOLLOWS:

1. **Consulting Services**. Consultant, and its personnel, shall provide to the Company professional consulting services in management, business, accounting, and finance as the Company and Consultant may mutually agree during the term of this Agreement (the "Services"). In no event shall the Services exceed 4 hours per month.

2. **Term**. This Agreement shall commence as of the date first written above and shall remain in effect until the later of (i) 12 months, and (ii) the date on which the Company has paid in full all obligations under the Notes Purchase Agreement of substantially even date herewith and the Promissory Notes sold thereunder.

3. **Consulting Fee.** In consideration for the Services rendered by Consultant in connection herewith, Company shall pay Consultant $1,400 per month, payable in arrears on the 15th of the following month, commencing with a payment on April 15, 2017 for March, 2017.

4. **Independent Contractor.** Nothing in this Agreement is intended or shall in any way be construed to constitute Consultant as an agent, employee or representative of the Company. Consultant is and shall perform the Services hereunder as an independent contractor. Consultant shall have responsibility for and control over the details and means of performing the Services and shall be subject to the directions of the Company only with respect to the scope and general results required. Consultant acknowledges and agrees that Consultant is obligated to report as income all compensation received by Consultant pursuant to this Agreement, including any payment that may be made in stock, and Consultant agrees to and acknowledges the obligation to pay all self-employment and other taxes thereon.

5. Miscellaneous.

5.1 Assignment. This Agreement is not assignable without the written consent of the parties hereto.

5.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

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

5.4 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the other party hereto. Any amendment or waiver effected in accordance with this paragraph shall be binding upon Company and Consultant.

5.5 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision, or such portion of such provision as may be necessary,

shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be thereafter enforceable in accordance with its terms.

5.6 Attorneys' Fees. In the event of any claim, dispute, litigation, arbitration or action concerning or related to this Agreement, or any alleged breach of this Agreement, the prevailing party shall be entitled to reasonable attorneys' and other professionals' fees, costs of suit and disbursements in addition to any other remedies or damages which may be properly awarded or awardable.

5.7 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience of reference only and are not to be considered in construing or interpreting this Agreement.

5.8 Notices. Any notice or other communication required or permitted to be given by either party shall be given in writing and shall be effective upon receipt.

5.9 Entire Agreement. This Agreement, together with any attachments hereto, is the entire agreement of the parties and supersedes any prior agreements between them, whether written or oral, with respect to the subject matter hereof.

5.10 No Rules of Construction. Both parties have had an opportunity for legal review of all of the terms hereof. The parties therefore agree that, in interpreting any issues which may arise, any rules of construction related to who prepared this Agreement or otherwise are not intended and shall be inapplicable, each party having contributed or having had the opportunity to contribute to clarify any issue, and the parties hereto being joint authors hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement by their agent duly authorized as of the date first above written.

G FARMALABS LIMITED,
a Nevada corporation

By: _____
Cristina Gonzalez, its President

MENTOR CAPITAL, INC.,
a Delaware corporation

By: _____
Chet Billingsley, its Chief Executive Officer

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chet Billingsley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mentor Capital, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

   c) 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 reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 12, 2017

/s/ CHET BILLINGSLEY
Chet Billingsley
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lori Stansfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mentor Capital, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

   c) 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 reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 12, 2017

/s/ LORI STANSFIELD
Lori Stansfield
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, Chet Billingsley, Chief Executive Officer of Mentor Capital, Inc. (Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2017 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 12, 2017

/s/ CHET BILLINGSLEY
Chet Billingsley
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Lori Stansfield, Chief Financial Officer of Mentor Capital, Inc. (Company), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2017 (Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: May 12, 2017

/s/ LORI STANSFIELD
Lori Stansfield
Chief Financial Officer
(Principal Financial Officer)