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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

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 Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X]. No [ ].

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X]. No [ ].

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

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

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

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

At August 5, 2019, there were 23,139,837 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, because of our investments in the cannabis-related industry we may be subject to heightened scrutiny and our portfolio companies may be subject to additional and changing 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 Form 10-Q 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.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,109,858	$ 1,470,574
Investment in securities, at fair value	102,473	362,585
Deposits on manufacturing equipment purchases	45,384	43,907
Accounts receivable, net	449,323	437,508
Net finance leases receivable, current portion	58,955	175,727
Net finance leases receivable-non-performing	303,532	-
Investment in accounts receivable, current portion, net of discount	117,000	117,000
Notes receivable, current portion	-	45,173
Convertible notes receivable, current portion	27,035	26,384
Prepaid expenses and other current assets	39,632	77,634
Employee advances and other receivable	10,303	4,004
Total current assets	2,263,495	2,760,496
Property and equipment		
Property and equipment	167,946	195,571
Accumulated depreciation and amortization	(127,989)	(152,602)
Property and equipment, net	39,957	42,969
Other assets		
Operating lease right-of-use assets	446,871	-
Finance lease right-of-use assets	151,141	-
Investment in account receivable, net of discount and current portion	341,515	418,518
Net finance leases receivable, net of current portion	417,835	1,361,554
Notes receivable, net of current portion	-	971,653
Convertible notes receivable, net of current portion	51,650	50,417
Contractual interest in legal recovery	300,000	800,002
Deposits	9,575	9,575
Long term investments	209,697	251,297
Goodwill	1,426,182	1,426,182
Total other assets	3,354,466	5,289,198
Total assets	$ 5,657,918	$ 8,092,663

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

	June 30, 2019	December 31, 2018
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 34,845	$ 67,455
Accrued expenses	252,039	359,568
Related party payable	34,037	40,000
Deferred revenue	25,845	86,461
Finance lease liability, current portion	31,597	-
Operating lease liability, current portion	195,999	-
Long term debt, current portion	37,902	53,166
Total current liabilities	612,264	606,650
Long-term liabilities		
Accrued salary, retirement and incentive fee - related party	1,057,646	1,027,118
Finance lease liability, net of current portion	102,776	-
Operating lease liability, net of current portion	237,428	-
Long term debt, net of current portion	10,758	25,055
Total long-term liabilities	1,408,608	1,052,173
Total liabilities	2,020,872	1,658,823
Commitments and Contingencies	-	-
Shareholders' equity		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized; 11 and 11 shares issued and outstanding at June 30, 2019 and December 31, 2018 *	-	-
Common stock, $0.0001 par value, 75,000,000 shares authorized; 23,139,837 and 23,139,837 shares issued and outstanding at June 30, 2019 and December 31, 2018	2,314	2,314
Additional paid in capital	13,071,626	13,071,626
Accumulated deficit	(9,253,186)	(6,438,316)
Non-controlling interest	(183,708)	(201,784)
Total shareholders' equity	3,637,046	6,433,840
Total liabilities and shareholders' equity	$ 5,657,918	$ 8,092,663

* Par value is less than $0.01.

Mentor Capital, Inc.
Condensed Consolidated Income Statements (Unaudited)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue				
Service fees	$ 1,017,587	$ 894,656	$ 1,973,493	$ 1,750,327
Lease equipment sales	-	317,680	74,889	470,084
Finance lease revenue	12,162	11,364	49,053	12,488
Consulting revenue	-	7,560	8,310	14,560
Total revenue	1,029,749	1,231,260	2,105,745	2,247,459
Cost of sales	719,111	852,696	1,424,731	1,523,188
Gross profit	310,638	378,564	681,014	724,271
Selling, general and administrative expenses	596,976	563,380	1,823,594	1,129,158
Operating income (loss)	(286,338)	(184,816)	(1,142,580)	(404,887)
Other income and (expense)				
Gain (loss) on investments	(132,088)	66,606	(1,701,969)	118,197
Interest income	22,884	43,520	65,464	82,586
Interest expense	(5,851)	(3,871)	(10,375)	(7,999)
Gain on equipment disposal	1,500	-	1,500	-
Other income (expense)	11,340	2,380	11,340	2,380
Total other income and (expense)	(102,215)	108,635	(1,634,040)	195,164
Income (loss) before provision for income taxes	(388,553)	(76,181)	(2,776,620)	(209,723)
Provision for income taxes	850	5,600	17,650	17,650
Net income (loss)	(389,403)	(81,781)	(2,794,270)	(227,373)
Gain (loss) attributable to non-controlling interest	18,872	(7,175)	20,600	(1,062)
Net income (loss) attributable to Mentor	$ (408,275)	$ (74,606)	$ (2,814,870)	$ (226,311)
Basic and diluted net income (loss) per Mentor common share:				
Basic and diluted	$ (0.018)	$ (0.003)	$ (0.122)	$ (0.010)
Weighted average number of shares of Mentor common stock outstanding:				
Basic and diluted	23,139,837	23,076,676	23,139,837	23,039,191

Mentor Capital, Inc.
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)
For the Three Months Ended June 30, 2019 and 2018

	Controlling interest									
	Preferred stock		Common stock							
	Shares	$0.0001 par*	Shares	$0.001 par	Additional paid in capital	Accumulated equity (deficit)	Accumulated Other Comprehensive Income	Total	Non-controlling equity (deficit)	Totals
Balances at Mar 31, 2019	11	$ -	23,139,837	$ 2,314	$ 13,071,626	$ (8,844,911)	$ -	$ 4,229,029	$(202,580)	$ 4,026,449
Net income (loss)	-	-	-	-	-	(408,275)	-	(408,275)	18,872	(389,403)
Balances at June 30, 2019	11	$ -	23,139,837	$ 2,314	$ 13,071,626	$ (9,253,186)	$ -	$ 3,820,754	$ (183,708)	$ 3,637,046
Balances at Mar 31, 2018	-	$ -	23,076,676	$ 2,308	$ 12,948,501	$ (6,180,860)	$ -	$ 6,769,949	$ (183,764)	$ 6,586,185
Issuance, Series Q preferred stock	11	-	-	-	109,985	-	-	109,985	-	109,985
Net income (loss)	-	-	-	-	-	(74,606)	-	(74,606)	(7,175)	(81,781)
Balances at June 30, 2018	11	$ -	23,076,676	$ 2,308	$ 13,058,486	$ (6,255,466)	$ -	$ 6,805,328	$ (190,939)	$ 6,614,389

*Par value of series Q preferred shares is less than $1.

Mentor Capital, Inc.
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)
For the Six Months Ended June 30, 2019 and 2018

	Controlling interest									
	Preferred stock		Common stock							
	Shares	$0.0001 par*	Shares	$0.001 par	Additional paid in capital	Accumulated equity (deficit)	Accumulated Other Compre-hensive Income	Total	Non-controlling equity (deficit)	Totals
Balances at Dec 31, 2018	11	$ -	23,139,837	$ 2,314	$ 13,071,626	$ (6,438,316)	$ -	$ 6,635,624	$ (201,784)	$ 6,433,840
Non-controlling distribution	-	-	-	-	-	-	-	-	(2,524)	(2,524)
Net income (loss)	-	-	-	-	-	(2,814,870)	-	(2,814,870)	20,600	(2,794,270)
Balances at June 30, 2019	11	$ -	23,139,837	$ 2,314	$ 13,071,626	$ (9,253,186)	$ -	$ 3,820,754	$ (183,708)	$ 3,637,046
Balances at Dec 31, 2017	-	$ -	22,814,283	$ 2,281	$ 12,560,619	$ (6,063,977)	$ 34,822	$ 6,533,745	$ (187,132)	$ 6,346,613
Conversion of warrants to common stock, net of conversion costs	-	-	379,436	38	616,020	-	-	616,058	-	616,058
Jan 25, 2018 Bhang shares cancelled in rescission	-	-	(117,000)	(11)	(228,138)	-	-	(228,149)	-	(228,149)
Jan 25, 2018 related party shares cancelled	-	-	(43)	-	-	-	-	-	-	-
Non-controlling distribution	-	-	-	-	-	-	-	-	(2,745)	(2,745)
Issuance, Series Q preferred stock	11	-	-	-	109,985	-	-	109,985	-	109,985
Reclass of unrealized unrealized gains on investment in equity securities	-	-	-	-	-	34,822	(34,822)	-	-	-
Net income (loss)	-	-	-	-	-	(226,311)	-	(226,311)	(1,062)	(227,373)
Balances at June 30, 2018	11	$ -	23,076,676	$ 2,308	$ 13,058,486	$ (6,255,466)	$ -	$ 6,805,328	$ (190,939)	$ 6,614,389

*Par value of series Q preferred shares is less than $1.

Mentor Capital, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Six Months Ended Ended June 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (2,794,270)	$ (227,373)
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:		
Depreciation and amortization	11,170	8,656
Non-cash amortization of right of use asset	4,481	-
Payments on finance lease liability	10,143	-
Gain on equipment disposal	(1,500)	-
Bad debt expense	740,484	27,942
Amortization of discount on investment in account receivable	(39,997)	(36,353)
Gain on sale of investment in Brighter Day Health	-	(53,058)
Increase in accrued investment interest income	(8,579)	(940)
(Gain) loss on investment in securities, at fair value	10,890	(65,140)
Impairment on G Farma notes receivable and investments	1,688,825	-
Decrease (increase) in operating assets		
Cash in attorney trust accounts	-	314,536
Accounts receivable - trade	(22,914)	7,152
Prepaid expenses and other current assets	20,077	12,299
Employee advances	(6,299)	(11,265)
Increase (decrease) in operating liabilities		
Accounts payable	(32,610)	(12,389)
Accrued expenses	(107,529)	(6,922)
Deferred revenue	-	60,904
Accrued salary, retirement and benefits - related party	30,528	15,794
Net cash provided by (used by) operating activities	(497,100)	33,843
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from receivable – Bhang Corporation	-	1,987,099
Purchase of investment securities	-	(101,441)
Proceeds from investment securities sold	249,222	-
Proceeds from convertible notes receivable	-	4,140
Cash advanced on notes receivable	(31,000)	(100,000)
Proceeds from notes receivable	7,298	14,965
Deposits on equipment to be leased	(18,153)	(557,855)
Investment in direct financing leases	(94,786)	(507,706)
Proceeds from finance lease receivable	78,420	31,382
Purchase contractual interest in legal recovery	(100,000)	-
Purchases of property and equipment	(8,158)	(2,399)
Proceeds from sale of property and equipment	1,500	-
Proceeds from sale of investment in Brighter Day Health	-	109,000

Mentor Capital, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited, Continued)

	For the Six Months Ended Ended June 30, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES (continued):		
Down payment on right of use asset	$ (16,769)	$ -
Proceeds from investment in receivable	117,000	117,000
Net cash provided by (used by) investing activities	184,575	994,185
CASH FLOWS FROM FINANCING ACTIVITIES:		
Warrants converted to common stock, net of costs	-	616,059
Payment to rescind Bhang owners' common stock	-	(228,150)
Payments on related party payable	(5,963)	-
Payments on finance lease liability	(10,143)	
Payments on long-term debt	(29,561)	(15,782)
Non-controlling interest distribution	(2,524)	(2,745)
Net cash provided by (used by) financing activities	(48,191)	479,367
Net change in cash	(360,716)	1,507,395
Beginning cash	1,470,574	834,190
Ending cash	$ 1,109,858	$ 2,341,585
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	$ 10,440	$ 8,128
Cash paid for income taxes	$ 15,070	$ 10,894
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Right of use assets acquired through operating lease liability	$ 538,179	$ -
Right of use assets acquired through finance lease liability	$ 144,516	$ -
Bhang Corporation receivable cancelled by return of Mentor common	$ -	$ 228,150
Convertible note receivable converted to equity in Electrum	$ -	$ 86,256

Note 1 - Nature of operations

Corporate Structure Overview

Mentor Capital, Inc. ("Mentor" or "the Company"), reincorporated under the laws of the State of Delaware in September 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 reorganization. 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 shareholder-approved 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.

Beginning September 2008, after the name change back to Mentor Capital, Inc., the Company's common stock traded publicly under the trading symbol OTC Markets: MNTR and after February 9, 2015, as OTCQB: MNTR and after August 6, 2018, under the trading symbol OTCQX: 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 certain highly technical and expensive cancer treatments and a resulting business decline in the cancer immunotherapy 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 decided to divest of its cancer assets and focus future investments in the medical marijuana and cannabis sector. In March 2018, the Company sold its equity interest in its final remaining cancer investment.

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 consolidated financial statements presented. The Company may divest of WCI in the future to concentrate solely on cannabis investments.

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.

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 hold an 80% interest in any commercial opportunities that result from the study. Dr. Mandelkorn will hold the remaining 20%. This investment is carried at $0 and $0 at June 30, 2019 and December 31, 2018, respectively, on the condensed consolidated balance sheets.

On June 30, 2017, the Company converted its original $100,000 convertible promissory note from Electrum Partners, LLC ("Electrum") plus accrued and unpaid interest of $7,772 into an equity interest in Electrum, at a conversion price of $19 per interest, for 5,672 membership interest units. The investment in Electrum is reported in the consolidated balance sheets as a minority investment at cost of $107,772 at June 30, 2019 and December 31, 2018, see Note 13.

On April 28, 2017, the Company invested an additional $100,000 in Electrum (Note II) as a convertible note with interest at 10% compounded monthly, with monthly payments of principal and interest of $2,290 beginning June 12, 2017. On May 31, 2018, the Company converted the outstanding Note II balance of $85,188 plus unpaid interest of $1,068 into 526 membership interest units at a conversion price of $164 per interest. The second investment in Electrum, from converting Note II, is reported in the consolidated balance sheets as a minority investment at cost of $86,256 at June 30, 2019 and December 31, 2018.

Note 1 - Nature of operations (continued)

On September 19, 2017, the Company formed Mentor Partner I, LLC ("Partner I"), a California limited liability company as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused investing. In 2018, Mentor contributed $996,000 of capital to Partner I to facilitate the purchase of manufacturing equipment to be leased from Partner I by G FarmaLabs Limited ("G Farma") under a Master Equipment Lease Agreement dated January 16, 2018, as amended. Amendments expanded the Lessee under the agreement to include G FarmaLabs Limited, and G FarmaLabs DHS, LLC, (collectively referred to as "G Farma Lease Entities"). The finance leases resulting from this investment were fully impaired at June 30, 2019, see Note 9.

On February 1, 2018, the Company formed Mentor Partner II, LLC ("Partner II"), a California limited liability company as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused investing. On February 8, 2018, Mentor contributed $400,000 to Partner II to facilitate the purchase of manufacturing equipment to be leased from Partner II by Pueblo West Organics, LLC, a Colorado limited liability company ("Pueblo West") under a Master Equipment Lease Agreement dated February 11, 2018. On March 12, 2019, Mentor agreed to use Partner II earnings of $61,368 to facilitate the purchase of additional manufacturing equipment to Pueblo West under a Second Amendment to the lease, see Note 9.

On February 20, 2018, the Company formed Mentor Partner III, LLC ("Partner III"), a California limited liability company, as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused acquisition and investing. Partner III had no activity since its inception.

On February 28, 2018, the Company formed Mentor Partner IV, LLC ("Partner IV"), a California limited liability company, as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused acquisition and investing. Partner IV had no activity since its inception.

On September 6, 2018, the Company entered into an Equity Purchase and Issuance Agreement with G FarmaLabs Limited, G FarmaLabs DHS, LLC, GFBrands, Inc., Finka Distribution, Inc., and G FarmaLabs, WA, LLC under which Mentor was supposed to receive equity interests in the G Farma Equity Entities and their affiliates (together the "G Farma Equity Entities") equal to 3.75% of the G Farma Equity Entities interests (See Note 8). On March 4, 2019, Addendum VIII increased the G Farma Equity Entities' equity interest to which Mentor is immediately entitled to 3.843%, and added Goya Ventures, LLC as a G Farma Equity Entity. We are now in litigation with these entities. See Note 8.

On October 30, 2018, the Company entered into a Recovery Purchase Agreement with Electrum. Electrum is the plaintiff in an ongoing legal action pending in the Supreme Court of British Columbia ("Litigation"). As described further in Note 11, Mentor provided $100,000 in capital for payment of Litigation costs. In exchange, Mentor will receive 10% of anything of value received by Electrum as a result of the Litigation ("Recovery"), after first receiving reimbursement of the Litigation costs. On October 31, 2018, Mentor entered into a secured Capital Agreement with Electrum and invested an additional $100,000 of capital in Electrum. Under the Capital Agreement, on the payment date, Electrum will pay to Mentor the sum of (i) $100,000, (ii) ten percent (10%) of the Recovery, and (iii) 0.083334% of the Recovery for each full month from October 31, 2018 to the payment date for each full month that $833 is not paid to Mentor. The payment date is the earlier of November 1, 2021, or the final resolution of the Litigation. On January 28, 2019, the Company entered into a second secured Capital Agreement with Electrum and invested an additional $100,000 of capital in Electrum with payment terms similar to the October 31, 2018 Capital Agreement. As part of the January 28, 2019 Capital Agreement Mentor was granted an option to convert its 6,198 membership interests in Electrum into a cash payment of $194,027 plus an additional 19.4% of the Recovery.

On December 21, 2018, Mentor paid $10,000 to purchase 500,000 shares of NeuCourt, Inc. common stock, representing approximately 6.6% of NeuCourt's issued and outstanding common stock. NeuCourt is a Delaware corporation that is developing a technology that is expected to be useful in the cannabis space.

On March 14, 2019, the Company was notified by G Farma that, on February 22, 2019, the City of Corona Building Department closed access to G Farma's corporate location and posted a notice preventing entry to the facility. The notice cited unpermitted modifications to electrical, mechanical and plumbing, including all undetermined building modifications, as the reason for closure.

On April 24, 2019, the Company was informed that certain G Farma assets at G Farma's corporate location, including approximately $427,804 of equipment under lease to G Farma from Partner I, were impounded by the City of Corona on or around February 22, 2019. This event significantly impacted G Farma's financial position and its ability to make payments under the finance leases receivable and notes receivable due the Company. See Notes 8, 9, and 11.

Note 1 - Nature of operations (continued)

G Farma has not made scheduled payments on the finance lease receivable or the notes receivable since February 19, 2019 and Company management feels it is unlikely we will fully recover amounts due us. Based on our analysis of current conditions we have recorded a bad debt allowance of $752,148 on the finance lease receivable at June 30, 2019, see Note 9, and have fully impaired G Farma notes receivable and the contractual interest in G Farma's legal recovery, see Note 8. This resulted in an impairment of $1,073,731 on G Farma notes receivable of $1,045,051 plus accrued interest of $28,680, and a full impairment of $600,002 for our investment in the G Farma contractual interest in legal recovery. The Company's investment in G Farma Entities, previously valued at $41,600, has also been reduced to $0, see Notes 8 and 11.

On May 28, 2019, Mentor Capital, Inc. and Mentor Partner I, LLC filed a complaint against the G Farma Entities and three guarantors to the G Farma agreements, described herein and in Notes 8, 9, and 11, in the Superior Court of California in the County of Marin. The Company is primarily seeking monetary damages for breach of the G Farma agreements including promissory notes, leases, and other agreements, as well as an action for an injunction to recover leased property, recover collateral under a security agreement, and collect from guarantors on the agreements, among other things. Mentor intends to vigorously pursue this matter, however, collection is uncertain at this time. See Note 21.

Note 2 - Summary of significant accounting policies

Condensed consolidated financial statements

The unaudited condensed consolidated financial statements of the Company for the six month period ended June 30, 2019 and 2018 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2018 was derived from the audited financial statements included in the Company's financial statements as of and for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 28, 2019. These financial statements should be read in conjunction with that report.

Basis of presentation

The accompanying consolidated financial statements and related notes include the activity of subsidiaries in which a controlling financial interest is owned. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Significant intercompany balances and transactions have been eliminated in consolidation.

Segment reporting

The Company has determined that there are two reportable segments: 1) the cannabis and medical marijuana segment, 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.

Use of estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates, assumptions, and judgements that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our consolidated financial statements, and the reported amount of revenues and expenses during the reporting period.

Significant estimates relied upon in preparing these consolidated financial statements include revenue recognition, accounts and notes receivable reserves, expected future cash flows used to evaluate the recoverability of long-lived assets, estimated fair values of long-lived assets used to record impairment charges related to goodwill, amortization periods, accrued expenses, and recoverability of the Company's net deferred tax assets and any related valuation allowance.

Note 2 - Summary of significant accounting policies (Continued)

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if past experience or other assumptions do not turn out to be substantially accurate.

Recent Accounting Standards

From time to time, the FASB or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standard Codifications ("ASCs") are communicated through issuance of an Accounting Standards Update ("ASU"). Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our consolidated financial statements upon adoption.

Revenue Recognition – As of January 1, 2018, we adopted ASU No. 2014-09, "*Revenue from Contracts with Customers*" (ASU 2014-09). Under the new guidance, an entity will recognize revenue to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. Leasing revenue recognition is specifically excluded and therefore the new standard is only applicable to service fee and consulting revenue. A five-step model has been introduced for an entity to apply when recognizing revenue. The new guidance also includes enhanced disclosure requirements. The guidance was effective January 1, 2018 and was applied on a modified retrospective basis. The adoption did not have an impact on our financial statements.

Financial Instruments - As of January 1, 2018, we adopted ASU No. 2016-01, "*Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*", which requires us to prospectively record changes in the fair value of our equity investments, except for those accounted for under the equity method, in net income instead of in accumulated other comprehensive income. As of January 1, 2018, we recognized a decrease of $34,822 in retained deficit for the cumulative effect of the adoption of ASU 2016-01, with an offset to accumulated other comprehensive income (AOCI).

Lease Accounting – As of January 1, 2019, we adopted ASU No. 2016-02, "*Leases*", or ASC 842, which requires the recognition of the right-of-use assets and related operating and finance lease liabilities on the balance sheet. As permitted by ASC 842, we elected the adoption date of January 1, 2019, which is the date of initial application. As a result, the consolidated balance sheet prior to January 1, 2019 is not comparative as it was not restated and continues to be reported under ASC Topic 840, Leases, or ASC 840, which did not require the recognition of operating lease liabilities on the balance sheet. Under ASC 842, all leases are required to be recorded on the balance sheet and are classified as either operating leases or finance leases. The lease classification affects the expense recognition in the income statement. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, where amortization of the right-of-use asset is recorded in operating expenses and an implied interest component is recorded in interest expense. The expense recognition for operating leases and finance leases under ASC 842 is substantially consistent with ASC 840. As a result, there is no significant difference in our results of operations presented in our consolidated income statement and consolidated statement of comprehensive income for each period presented. Under the new guidance, our lessor accounting is unchanged.

We adopted ASC 842 using a modified retrospective approach for all leases existing at January 1, 2019. The adoption of ASC 842 had a substantial impact on our balance sheet. The most significant impact was the recognition of the operating lease right-of-use assets and the liability for operating leases. The accounting for finance leases (capital leases) was substantially unchanged. Accordingly, upon adoption, leases that were classified as operating leases under ASC 840 were classified as operating leases under ASC 842, and we recorded an adjustment of $538,179 to operating lease right-of-use assets and the related lease liability. The lease liability is based on the present value of the remaining minimum lease payments, determined under ASC 840, discounted using our secured incremental borrowing rate at the effective date of the original lease date, using the original lease term as the tenor. As permitted under ASC 842, we elected several practical expedients that permit us to not reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) whether previously capitalized costs continue to qualify as initial indirect costs. The application of the practical expedients did not have a significant impact on the measurement of the operating lease liability.

Note 2 - Summary of significant accounting policies (Continued)

Standard		Effective date
2018-07	Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting	January 1, 2019
2017-08	Receivables - Nonrefundable Fees and Other Costs – Premium Amortization on Purchased Callable Debt Securities	January 1, 2018
2016-18	Statement of Cash Flows – Restricted Cash	January 1, 2018
2016-16	Income Taxes – Intra-Entity Transfers of Assets Other Than Inventory	January 1, 2018
2016-15	Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments	January 1, 2018

Newly Issued Not Yet Effective Accounting Standards

Credit Losses - Measurement of Credit Losses on Financial Instruments – Issued in June 2016, ASU 2016-13, *"Financial Instruments - Credit Losses Measurement of Credit Losses on Financial Instruments,"* replaces the current incurred loss impairment method with a method that reflects expected credit losses. We plan to adopt the new standard on its revised effective date of our fiscal year beginning after December 15, 2021, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of Retained earnings. The Company is currently evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

Intangibles - Goodwill and Others – Issued in January 2017, ASU 2017-04, "*Intangibles - Goodwill and Other Simplifying the Test for Goodwill Impairment*," simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019, including interim periods within those periods. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements and related disclosures.

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 June 30, 2019 and December 31, 2018.

Accounts receivable

Accounts receivable consist of trade accounts arising in the normal course of business and are classified as current assets and carried at original invoice amounts less an estimate for doubtful receivables based on a review of outstanding balances on a quarterly basis. The estimate of allowance for doubtful accounts is based on the Company's bad debt experience, market conditions, 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 June 30, 2019 and December 31, 2018, the Company has recorded an allowance in the amount of $31,330 and $18,907, respectively.

Investments in securities, at fair value

Investment in securities consists of debt and equity securities reported at fair value. The Company adopted ASU 2016-01, "*Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*," effective January 1, 2018, which requires that any change in fair value is reported in net income. The adoption of the guidance resulted in the recognition of $34,822 of net after-tax unrealized gains on equity investments as a cumulative effect adjustment that decreased our retained deficit as of January 1, 2018, and decreased AOCI by the same amount. The Company elected to report changes in the fair value of equity investment in realized investment gains (losses), net.

Note 2 - Summary of significant accounting policies (Continued)

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.

Convertible notes receivable

The Company had a convertible note receivable from Electrum Partners, LLC ("Electrum") under an Addendum to Convertible Note and Purchase Option Agreement ("Addendum") dated April 28, 2017. Under the Addendum, the Company invested an additional $100,000 in Electrum by the purchase of a second promissory note in the principal face amount of $100,000 ("Note II") from Electrum, with interest at 10% per annum compounded monthly. Note II required monthly principal and interest payments of $2,290 to the Company beginning June 12, 2017. On May 31, 2018, the Company elected to convert the residual principal and accrued but unpaid interest totaling $86,256 into an equity investment in Electrum at $164 per unit for 526 membership interest units.

Convertible notes receivable (continued)

The Company has convertible notes receivable from NeuCourt, Inc. which are recorded at the aggregate principal face amount of $75,000 and $75,000 plus accrued interest of $3,685 and $1,801 at June 30, 2019 and December 31, 2018, respectively, as presented in Note 7. The notes bear 5% interest with one $25,000 principal face amount note maturing on October 25, 2019, and a second $50,000 principal face amount note maturing on October 31, 2020. 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 Notes would convert into 276,944 and 270,324 Conversion Shares at June 30, 2019 and December 31, 2018, respectively. 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.

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 annual installment payments of $117,000 through 2026. 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.

Finance leases receivable

The Company, through its subsidiaries, is the lessor of manufacturing equipment subject to leases under master leasing agreements. The leases contain an element of dealer profit and lessee bargain purchase options at prices substantially below the subject assets' estimated residual values at the exercise date for the options. Consequently, the Company classified the leases as sales-type leases (the "finance leases") for financial accounting purposes. For such finance leases, the Company reports the discounted present value of (i) future minimum lease payments (including the bargain purchase option, if any) and (ii) any residual value not subject to a bargain purchase option as a finance lease receivable on its balance sheet and accrues interest on the balance of the finance lease receivable based on the interest rate inherent in the applicable lease over the term of the lease. For each finance lease, the Company recognized revenue in an amount equal to the net investment in the lease and cost of sales equal to the net book value of the equipment at the inception of the applicable lease.

Note 2 - Summary of significant accounting policies (Continued)

A finance receivable is considered impaired, based on current information and events, if it is probable that we will be unable to collect all amounts due according to contractual terms. Impaired finance receivables include finance receivables that have been restructured and are troubled debt restructures. As discussed in Note 8, the Company impaired the finance lease receivable from G Farma at June 30, 2019 by $752,148 based on Management's estimate of amounts we expect to recover. There were no impaired finance receivables as of December 31, 2018.

Credit quality of notes receivable and finance leases receivable and credit loss reserve

As our notes receivable and finance leases receivable are limited in number, our management is able to analyze estimated credit loss reserves based on a detailed analysis of each receivable as opposed to using portfolio-based metrics. Our management does not use a system of assigning internal risk ratings to each of our receivables. Rather, each note receivable and finance lease receivable are analyzed quarterly and categorized as either performing or non-performing based on certain factors including, but not limited to, financial results, satisfying scheduled payments and compliance with financial covenants. A note receivable or finance lease receivable will be categorized as non-performing when a borrower experiences financial difficulty and has failed to make scheduled payments. As part of the monitoring process we may physically inspect the collateral or a borrower's facility and meet with a borrower's management to better understand such borrower's financial performance and its future plans on an as-needed basis.

As described in Note 1, on March 14, 2019, the Company was notified by G Farma that the City of Corona Building Department closed access to G Farma's corporate location and posted a notice preventing entry to the facility. The Building Department notice stated that G Farma had modified electric and gas lines in order to use butane in processing in a Corporate business park environment. On April 24, 2019, the Company learned that certain G Farma assets at their corporate location, including approximately $427,804 of Partner I equipment under lease to G Farma from Partner I, had been impounded by the City of Corona. This event significantly impacted G Farma's financial position and its ability to make payments under the finance lease receivable. G Farma has not made a lease payment since February 19, 2019 and has to date refused to return the remaining $858,799 of leased equipment.

On May 28, 2019, the Company and Mentor Partner I, LLC filed a complaint against the G Farma Entities and three guarantors to the G Farma agreements, described in Notes 1, 8, 9, and 11, in the California Superior Court in and for the County of Marin. The Company is primarily seeking monetary damages for breach of the G Farma agreements including promissory notes, leases, and other agreements, as well as an action for an injunction, to recover leased property, recover collateral under a security agreement, and collect from guarantors on the agreements. Mentor intends to vigorously pursue this matter; however, collection is uncertain at this time. See Note 21.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed on the declining balance method over the estimated useful lives of various classes of property. The estimated lives of the property and equipment are generally as follows: computer equipment, three to five years; furniture and equipment, seven years; and vehicles and trailers, four to five years. Depreciation on vehicles used by WCI to service its customers is included in cost of goods sold in the condensed consolidated income statements. All other depreciation is included in selling, general and administrative costs in the condensed consolidated income statements.

Expenditures for renewals and betterments are capitalized, and maintenance and repairs are charged to expense. Gains and losses from the retirement or disposition of property and equipment are included in operations in the period incurred.

Note 2 - Summary of significant accounting policies (Continued)

Lessee Leases

We determine whether an arrangement is a lease at inception. Lessee leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria. Our operating leases are comprised of office space leases and office equipment. Fleet leases entered into prior to January 1, 2019, under ASC 840 guidelines, are classified as operating leases. Fleet leases entered into beginning January 1, 2019, under ASC 842 guidelines, are classified as finance leases. Our leases have remaining lease terms of 3 months to 46 months. Our fleet finance leases contain a residual value guarantee which, based on past lease experience, is unlikely to result in a liability at the end of the lease. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Costs associated with operating lease assets are recognized on a straight-line basis, over the term of the lease, within cost of goods sold for vehicles used in direct servicing of WCI customers and in operating expenses for costs associated with all other operating leases. Finance lease assets are amortized within cost of goods sold for vehicles used in direct servicing of WCI customers and within operating expenses for all other finance lease assets, on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term. We have agreements that contain both lease and non-lease components. For vehicle fleet leases, we account for lease components together with non-lease components (e.g., maintenance fees).

Long-lived assets impairment assessment

In accordance with the FASB Accounting Standards Codification ("ASC") 350, "*Intangibles - Goodwill and Other*," we regularly review the carrying value of intangible and other long-lived assets for the existence of facts or circumstances, both internally and externally, that suggest impairment. The carrying value and ultimate realization of these assets is dependent upon our estimates of future earnings and benefits that we expect to generate from their use. If our expectations of future results and cash flows are significantly diminished, intangible assets and other long-lived assets may be impaired, and the resulting charge to operations may be material. When we determine that the carrying value of intangibles or other long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment, we use the projected undiscounted cash flow method to determine whether an impairment exists and then measure the impairment using discounted cash flows.

Goodwill

Goodwill of $1,324,142 was derived from consolidating WCI effective January 1, 2014, and $102,040 of goodwill resulted from the 2005 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 June 30, 2019 and December 31, 2018.

Revenue recognition

The Company recognizes revenue in accordance with ASC 606, *"Revenue from Contracts with Customers",* and FASB ASC Topic 842, "Leases." Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to government authorities.

Service fees generated by WCI are for monthly services performed to reduce customer's operating costs. Service fees are invoiced and recognized as revenue in the month services are performed.

Note 2 - Summary of significant accounting policies (Continued)

For each finance lease, the Company recognized as a gain or loss the amount equal to (i) the net investment in the finance lease less (ii) the net book value of the equipment at the inception of the applicable lease. At lease inception we capitalize the total minimum finance lease payments receivable from the lessee, the estimated unguaranteed residual value of the equipment at lease termination, if any, and the initial direct costs related to the lease, less unearned income. Unearned income is recognized as finance income over the term of the lease using the effective interest rate method.

Revenue from consulting agreements is recognized at the time the related services are provided as specified in the consulting agreements.

Basic and diluted income (loss) per common share

We compute net income (loss) per share in accordance with ASC 260, "*Earnings Per Share*". Under the provisions of ASC 260, basic net loss per share includes no dilution and is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of Common Stock outstanding during the period. Diluted net income (loss) per share takes into consideration shares of Common Stock outstanding (computed under basic net loss per share) and potentially dilutive securities that are not anti-dilutive.

Outstanding warrants that had no effect on the computation of dilutive weighted average number of shares outstanding as their effect would be anti-dilutive were approximately 7,000,000 and 7,000,000 as of June 30, 2019 and December 31, 2018, respectively.

Assumed conversion of Series Q Preferred Stock into Common Stock would be anti-dilutive for the three and six months ended June 30, 2019 and 2018 and is not included in calculating the diluted weighted average number of shares outstanding.

Income taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC 740, "*Income Taxes*," which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

The Company applies the provisions of ASC 740, "*Accounting for Uncertainty in Income Taxes*". The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure and transition. The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step evaluates the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that we will sustain the position on audit, including resolution of related appeals or litigation processes. The second step measures the tax benefit as the largest amount of more than 50% likely of being realized upon ultimate settlement. The Company did not identify any material uncertain tax positions on returns that have been filed or that will be filed. The Company did not recognize any interest or penalties for unrecognized tax provisions during the three months ended June 30, 2019 and 2018, nor were any interest or penalties accrued as of June 30, 2019 and December 31, 2018. To the extent the Company may accrue interest and penalties, it elects to recognize accrued interest and penalties related to unrecognized tax provisions as a component of income tax expense.

Advertising and promotion

The Company expenses advertising and promotion costs as incurred. Advertising and promotion costs for the three months ended June 30, 2019 and 2018 were $3,851 and $24,291, respectively. Advertising and promotion costs for the six months ended June 30, 2019 and 2018 were $6,886 and $25,449, respectively.

Note 2 - Summary of significant accounting policies (Continued)

Fair value measurements

The Company adopted ASC 820, "*Fair Value Measurement"*, which defines fair value as the exchange price that would be received to sell 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.

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, cash in attorney trust account, 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 available-for-sale investment securities is based on quoted market prices in active markets.

The fair value of the investment in account receivable is based on the net present value of calculated interest and principal 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 is based on the net present value of calculated interest and principal payments less impairment, if any. 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 principal 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.

Note 3 - Prepaid expenses and other assets

Prepaid expenses and other assets consist of the following:

	June 30, 2019	December 31, 2018
Prepaid health insurance	$ 5,519	$ 5,520
Prepaid lease expense	-	17,925
Other prepaid costs	34,113	54,189
	$ 39,632	$ 77,634

Note 4 – 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 annual installment payments of $117,000 for 11 years, through 2026, totaling $1,287,000 in exchange for 757,059 shares of Mentor Common Stock obtained through exercise of 757,059 Series D warrants at $1.60 per share plus a $0.10 per warrant redemption price.

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. The investment in account receivable is supported by an exchange agreement and consisted of the following:

		June 30, 2019		December 31, 2018
Face value	$	819,000	$	936,000
Unamortized discount		(360,485)		(400,482)
Net balance		458,515		535,518
Current portion		(117,000)		(117,000)
Long term portion	$	341,515	$	418,518

For the three months ended June 30, 2019 and 2018, $19,999 and $21,401 of discount amortization is included in interest income, respectively. For the six months ended June 30, 2019 and 2018, $39,997 and $36,353 of discount amortization is included in interest income, respectively.

Note 5 - Property and equipment

Property and equipment is comprised of the following:

		June 30, 2019		December 31, 2018
Computers	$	37,271	$	37,271
Furniture and fixtures		22,075		22,075
Machinery and vehicles		108,600		136,225
		167,946		195,571
Accumulated depreciation and amortization		(127,989)		(152,602)
Net Property and equipment	$	39,957	$	42,969

Depreciation and amortization expense was $218 and $4,356 for the three months ended June 30, 2019 and 2018, respectively. In the quarter ended June 30, 2019, we reclassed $148,732 of vehicles to finance lease right-of-use assets and reduced depreciation expense by $5,367. Depreciation and amortization expense was $11,170 and $8,656 for the six months ended June 30, 2019 and 2018, respectively. Depreciation on WCI vehicles used to service customer accounts is included in cost of goods sold and all other depreciation is included in selling, general and administrative expenses in the condensed consolidated income statements.

Note 6 – Lessee Leases

Our operating leases are comprised of office space and office equipment leases. Fleet leases entered into prior to January 1, 2019, under ASC 840 guidelines, are classified as operating leases. Fleet leases entered into beginning January 1, 2019, under ASC 842 guidelines, are classified as finance leases.

Gross right of use assets recorded under finance leases related to WCI vehicle fleet leases were $163,584 and $0 as of June 30, 2019 and December 31, 2018, respectively. Finance lease right-of-use assets of $148,732 were reported as part of property and equipment at March 31, 2019 and have been reclassified and presented as finance lease right-of-use assets at June 30, 2019. Accumulated amortization associated with finance leases was $12,443 and $0 as of June 30, 2019 and December 31, 2018, respectively.

Note 6 – Lessee Leases (Continued)

Lease costs recognized in our consolidated statements of operations is summarized as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost included in cost of goods	$ 34,238	$ 91,095
Operating lease cost included in operating costs	14,592	28,288
Total operating lease cost (1)	48,830	119,383
Finance lease cost, included in cost of goods:		
Amortization of lease assets	7,076	12,443
Interest on lease liabilities	1,890	2,150
Total finance lease cost	8,966	14,593
Short-term lease cost	8,370	16,740
Total lease cost	$ 66,166	$ 150,716

(1) Right of use asset amortization under operating agreements was $45,094 for the three months ended June 30, 2019 and $93,767 for the six months ended June 30, 2019.

Other information about lease amounts recognized in our condensed consolidated financial statements is summarized as follows:

	June 30, 2019
Weighted-average remaining lease term – operating leases	2.3 years
Weighted-average remaining lease term – finance leases	3.7 years
Weighted-average discount rate – operating leases	10.2%
Weighted-average discount rate – finance leases	9.0%

As of June 30, 2019, our lease liabilities were as follows:

	Finance Leases	Operating Leases	Total
Gross lease liabilities	$ 189,857	$ 493,377	$ 683,234
Less: imputed interest	(55,484)	(59,950)	(115,434)
Present value of lease liabilities	134,373	433,427	567,800
Less: current portion	(31,597)	(195,999)	(227,596)
Long-term lease liabilities	$ 102,776	$ 237,428	$ 340,204

Note 7 – Convertible notes receivable

Convertible notes receivable consists of the following:

	June 30, 2019	December 31, 2018
November 22, 2017, NeuCourt, Inc. convertible note receivable including accrued interest of $2,035 and $1,384 at June 30, 2019 and December 31, 2018, respectively. The note bears interest at 5% per annum and matures October 25, 2019. Principal and accrued interest are due at 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 (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. *	$ 27,035	$ 26,384
October 31, 2018, NeuCourt, Inc. convertible note receivable including accrued interest of $1,650 and $417 at June 30, 2019 and December 31, 2018, respectively. The note bears interest at 5% per annum and matures October 31, 2020. Principal and accrued interest are due at 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 (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. *	51,650	50,417
Total convertible notes receivable	78,685	76,801
Less current portion	(27,035)	(26,384)
Long term portion	$ 51,650	$ 50,417

* The Conversion Price for each 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 November 22, 2017 Note would convert into 95,158 Conversion Shares and the October 31, 2018 Note would convert into 181,786 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 bore interest at 7.42% per annum, with monthly payments beginning on April 15, 2017, and maturity on April 15, 2022. The two G Farma notes, as amended by subsequent addenda, are secured by all property, real and personal, tangible or intangible of G Farma and are guaranteed by GF Brands, Inc. and two majority shareholders of G Farma. Effective as of March 4, 2019, the Company and G Farma had executed eight addenda subsequent to the original agreement.

The latest addendum, Addendum VIII, was effective as of March 4, 2019. The seven addenda, Addendum II through Addendum VIII, increased the aggregate principal face amount of the working capital note to $990,000 and increased the monthly payments on the working capital note to $10,239 per month beginning March 15, 2019. The maturity date remained the same resulting in a total balloon payment on the working capital note of approximately $800,008 at maturity. G Farma has not made scheduled payments on the notes receivable since February 19, 2019.

On September 6, 2018, as a result of an Equity Purchase and Issuance Agreement, certain entities were obligated to deliver to Mentor equity interests equal to 3.75% of G Farma and its affiliates' ("G Farma Equity Entities") in exchange for Mentor relinquishing its contingent equity rights under the Rights Agreement, increasing the working capital loan by $79,000, and leasing $171,000 of additional equipment to G Farma through Partner I. At December 31, 2018, Mentor had estimated the fair value of the 3.75% equity interest in the G Farma Equity Entities Mentor was supposed to receive, based on then licensed operations of the G Farma Equity Entities, at $41,600. On March 4, 2019, Addendum VIII increased the working capital note by $31,000 and the Company obtained from G Farma an obligation to issue an additional 0.093% interest in the G Farma Equity Enities, resulting in a total 3.843% interest in the G Farm Equity Entities and included the addition of Goya Ventures, LLC. However, due to the uncertain financial position of the G Farma Entities, following the closure of its Corporate office and impoundment of certain Mentor assets leased to G Farma, described in Notes 1 and 10, the Company has fully impaired it's equity interests in G Farma Equity Entities entirely by recording a loss on investments of $41,600 in the quarter ended March 31, 2019.

In addition, on March 17, 2017, the Company entered into a Consulting Agreement with G Farma whereby the Company was to receive a monthly consulting fee in arrears of $1,400 per month. This monthly consulting fee was increased proportionately with Addendum II and Addenda IV through VII resulting in a required fee of $2,741 per month as of December 31, 2018. Addendum VIII increased the required consulting fee to $2,828, but consulting fees have not been remitted by G Farma since February 19, 2019 and recognition of consulting fee revenue was suspended, effective April 1, 2019. For the three months ended June 30, 2019 and 2018, $0 and $7,560 of consulting fees from G Farma is included in revenue in the condensed consolidated income statement, respectively. For the six months ended June 30, 2019 and 2018, $8,310 and $7,000 of consulting fees from G Farma is included in revenue in the condensed consolidated income statement, respectively.

Defendants have not made scheduled payments on the finance lease receivable or the notes receivable since February 19, 2019, and the Company feels that it is unlikely it can recover the full amounts due. Because Defendants did not follow their obligations under the Master Equipment Lease and failed to operate in compliance with local and state cannabis laws, approximately $427,804 worth of Partner I equipment under lease to G Farma was impounded by the Corona Police on or around February 22, 2019. Additionally, Defendants continue to hold approximately $858,799 worth of Mentor Partner I, LLC's remaining equipment in breach of the Master Equipment Lease which required the immediate return of Mentor Partner I, LLC's equipment in the event of default. See also footnotes, 9, 11, and 21 to the condensed consolidated financial statements.
All arrangements with G Farma, have been placed on non-accrual basis. Accrual of interest on notes receivable and finance leases, as well as consulting revenue, has been suspended.

As described in Note 1, on February 22, 2019, the City of Corona Building Department closed access to G Farma's corporate location and posted a notice preventing entry to the facility. The notice cited unpermitted modifications to electrical, mechanical and plumbing, including all undetermined building modifications, as the reason for closure. On April 24, 2019, the Company was notified that certain G Farma assets at the corporate location, including approximately $427,804 of equipment under lease to G Farma from Partner I, were impounded by the City of Corona. This event has significantly impacted G Farma's financial position and its ability to make future payments under the finance leases receivable and notes receivable due the Company.

Note 8 - Note purchase agreement and consulting agreement with G FarmaLabs Limited (Continued)

Company management is uncertain that G Farma will be able to perform under its obligations to the Company.Based on our analysis of current conditions, our investments in G Farma notes receivable, at June 30, 2019, have been fully impaired. An impairment of $49,268 and $1,045,051, for the three and six months ended June 30, 2019, respectively, which is included in loss on investments in the condensed consolidated statement of income. Calculated interest receivable of approximately $28,680 has not been recognized in the financial statements due to uncertainty of collection.

Notes receivable from G Farma consists of the following:

	June 30, 2019	December 31, 2018
Real estate note	$ 111,009	$ 111,843
Working capital note	934,042	909,507
Impairment recorded	(1,045,051)	-
Note receivable discount	-	(7,591)
Accrued interest	-	3,067
	-	1,016,826
Less current portion	-	(45,173)
Long term portion of notes receivable	$ -	$ 971,653

Note 9 – Finance leases receivable

Mentor Partner I

Partner I entered into a Master Equipment Lease Agreement with G FarmaLabs Limited and G FarmaLabs DHS, LLC (the “G Farma Entities”) with guarantees by GFBrands, Inc., formerly known as G FarmaBrands, Inc, Ata Gonzalez and Nicole Gonzalez (collectively, the “G Farma Lease Guarantors”) dated January 16, 2018, and amended March 7, April 4, June 20 and September 7, 2018, and March 4, 2019. Partner I acquired and delivered manufacturing equipment as selected by G Farma Entities under sales-type finance leases. Partner I recorded equipment sales revenue of $0 and $317,680 for the three months ended June 30, 2019 and 2018, respectively. Partner I recorded equipment sales revenue of $0 and $470,084 for the six months ended June 30, 2019 and 2018, respectively. On or around February 22, 2019, approximately $427,804 equipment under lease was impounded by the City of Corona. As of June 30, 2019, the G Farma Entities have unauthorized possession of Mentor Partner I, LLC’s remaining approximate $858,799 of equipment and are in default of their obligations under the Master Equipment Lease. On May 28, 2019, Partner I and Mentor Capital, Inc. filed a complaint in the Superior Court of California in the County of Marin for breach of contract against the G Farma Lease Entities and the G Farma Lease Guarantors. At June 30, 2019 and December 31, 2018, it is believed that Partner I leased equipment under finance leases receivable are located in California.

As discussed in Notes 1 and 8, on February 22, 2019, the City of Corona Building Department closed access to G Farma’s corporate location. On April 24, 2019, the Company was informed that certain G Farma assets at its corporate location, including approximately $427,804 of equipment under the Master Equipment Lease Agreement with G Farma Entities, was impounded by the City of Corona. This event has severely impacted G Farma’s ability to pay amounts due the Company in the future. Based on our estimate of what we expect to collect or recover on the G Farma leases receivable, we have recorded a bad debt expense of $60,427 and $729,385, for the three and six months ended June 30, 2019, respectively, which is included in selling, general and administrative expenses in the condensed consolidated income statement. The G Farma lease receivable have been put on non-accrual status and are classified as non-performing on the condensed consolidated balance sheet at June 30, 2019. Additional lease costs of $22,764 to be invoiced in April 2019, did not meet our revenue recognition requirements and the increase in the lease receivable was offset directly to the reserve for bad debt, increasing the reserve for bad debt from $729,385 to $752,148 at June 30, 2019. There was no reserve for bad debt on finance leases receivable at December 31, 2018.

Note 9 – Finance leases receivable (Continued)

Mentor Partner II

Partner II entered into a Master Equipment Lease Agreement with Pueblo West, dated February 11, 2018 and amended November 28, 2018 and March 12, 2019. Partner II acquired and delivered manufacturing equipment as selected by Pueblo West under sales-type finance leases. Partner II recorded equipment sales revenue of $0 and $0 for the three months ended June 30, 2019 and 2018, respectively. Partner II recorded equipment sales revenue of $23,811 and $0 for the six months ended June 30, 2019 and 2018, respectively. At June 30, 2019 and December 31, 2018, all Partner II leased equipment under finance leases receivable is located in Colorado.

We review the finance leases receivables by individual account to determine expected collectability. The allowance for credit losses is an estimate of the losses inherent in our finance receivables taking into consideration past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions.

The Company issues a payment schedule upon inception of the lease. Revenue is recognized at the time equipment is delivered. Principal on lease payments received prior to delivery of equipment is recorded as a decrease in the finance lease receivable and interest received in advance is recorded as a liability under deferred revenue.

Net investment in finance leases

The net investment included in finance leases at June 30, 2019 are as follows:

		Partner I Non-performing		Partner II Performing		Total
Gross minimum lease payments receivable	$	1,455,685	$	642 942	$	2,098,627
Accrued interest		-		2 487		2,487
Less: unearned interest		(400,005)		(168,639)		(568,644)
Less: reserve for bad debt		(752,148)		-		(752,148)
Finance leases receivable		303,532		476,790		780,322
Less current portion		(303,532)		(58,955)		(362,487)
Long term portion	$	-	$	417,835	$	417,835

The net investment included in finance leases at December 31, 2018, all of which were classified as performing, are as follows:

		Partner I		Partner II		Total
Gross minimum lease payments receivable	$	1,516,985	$	581,000	$	2,097,985
Accrued interest		5,312		2,752		8,064
Less: unearned interest		(410,837)		(157,931)		(568,768)
Finance leases receivable		1,111,460		425,821		1,537,281
Less current portion		(127,644)		(48,083)		(175,727)
Long term portion	$	983,816	$	377,738	$	1,361,554

Interest income recognized from Partner I finance leases for the three months ended June 30, 2019 and 2018, was $0 and $11,364, respectively. Interest income recognized from Partner I finance leases for the six months ended June 30, 2019 and 2018, was $23,811 and $12,488, respectively.

On May 28, 2019, the Company filed a complaint to recover our leased equipment from G Farma, see Notes 1 and 21. The estimated value of the equipment is expected to be recovered within twelve months and therefore the lease receivable balance is presented as a current maturity at estimated resale value less estimated costs to sell.

Interest income recognized from Partner II finance leases for the three months ended June 30, 2019 and 2018 was $12,162 and $0, respectively. Interest income recognized from Partner II finance leases for the six months ended June 30, 2019 and 2018 was $25,241 and $0, respectively.

Note 9 – Finance leases receivable (Continued)

At June 30, 2019, minimum future payments receivable under all finance leases receivable were as follows:

12 months ending June 30,	Non-performing (Partner I)	Performing (Partner II)	Total
2020	$ 303,532	$ 58,955	$ 362,487
2021	-	65,508	65,508
2022	-	72,789	72,789
2023	-	80,879	80,879
2024	-	89,869	89,869
Thereafter	-	108,790	108,790
	$ 303,532	$ 476,790	$ 780,322

Note 10 – Deposits on manufacturing equipment purchases

At June 30, 2019 and December 31, 2018, Partner I had deposits with manufacturing equipment suppliers in the amount of $45,384 and $43,908, respectively, for equipment that was to be leased by the G Farma entities in California once the equipment was delivered. The deposit at June 30, 2019 represents full payment for equipment not yet delivered and we are in the process of locating another buyer for the equipment. Because this related to our commitment to provide equipment under the G Farma finance lease agreements, we have considered this equipment deposit in our analysis of the estimated bad debt reserve for the G Farma finance leases receivable at June 30, 2019.

Note 11 - Contractual interests in legal recoveries

Interest in G FarmaLabs Limited legal recovery

On March 22, 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. Pursuant to Addendum II entered into on April 28, 2017, G Farma purchased an additional 66,667 shares of the Company's Common Stock at $1.50 per share for an aggregate purchase price of $100,000. The combined total purchase of $600,002 was paid in exchange for the following: (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).

G Farma's civil forfeiture case in the Federal District Court for the Eastern District of California was dismissed on April 12, 2018 and has no value. At June 30, 2019, the $600,002 contractual interest in G Farma's legal recovery has been fully impaired due to the events discussed in Notes 1, 8, and 9, where the City of Corona Building Department closed access to G Farma's corporate location and the City of Corona impounded certain G Farma assets. These events have significantly impacted G Farma's financial position and its ability to make payments under the notes receivable which negatively impacts option (ii). Currently G Farma does not have an agreement to offer G Farma securities to other persons under option (iii) and any such securities would, at this point, likely have no value.

Note 11 - Contractual interests in legal recoveries(Continued)

Interest in Electrum Partners, LLC legal recovery

Electrum is the plaintiff in that certain legal action captioned *Electrum Partners, LLC, Plaintiff, and Aurora Cannabis Inc., Defendant,* pending in the Supreme Court of British Columbia ("Litigation") in which Electrum may recover approximately $1,900,000. On October 23, 2018, Mentor entered into a Joint Prosecution Agreement among Mentor, Mentor's corporate legal counsel, Electrum, and Electrum's legal counsel.

On October 30, 2018, Mentor entered into a Recovery Purchase Agreement ("Recovery Agreement") with Electrum under which the Mentor purchased a portion of Electrum's potential recovery in the Litigation. Mentor agreed to pay $100,000 of costs incurred in the Litigation, in consideration for ten percent (10%) of anything of value received by Electrum as a result of the Litigation ("Recovery") in addition to repayment of its initial investment. At June 30, 2019 and December 31, 2018, the Recovery Agreement investment is reported in the consolidated balance sheets at our cost of $100,000 and $100,000, respectively, and the remaining legal cost commitment to be paid of $31,339 and $84,059, respectively, is included in accrued liabilities. This investment is subject to loss should Electrum not prevail in the Litigation. However Company management estimates that recovery is more likely than not, and no impairment has been recorded at June 30, 2019 and December 31, 2018.

On October 31, 2018, Mentor also entered into a secured Capital Agreement with Electrum under which Mentor invested an additional $100,000 of capital in Electrum. In consideration for Mentor's investment, Electrum shall pay to Mentor, on the payment date, the sum of (i) $100,000, (ii) ten percent of the Recovery, and (iii) 0.083334% of the Recovery for each full month from October 31, 2018 to the payment date for each full month that $833 is not paid to Mentor. The payment date under the October 31, 2018 Capital Agreement is the earlier of November 1, 2021, or the final resolution of the Litigation. Payment is secured by all assets of Electrum. This investment is included at its $100,000 cost as part of Contractual interests in legal recoveries on the condensed consolidated balance sheets at June 30, 2019 and December 31, 2018.

Interest in Electrum Partners, LLC legal recovery (continued)

On January 28, 2019, Mentor entered into a second secured Capital Agreement with Electrum. Under the second Capital Agreement, Mentor invested an additional $100,000 of capital in Electrum. In consideration for Mentor's investment, Electrum shall pay to Mentor on the payment date the sum of (i) $100,000, (ii) ten percent (10%) of the Recovery, and (iii) the greater of (A) 0.083334% of the Recovery for each full month from the date hereof until the payment date if the Recovery occurs prior to the payment date, and (B) $833.34 for each full month from the date hereof until the payment date. The payment date is the earlier of November 1, 2021, and the final resolution of the Litigation. In addition, Mentor may, at any time up to and including 90 days following the payment date, elect to convert its 6,198 membership interests in Electrum into a cash payment of $194,028 plus an additional 19.4% of the Recovery. This investment is included at its $100,000 cost as part of the Contractual interests in legal recoveries on the condensed consolidated balance sheets at June 30, 2019.

Note 12 - Concentration of credit risk

The Company had a significant portion of its assets invested in G Farma entities, which assets have now been impaired. These investments included the notes receivable and the intended 3.843% equity in G Farma Equity Entities described in Note 8, and the finance leases receivable described in Note 9. At June 30, 2019, after the bad debt reserve described in Note 9 and the asset impairments described in Notes 8, 9, and 11, these assets represent 6% of the consolidated total assets of the Company. At December 31, 2018, these assets represented 27% of the consolidated total assets of the Company.

The Company closely monitors each investment based on known and inherent risks in our investments which include financial results, satisfying scheduled payments and compliance with financial covenants, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral and current economic conditions.

The events described in Notes 1, 8, 9, and 11, led the Company to record a bad debt reserve against finance leases receivable of $752,148 at June 30, 2019. For the three and six month periods ended June 30, 2019, $60,427 and $729,385, respectively of bad debt expense related to the finance leases receivable, is included in selling, general and administrative expenses in the condensed consolidated income statements. Included in the receivable and bad debt reserve is an additional $22,764 which is unlikely of collections and therefore was not recognized as revenue or as bad debt expense.

Note 12 - Concentration of credit risk (Continued)

These same events, led the Company to fully impair G Farma notes receivable of $1,045,051, fully impair the $600,002 contractual interest in G Farma's legal recovery, and fully impair the Company's 3.843% equity interest in G Farma Equity Entities, formerly valued at $41,600. Total impairments related to the G Farma investments, recorded at June 30, 2019, are $1,686,653 of which $47,095 and $1,686,653, respectively, are included in Gain (loss) in investments in the condensed consolidated income statements for the three months and six ended June 30, 2019. No impairments or reserves were recorded at December 31, 2018.

Note 13 – 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)	Significant Unobservable Inputs (Level 3)
	Investment in Securities		Contractual interest Legal Recovery	Investment in Common Stock Warrants	Other Equity Investments
Balance at December 31, 2017	$ 188,635	$ -	$ 600,002	$ -	$ 163,714
Total gains or losses					
Included in earnings (or changes in net assets)	(62,322)	-	-	-	86,306
Purchases, issuances, sales, and settlements					
Purchases	236,272	-	200,000	5,669	96,256
Issuances	-	-	-	-	8,351
Sales	-	-	-	-	(108,999)
Settlements	-	-	-	-	-
Balance at December 31, 2018	362,585	-	800,002	5,669	245,628
Total gains or losses					
Included in earnings (or changes in net assets)	(10,890)	-	(600,002)	-	(41,600)
Purchases, issuances, sales, and settlements					
Purchases	-	-	100,000	-	-
Issuances	-	-	-	-	-
Sales	(249,222)	-	-	-	-
Settlements	-	-	-	-	-
Balance at June 30, 2019	$ 102,473	$ -	$ 300,000	$ 5,669	$ 204,028

The amortized costs, gross unrealized holding gains and losses, and fair values of the Company's investment securities classified as equity securities, at fair value, at June 30, 2019 consists of the following:

Type	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
NASDAQ listed company stock	$ 13,100	$ 7,500	$ -	$ 17,239
OTCQB listed company stock	197,166	2,681	(114,613)	85,234
	$ 210,266	$ 10,181	$ (114,613)	$ 102,473

Note 13 - Investments and fair value (continued)

The portion of unrealized gains and losses for the period related to equity securities still held at the reporting date is calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net gains and losses recognized during the period on equity securities	$ (82,820)	$ 66,606	$ (10,890)	$ 65,140
Less: Net gains (losses) recognized during the period on equity securities sold during the period	-	-	50,521	-
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	$ (82,820)	$ 66,606	$ (61,411)	$ 65,140

Note 14 - 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 and C warrants have been exercised. All Series B warrants had been exercised at December 31, 2017 however, on January 23, 2018, 117,000 shares of Mentor's Common Stock purchased in 2014 through warrant exercises by two Bhang shareholders under an agreement that was ultimately rescinded, were returned to the Company (see Note 5) and the associated exercise of warrants was reversed with 87,456 Series B warrants and 29,544 Series D warrants reinstated. The Company intends to allow warrant holders or Company designees, in place of original holders, additional time as needed to exercise the remaining series B and D warrants. The Company may lower the 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 15. All such changes in the exercise price of warrants were provided for by the court in the Plan of Reorganization 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 did not record 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 June 30, 2019 for Series B warrants were $0.11 and Series D warrants were $1.60.

In 2009, the Company entered into an Investment Banking agreement with Network 1 Financial Securities, Inc. and a related Strategic Advisory Agreement with Lenox Hill Partners, LLC 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 June 30, 2019 and December 31, 2018 the weighted average contractual life for all Mentor warrants was 19.0 years and 19.5 years, respectively, and the weighted average outstanding warrant exercise price was $2.11 and $2.11 per share, respectively.

During the six months ended June 30, 2019 and 2018, a total of 0 and 379,436 warrants were exercised, respectively. There were no warrants issued during the periods ended June 30, 2019 and 2018. In January 2018, the 2014 exercise of 87,456 Series B warrants and 29,544 Series D warrants by two Bhang shareholders under an agreement that was ultimately rescinded, were reversed and reinstated, see Note 5. The intrinsic value of outstanding warrants at June 30, 2019 and December 31, 2018 was $16,617 and $20,115, respectively.

Note 14 - Common stock warrants (continued)

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, 2017	-	6,666,007	6,666,007
Reinstated (see Note 5)	87,456	29,544	117,000
Issued	-	-	-
Exercised	-	(442,597)	(442,597)
Outstanding at December 31, 2018	87,456	6,252,954	6,340,410
Issued	-	-	-
Exercised	-	-	-
Outstanding at June 30, 2019	87,456	6,252,954	6,340,410

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, 2017	689,159
Issued	-
Exercised	-
Outstanding at December 31, 2018	689,159
Issued	-
Exercised	-
Outstanding at June 30, 2019	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 paused, suspended or truncated by the Company. For the six months ended June 30, 2019, no warrants were redeemed. In 2018, the Company allowed for a partial redemption of 63,161 Series D warrants at an exercise price per warrant of $0.35 plus a $0.10 warrant redemption fee per warrant and an additional 379,436 Series D Warrants were exercised at their full exercise price of $1.60 plus the $0.10 warrant redemption fee per warrant. The regular warrant exercises and 1% partial redemption authorization, which were recalculated and repeated according to the court formula, resulted in a combined average exercise price of $1.42 per share for the year ended December 31, 2018.

Note 15 - 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 through DTCC or 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, Series B and Series C redemption fees have been distributed through DTCC into holder's brokerage accounts or directly to the holders. All Series A and Series C warrants have been exercised and are no longer outstanding. There are 87,456 Series B warrants outstanding which are held by Chet Billingsley, the Company's Chief Executive Officer ("CEO").

Once the Series D warrants have been fully redeemed and exercised the fees for the Series D warrant series will likewise be distributed. Mr. Billingsley has agreed to assume liability for paying these 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 redemption fees to former holders from amounts due to Mr. Billingsley from the Company, which are sufficient to cover the redemption fees at June 30, 2019 and December 31, 2018.

Note 16 - Stockholders' equity

Common Stock

The Company was incorporated in California in 1994 and was redomiciled as a Delaware corporation, effective September 24, 2015. There are 75,000,000 authorized shares of Common Stock at $0.0001 par value. 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 300,000 shares of its Common Stock (approximately 2% of the Company's common shares outstanding at that time). As of June 30, 2019 and December 31, 2018, 44,748 and 44,748 shares have been repurchased and retired, respectively.

Preferred Stock

Mentor has 5,000,000, $0.0001 par value, preferred shares authorized.

On July 13, 2017, the Company filed a Certificate of Designation of Rights, Preferences, Privileges and Restrictions of Series Q Preferred Stock ("Certificate of Designation") with the Delaware Secretary of State to designate 200,000 preferred shares as Series Q Preferred Stock, such series having a par value of $0.0001 per share. Series Q Preferred Stock is convertible into Common Stock, at the option of the holder, at any time after the date of issuance of such share and prior to notice of redemption of such share of Series Q Preferred Stock by the Company, into such number of fully paid and nonassessable shares of Common Stock as determined by dividing the Series Q Conversion Value by the Conversion Price at the time in effect for such share.

The per share "Series Q Conversion Value", as defined in the Certificate of Designation, shall be calculated by the Company at least once each calendar quarter as follows: The per share Series Q Conversion Value shall be equal the quotient of the "Core Q Holdings Asset Value" divided by the number of issued and outstanding shares of Series Q Preferred Stock. The "Core Q Holdings Asset Value" shall equal the value, as calculated and published by the Company, of all assets that constitute Core Q Holdings which shall include such considerations as the Company designates and need not accord with any established or commonly employed valuation method or considerations. "Core Q Holdings" consists of all proceeds received by the Company on the sale of shares of Series Q Preferred Stock and all securities, acquisitions, and business acquired from such proceeds by the Company. The Company shall periodically, but at least once each calendar quarter, identify, update, account for and value, the assets that comprise the Core Q Holdings.

Note 16 - Stockholders' equity (continued)

Preferred Stock (continued)

The "Conversion Price" of the Series Q Preferred Stock shall be at the product of 105% and the closing price of the Company's Common Stock on a date designated and published by the Company. The Series Q Preferred Stock is intended to allow for a pure play investment in cannabis companies that have the potential to go public. The Series Q Preferred Stock will be available only to accredited, institutional or qualified investors.

The Company sold and issued 11 shares of Series Q Preferred Stock on May 30, 2018, at a price of $10,000 per share, for an aggregate purchase price of $110,000 ("Series Q Purchase Price"). The Company invested the Series Q Purchase Price as capital in Partner II to purchase equipment to be leased to Pueblo West. Therefore, the Core Q Holdings at June 30, 2019 and December 31, 2018 include this interest. The Core Q Holdings Asset Value at June 30, 2019 and December 31, 2018 was $13,890 and $12,844 per share, respectively. There is no contingent liability for the Series Q Preferred Stock conversion at June 30, 2019 and December 31, 2018. At June 30, 2019 and December 31, 2018, the Series Q Preferred Stock could have been converted at the Conversion Price of $0.32 and $0.36, respectively, into an aggregate of 477,478 and 392,447 shares, of the Company's Common Stock, respectively. Because there were net losses for the three and six month periods ended June 30, 2019 and 2018, these shares were anti-dilutive and therefore are not included in the weighted average share calculation for these periods.

Note 17 – Lease commitments

We have entered into non-cancellable operating and finance leases for office and warehouse space, computers, furniture, fixtures, machinery and vehicles, see Note 6. The following summarizes our lease liability maturities by fiscal year for operating and finance leases:

Maturity of lease liabilities **12 months ending June 30,**	**Finance leases**	**Operating leases**
2020	$ 31,597	$ 195,999
2021	34,781	166,513
2022	38,043	69,947
2023	29,952	968
Total	134,373	433,427
Less: Current maturities	31,597	195,999
Long-term liability	$ 102,776	$ 237,428

Note 18 - Long term debt

Long term debt

Long term debt at June 30, 2019 and December 31, 2018 consists of the following:

	June 30, 2019	December 31, 2018
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 $393 and $1,059 loan service fee.	$ 12,339	$ 30,131
Loan through American Express National Bank, AENB, interest at 8.99% per annum, monthly principal and interest payments of $2,284, maturing December 2020.	36,321	48,090
Total notes payable	48,660	78,221
Less: Current maturities	37,902	53,166
Long-term debt	$ 10,758	$ 25,055

Commercial credit agreement with Bond Street Servicing, LLC

WCI entered into a commercial credit agreement with Bond Street Servicing, LLC and was charged 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 $393 and $1,059 at June 30, 2019 and December 31, 2018, respectively.

Note 19 - Accrued salary, accrued retirement and incentive fee - related party

As of June 30, 2019 and December 31, 2018, the Company had an outstanding liability to its CEO as follows:

	June 30, 2019	December 31, 2018
Accrued salaries and benefits	$ 814,238	$ 802,775
Accrued retirement and other benefits	505,061	485,996
Offset by shareholder advance	(261,653)	(261,653)
	$ 1,057,646	$ 1,027,118

As approved by resolution of the Board of Directors in 1998, the CEO will be paid an incentive fee and a bonus which are payable 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 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. For the three months ended June 30, 2019 and 2018, the incentive fee expense was $0 and $0, respectively. For the six months ended June 30, 2019 and 2018, the incentive fee expense was $0 and $0, respectively.

Note 20 – Related party transactions

WCI received a short term, non-interest bearing loan, from an officer of WCI in December 2018. The loan balance reported on the condensed consolidated balance sheet as a related party payable, at June 30, 2019 and December 31, 2018, was $34,037 and $40,000, respectively.

Note 21 – Commitments and contingencies

On May 28, 2019, the Company and Mentor Partner I, LLC filed suit against the G Farma Entities and three guarantors to the G Farma agreements, described in Notes 1, 8, 9, and 11, in the California Superior Court in and for the County of Marin. The Company is primarily seeking monetary damages for breach of the G Farma agreements including promissory notes, leases, and other agreements, as well as an action for an injunction, to recover leased property, recover collateral under a security agreement, and collect from guarantors on the agreements. Mentor intends to vigorously pursue this matter; however collection is uncertain at this time. Due to uncertainty of collection, the Company has recorded reserves against the finance leases receivable described in Note 9 and has fully impaired all other notes receivables and investments in G Farma described in Notes 8, 9 and 11.

Note 22 – Segment Information

The Company is operating, acquisition, and investment business. Subsidiaries in which the Company has a controlling financial interest are consolidated. The Company has determined that there are two reportable segments; 1) the cannabis and medical marijuana segment which includes the fair value of securities investments in GW Pharmaceuticals Plc. (GWPH), KushCo. Holdings, Inc. (KSHB), previously Kush Bottles, Inc., Generation Alpha, Inc. (GNAL), previously Solis Tek, Inc., and GB Sciences, Inc. (GBLX) stock, the cost basis of membership interests of Electrum, the contractual interest in the Electrum legal recovery, the fair value of convertible notes receivable and accrued interest from NeuCourt, the notes receivable from G Farma, the contractual interest in the G Farma legal recovery, the equity in G Farma Equity Entities, finance leases to G Farma and finance leases to Pueblo West, 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 had a certain small cancer-related legacy investment until March 2018 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	Facility Operations Related	Corporate and Eliminations	Consolidated
Three months ended June 30, 2019				
Net revenue	$ 12,162	$ 1,017,587	$ -	$ 1,029,749
Operating income (loss)	(84,695)	40,707	(242,350)	(286,338)
Interest income	982	3	21,899	22,884
Interest expense	-	5,851	-	5,851
Property additions	-	-	-	-
Depreciation and amortization	-	(2,714)	2,932	218
Three months ended June 30, 2018				
Net revenue	$ 336,604	$ 894,656	$ -	$ 1,231,290
Operating income (loss)	92,273	(4,295)	(272,794)	(184,816)
Interest income	20,488	1	23,031	43,520
Interest expense	181	4,729	(1,039)	3,871
Property additions	-	-	2,399	2,399
Depreciation and amortization	-	2,593	1,763	4,356

Note 22 – Segment Information (continued)

	Cannabis and Medical Marijuana Segment	Facility Operations Related	Corporate and Eliminations	Consolidated
Six months ended June 30, 2019				
Net revenue	$ 132,252	$ 1,973,493	$ -	$ 2,105,745
Operating income (loss)	(696,392)	57,886	(504,074)	(1,142,580)
Interest income	21,628	6	43,830	65,464
Interest expense	-	10,375	-	10,375
Property additions	-	8,159	-	8,159
Depreciation and amortization	-	5,306	5,864	11,170
Total assets	2,859,528	1,726,522	1,071,868	5,657,918
Six months ended June 30, 2018				
Net revenue	$ 497,132	$ 1,750,327	$ -	$ 2,247,459
Operating income (loss)	133,869	22,193	(560,949)	(404,887)
Interest income	17,322	1	65,263	82,586
Interest expense	181	9,991	(2,173)	7,999
Property additions	-	-	2,399	2,399
Depreciation and amortization	-	5,185	3,471	8,656
Total assets	3,600,349	1,147,566	2,648,685	7,396,600

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 June 30,		Six Months Ended June 30	
	2019	2018	2019	2018
Operating loss	$ (286,338)	$ (184,816)	$ (1,142,580)	$ (404,887)
Gain (loss) on investments	(132,088)	66,606	(1,701,969)	118,197
Interest income	22,884	43,520	65,464	82,586
Interest expense	(5,851)	(3,871)	(10,375)	(7,999)
Gain on equipment disposals	1,500	-	1,500	-
Other income	11,340	-	11,340	2,380
Income before income taxes	$ (388,553)	$ (133,541)	$ (2,776,620)	$ (209,723)

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 June 30, 2019 and the results of operations for the three and six months ended June 30, 2019 and 2018. 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 six months ended June 30, 2019 and 2018 and our Annual Report on Form 10-K for the year ended December 31, 2018.

Corporate Background

Beginning September 2008, after the name change back to Mentor Capital, Inc., the Company's common stock traded publicly under the trading symbol OTC Markets: MNTR and after February 9, 2015 as OTCQB: MNTR and after August 6, 2018, under the trading symbol OTCQX: 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 immunotherapy 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 decided to fully divest of its cancer assets and focus future investments in the medical marijuana and cannabis sector. In March 2018, the Company sold its equity interest in our final remaining cancer investment.

Acquisitions and investments

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 and six months ended June 30, 2019 and 2018.

Electrum Partners, LLC (Electrum)

Electrum is a Nevada based cannabis consulting, investment, and management company. The Company invested $100,000 in Electrum as a convertible note receivable on March 12, 2014. Effective June 30, 2017, Mentor converted the note plus $7,772 of accrued interest into 5,672 membership interest units in Electrum at an equity conversion rate of $19 per membership interest unit.

On April 28, 2017, the Company invested an additional $100,000 in Electrum ("Note II") as a convertible note with interest at 10% compounded monthly, with monthly payments of principal and interest of $2,290 beginning June 12, 2017. On May 31, 2018, Mentor converted the outstanding Note II principal balance of $85,188 plus accrued interest of $1,068 into an additional 526 membership interest units at a fixed conversion rate of $164 per interest.

The investment in Electrum is reported in the consolidated balance sheets as an investment at cost of $194,028 and $194,028 at June 30, 2019 and December 31, 2018, respectively. At June 30, 2019 and December 31, 2018, the Company had approximately 4.74% and 4.74% interest of Electrum's outstanding equity, respectively.

On October 30, 2018, the Company entered into a Recovery Purchase Agreement with Electrum. Electrum is the plaintiff in an ongoing legal action pending in the Supreme Court of British Columbia ("Litigation"). As described further in Footnote 11 to the attached financial statements, Mentor provided $100,000 in capital for payment of for Litigation costs. In exchange, Mentor will receive 10% of anything of value received by Electrum as a result of the Litigation ("Recovery"), including amounts paid. On October 31, 2018, Mentor entered into a secured Capital Agreement with Electrum and invested and additional $100,000 of capital in Electrum. Under the Capital Agreement, on the payment date, Electrum will pay to Mentor the sum of (i) $100,000, (ii) ten percent (10%) of the Recovery, and (iii) 0.083334% of the Recovery for each full month from October 31, 2018 to the payment date for each full month that $833 is not paid to Mentor. The payment date for the Capital Agreement is the earlier of November 1, 2021, or the final resolution of the Litigation.

On January 28, 2019, the Company entered into a second secured Capital Agreement with Electrum and invested an additional $100,000 of capital in Electrum with payment terms similar to the October 31, 2018 Capital Agreement. As part of the January 28, 2019 Capital Agreement Mentor was granted an option to convert its 6,198 membership interests in Electrum into a cash payment of $194,028 plus an additional 19.4% of the Recovery, see footnote 11 to the consolidated financial statements.

NeuCourt, Inc.

The Company has investments in NeuCourt, Inc. ("NeuCourt") under two convertible notes receivable. Investments of $25,000 on November 22, 2017 and $50,000 on October 31, 2018 were made as convertible notes receivable in NeuCourt (together "Notes") which bear interest at 5% and mature October 25, 2019 and October 31, 2020, respectively. Principal and unpaid interest on the Notes may be converted into a blend of shares of a to-be-created series of Preferred Stock and Common 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.

On December 21, 2018, the Company purchased 500,000 shares of NeuCourt Common Stock, approximately 6.6% of the issued and outstanding NeuCourt shares, for $10,000. NeuCourt is a Delaware corporation that is developing a technology that is expected to be useful in the cannabis space.

Mentor Partner II, LLC

On February 1, 2018, the Company formed Mentor Partner II, LLC ("Partner II"), a California limited liability company, as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused acquisition and investing. On February 8, 2018, Mentor contributed $400,000 to Partner II to facilitate the purchase of manufacturing equipment to be leased from Partner II by Pueblo West under a Master Equipment Lease Agreement dated February 11, 2018, as amended, see footnote 9 to the consolidated financial statements. On March 12, 2019, Mentor agreed to use Partner II earnings of $61,368 to facilitate the purchase of additional manufacturing equipment to Pueblo West under a Second Amendment to the lease, see footnote 9 to the consolidated financial statements.

Mentor Partner III, LLC

On February 20, 2018, the Company formed Mentor Partner III, LLC ("Partner III"), a California limited liability company, as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused acquisition and investing. Partner III had no activity from inception through June 30, 2019.

Mentor Partner IV, LLC

On February 28, 2018, the Company formed Mentor Partner IV, LLC ("Partner IV"), a California limited liability company, as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused acquisition and investing. Partner IV had no activity from inception through June 30, 2019.

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 the cannabis companies, and to incubate private cannabis companies that Mentor believes to have significant potential. 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 are three potential 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 legacy investment is in WCI which works with business park owners, governmental centers, and apartment complexes to reduce their facilities 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 approximately 14 months of operating resources on hand 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 June 30, 2019 compared to Three Months Ended June 30, 2018

Revenues

Revenue for the three months ended June 30, 2019 was $1,029,749 compared to $1,231,260 for the three months ended June 30, 2018 ("the prior year period"), a decrease of ($201,511) or (16.4%). The Company did not have any lease equipment sales or consulting revenue in the three months ended June 30, 2019. This decrease is due to a decrease of ($317,680) in lease equipment sales and a decrease of ($7,560) in consulting revenue, partially offset by an increase of $122,931 in WCI monthly service fees, and an increase of $798 in finance lease revenue in the current period as compared to the prior year period.

Gross profit

Gross profit for the three months ended June 30, 2019 was $310,638 compared to $378,564 for the prior year period. Cost of goods sold relate primarily to WCI, Partner I and Partner II. WCI experienced gross profit of $315,152 or 31% of revenue for the three months ended June 30, 2019 compared to $286,329 or 32% for the prior year period, an increase of $28,823 with a decrease of (1%) as a percentage of revenue. Partner I had gross profit of ($16,676) for the three months ended June 30, 2019 as compared to $84,675 in the prior year period. Partner II had gross profit of $12,162 for the three months ended June 30, 2019 as compared to $0 in the prior year period.

The decrease in WCI gross profit percentage was due to an increase in salary and related costs of 1.6%, and an increase in other cost of goods sold of 1.7%, partially offset by a decrease in vehicle costs of (2.3%), as a percent of WCI revenue over the prior year period. The decrease in Partner I gross profit is due to the fact there were no equipment sales in the current quarter and Partner I leases receivable from G Farma were moved to a non-performing classification and a non-accrual status due to financial difficulties experienced by G Farma, as discussed in Footnotes 1 and 9 to the condensed consolidated financial statements. Partner II recognized finance revenue in the three months ended June 30, 2019 but did not have any revenue in the prior year period.

Selling, general and administrative expenses

Our selling, general and administrative expenses for the three months ended June 30, 2019 was $596,976 compared to $563,380 for the prior year period, an increase of $33,596. We experienced an increase of $70,553 in bad debt expense, ($60,427 of bad debt expense was recorded to increase the reserve against the finance lease receivable from G Farma, see footnotes 1 and 9 to the financial statements.) In addition, the Company experienced a $15,522 increase in insurance expense and a $10,997 increase in officers salary and benefits, which is partially offset by a decrease of ($32,500) in management fees, and a decrease of ($20,440) in advertising costs, and a decrease of ($10,536) 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 ($102,215) for the three months ended June 30, 2019 compared to $108,635 for the prior year period, a decrease of ($210,850). Of the decrease ($49,268) is due to additional impairments recorded on G Farma notes receivable, ($149,426) is due to loss on other investments, ($20,636) is due to a decrease in interest income, and ($1,980) is due to an increase in interest expense, partially offset by a gain on equipment disposal of $1,500 and an increase in other income of $8,960.

Net results

The net result for the three months ended June 30, 2019 was net loss attributable to Mentor of ($408,275) or ($0.018) per Mentor common share compared to net loss attributable to Mentor in the prior year period of ($74,606) or ($0.003) per Mentor 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. In addition, the Company will make continued efforts to recover funds invested in the G Farma Entities.

Six Months Ended June 30, 2019 compared to Six Months Ended June 30, 2018

Revenues

Revenue for the six months ended June 30, 2019 was $2,105,745 compared to $2,247,459 for the six months ended June 30, 2018 ("the prior year six-month period"), a decrease of ($141,714) or (6.3%). This decrease is due to a decrease of ($395,195) in lease equipment sales and a decrease of ($6,250) in consulting revenue, partially offset by an increase of $223,166 in WCI monthly service fees, and an increase of $36,565 in finance lease revenue in the current period as compared to the prior year period.

Gross profit

Gross profit for the six months ended June 30, 2019 was $681,014 compared to $724,271 for the prior year six-month period. Cost of goods sold relate primarily to WCI, Partner I and Partner II. WCI experienced gross profit of $623,046 or 31.6% of revenue for the six months ended June 30, 2019 compared to $588,742 or 33.6% for the prior year six-month period, an increase of $34,303 with a decrease as a percentage of revenue of (2.0%). Partner I had gross profit of $7,136 for the six months ended June 30, 2019 as compared to $120,968 in the prior year six-month period. Partner II had gross profit of $42,523 for the six months ended June 30, 2019 as compared to $0 in the prior year six-month period.

The decrease in WCI gross profit percentage was due to an increase in salaries and related costs of 0.8% and an increase in other cost of goods sold of 1.2%, as a percent of WCI revenue over the prior year period. Partner I gross profit decreased due to the fact that the majority of equipment leased to G Farma was delivered in 2018, and the lease was not performing during much of 2019. Partner II recognized finance revenue in the six months ended June 30, 2019 but did not have any revenue in the prior year six-month period.

Selling, general and administrative expenses

Our selling, general and administrative expenses for the six months ended June 30, 2019 was $1,823,594 compared to $1,129,158 for the prior year six-month period, an increase of $694,436. The main reason for the increase is a $712,541 increase in bad debt expense, ($729,385 of bad debt expense was recorded to reserve against the finance lease receivable from G Farma, see footnotes 1 and 9 to the financial statements.) In addition, the Company experienced a $31,708 increase in insurance expense, and a $16,551 increase in professional fees, which is partially offset by a decrease ($12,500) in management fees and a decrease of ($53,864) in other selling, general and administrative expenses in the current period as compared to the prior year six-month period.

Other income and expense

Other income and expense, net, totaled ($1,634,040) for the six months ended June 30, 2019 compared to $195,164 for the prior year six-month period, a decrease of ($1,829,204). Of the decrease ($1,688,824) is due to impairments on G Farma notes receivable, contractual interest in a G Farma legal recovery, and equity in G Farma Equity Entities, ($131,342) is due to an increase in losses from other investments, ($17,122) is due to a decrease in interest income, and ($2,376) is due to increase in interest expense, partially offset by a $1,500 gain on equipment disposals and an increase of $8,960 in other income in the current period as compared to the prior year six-month period.

Net results

The net result for the six months ended June 30, 2019 was net loss attributable to Mentor of (2,814,870) or ($0.122) per Mentor common share compared to net loss attributable to Mentor in the prior year six-month period of ($226,311) or ($0.010) per Mentor 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.

Liquidity and Capital Resources

Since our reorganization, we have raised capital through warrant holder exercise of warrants to purchase shares of Common Stock. At June 30, 2019 we had cash and cash equivalents of $1,109,858 and a working capital of $1,651,231.

Operating cash outflows in the six months ended June 30, 2019 were ($497,100), including ($2,794,270) of net loss, and subtraction for non-cash change in amortization of discount on our investment in account receivable of ($39,997), a gain on equipment disposal of ($1,500), a change in accrued interest income of ($8,579), a ($9,136) increase in operating assets, and a decrease in operating liabilities of ($109,611), partially offset by non-cash depreciation and amortization of $11,170, non-cash amortization on right of use assets of $4,481, an add back for $10,143 of payments on finance lease liability, non-cash bad debt expense of $740,484, an unrealized loss on investment in securities of $10,890, and an add back for the non-cash impairment of G Farma investments of $1,688,825.

Cash inflows from investing activities in the six months ended June 30, 2019 were $184,575 due to $249,222 proceeds from investment securities sold, $7,298 proceeds from notes receivable, $78,420 proceeds from finance leases receivable, $1.500 proceeds from sale of property and equipment, and $117,000 proceeds received on investment in accounts receivable, partially offset by ($31,000) invested in notes receivable, ($18,153) of deposits on equipment to be leased, ($94,786) investment in direct finance leases receivable, ($100,000) purchase of contractual interest in legal recovery, ($8,158) purchase of property and equipment, and ($16,768) down payments on finance lease right-of-use assets.

Net outflows from financing activities during the six months ended June 30, 2019 were ($48,191) consisting of ($5,963) of payments on related party payable, ($10,143) of payments on finance lease liabilities, ($29,561) of payments on long-term debt, ($17,843) of payments on finance lease liabilities, and ($2,524) relates to distributions to non-controlling interest. 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 court-approved Plan of Reorganization, the Company announced a minimum 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 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 may continue to be recalculated and repeated until such unexercised warrants are exhausted, or the partial redemption is otherwise temporarily paused, suspended or truncated by the Company.

For the six months ended June 30, 2019, there were no redemptions of Series D Warrants. In January 2018, there were 379,436 Series D warrants exercised at the regular exercise price of $1.60 for Series D warrants for $607,097. On September 9, 2018, there were two partial redemption requests accepted to exercise 63,161 outstanding Series D warrants for $22,106 plus warrant redemption fees of $6,316. We believe that if such redemptions and exercise continue, 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 resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2019, 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 June 30, 2019 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.

G FarmaLabs Limited

On May 28, 2019, Mentor Capital, Inc. and Mentor Partner I, LLC filed a complaint in the Superior Court of California in the County of Marin for breach of contract against G FarmaLabs Limited, Atanachi Gonzalez, Nicole Gonzalez, G FarmaLabs DHS, LLC, GFBrands, Inc., fka G FarmaBrands, Inc., Finka Distribution, Inc., G FarmaLabs WA, LLC, and Goya Ventures, LLC (together "Defendants"). Under the complaint, among other things:

- Mentor Capital, Inc. alleges that G FarmaLabs Limited and Ata Gonzalez and Nicole Gonzalez as Guarantors have failed to perform their several obligations under a Note Purchase Agreement and two secured Promissory Notes dated March 17, 2017, as amended. At June 30, 2019, the aggregate amount due, owing, and unpaid under both Notes is $1,045,051. Interest of approximately $28,680 is also due but has not been accrued in the financial statements due to uncertainty of collection.

- Mentor Partner I, LLC alleges that G FarmaLabs Limited, G FarmaLabs DHS, LLC as Lessees and GFBrands, Inc, Ata Gonzalez, and Nicole Gonzales as Guarantors have failed to perform their several obligations under a Master Equipment Lease dated January 16, 2018, as amended. At June 30, 2019, the aggregate amount due, owing, and unpaid under the Lease is $1,055,680.

- Mentor Capital, Inc. also alleges that the G FarmaLabs Limited and Ata Gonzalez and Nicole Gonzalez as Guarantors have failed to perform their obligations under a Consulting Agreement dated March 17, 2017, as amended, a Rights Agreement dated March 17, 2017, and a Security Agreement dated March 17, 2017, as amended.

- Mentor Capital, Inc. also alleges that G FarmaLabs Limited, G FarmaLabs DHS, LLC, GFBrands, Inc., Finka Distribution, Inc., G FarmaLabs WA, LLC, and Goya Ventures, LLC have failed to perform their obligations under an Equity Purchase and Issuance Agreement dated September 6, 2018, as amended.

The Company plans to vigorously pursue the litigation.

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 over 30 years, and only four 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. 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's Common Stock.

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

As of June 30, 2019, the Company had 23,139,837 outstanding shares of its Common Stock trading at approximately $0.30 per share. As of the same date the Company also had 6,252,954 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 be increasingly exercised when 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. At June 30, 2019, there were 87,456 Series B warrants exercisable at $0.11 per share that do not have a cashless exercise feature. In addition, the Company has 689,159 outstanding Series H warrants with a per share exercise price of $7.00 held by an investment bank and its affiliates. 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 may continue to be periodically recalculated and repeated according to the court formula until such unexercised warrants are exhausted or the partial redemption is otherwise paused, suspended or truncated by the Company. For the six months ended June 30, 2019, there were no warrants exercised. In 2018, the Company allowed for a partial redemption of 63,161 Series D warrants at an exercise price per warrant of $0.35 plus a $0.10 warrant redemption fee per warrant and an additional 379,436 Series D Warrants were exercised at their full exercise price of $1.60 plus the $0.10 warrant redemption fee per warrant.

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

The U.S. 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 or brokerage 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 U.S. 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 the 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 acquire or invest in 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 in 2014 to secure a $35 million loan 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 our contracts, may not be able to be enforced in the courts.

Many of the people and entities with whom we work in the cannabis industry are 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 entities that failed to comply with contractual obligations, which led us into litigation and to seek 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 14 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 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, and our affiliates' and partners', 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, and our affiliates' and partners', proprietary rights may not be adequate, and third parties may infringe or misappropriate our, and our affiliates' and partners', patents, copyrights, trademarks, and similar proprietary rights. If we, or our affiliates and partners, fail to protect intellectual property and proprietary rights, our business, financial condition and results of operations would suffer. We believe that neither we nor our affiliates and partners 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 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 23.50% of the outstanding shares of the Company's Common Stock on a fully diluted basis.

As of August 5, 2019, Mr. Billingsley owned approximately 16.97% 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 23.50% of the outstanding shares of the Company's Common Stock on a fully diluted basis. Mr. Billingsley holds 2,050,228 Series D warrants, exercisable at $1.60 per share, and 87,456 Series B warrants, exercisable at $0.11 per share. (See footnote 14 to the condensed consolidated financial statements.) 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 Chairman of the Board, Mr. Billingsley has the ability to control the management and affairs 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 laws 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 invest in cannabis companies that develop and enhance products and services offered in the cannabis market. As a result, we expect to continue to make investments in our partners and subsidiaries to promote further engineering, research, and development. There can be no assurance that our partners and subsidiaries 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 partners' and affiliates' 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 we 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 OTCQX 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 who may require legal opinion letters, proof of consideration, medallion guarantees, or expensive fee payments before accepting or declining share 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 or other manipulation of our 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 worldwide economy could impact the company in numerous ways.

The effects of negative worldwide economic events may cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, impact levels of consumer spending, and may impact our business, operating results, or financial condition. The ongoing worldwide economic situation, future 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.

Competitors in the Canadian public market may have a material advantage over us. The Canadian government has loosened the laws and regulations with regard to cannabis earlier and at a faster pace than in the United States. The financial regulations with regard to cannabis investing and banking are also more favorable in Canada than for the Company in the United States. This Canadian advantage may have a material negative effect on the Company business.

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

On October 31, 2016, Mentor sold 222,223 shares of its unregistered Common Stock in a private placement for $100,000.

On March 22, 2017, Mentor sold 222,223 shares of its unregistered Common Stock in a private placement for $500,002. On April 28, 2017, Mentor sold 66,667 shares of its unregistered Common Stock in a private placement for $100,000.

On May 30, 2018, Mentor sold 11 shares of its unregistered Series Q Preferred Stock in a private placement for $110,000.

Other than as stated above, there have been no other unregistered securities sold within the past three years.

Each of these sales of shares of Common Stock was made in reliance on Rule 506(b) of Regulation D and Section 4(a)(2) of the Securities Act of 1933, as amended.

Proceeds of $100,000 were used for operating expenses of the Company. Proceeds of $600,002 were used to invest in a right to recover proceeds from a civil action further described in Note 11 to the condensed consolidated financial statements. Proceeds of $110,000 were invested in the Company's wholly-owned subsidiary, Mentor Partner II, for purposes of purchasing equipment.

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).
4.3	Certificate of Designations of Rights, Preferences, Privileges and Restrictions of Series Q Preferred Stock (Incorporated by reference to Exhibit 4.3 to Mentor's Quarterly Report on Form 10-Q for the Period Ended September 30, 2017, filed with the SEC on November 9, 2017)
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: August 9, 2019

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

Date: August 9, 2019

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

Quarter ended June 30, 2019

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€ and 15d-15€) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are 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: August 9, 2019

/s/ CHET BILLINGSLEY
Chet Billingsley
Chairman of the Board of Directors and
Chief Executive Officer

Quarter ended June 30, 2019

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are 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: August 9, 2019

/s/ LORI STANSFIELD
Lori Stansfield
Chief Financial Officer

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

In connection with the Quarterly Report of Mentor Capital, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Chet Billingsley, Chairman of the Board of Directors and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 9, 2019

/s/ CHET BILLINGSLEY
Chet Billingsley
Chairman of the Board of Directors and
Chief Executive Officer

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

In connection with the Quarterly Report of Mentor Capital, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2019, as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Lori Stansfield, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 9, 2019

/s/ LORI STANSFIELD
Lori Stansfield
Chief Financial Officer