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

FORM 10-Q

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

For the Quarterly Period Ended 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: 000-55857

CONVERSION LABS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0238453**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
800 Third Avenue, Suite 2800, New York, NY New York, NY	**10022**
(Address of Principal Executive Offices)	(Zip Code)

(866) 351-5907
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading symbol(s)	Name of exchange on which registered
None	None	None

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

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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer," "accelerated filer," a "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	☒
		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 7(a)(2)(B) of the Securities Act: ☐

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

As of August 14, 2019, there were 52,969,262 shares of the registrant's common stock outstanding.

CONVERSION LABS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONVERSION LABS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Current Assets		
Cash	$ 265,107	$ 180,093
Trade accounts receivable, net	103,271	99,053
Product deposit	131,577	33,302
Inventory, net	703,286	1,022,616
Other current assets	125,765	270,006
Total Current Assets	$ 1,329,006	$ 1,605,070
Non-current assets		
ROU Asset	$ 26,653	$ -
Intangible assets, net	$ 843,258	$ 1,011,065
Total non-current assets	869,911	1,011,065
Total Assets	$ 2,198,917	$ 2,616,135
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,025,503	$ 868,997
Notes payable, net	270,280	247,416
Deferred revenue	52,113	75,984
Total Current Liabilities	2,347,896	1,192,397
Long-term Liabilities		
Lease Liability	30,106	-
Contingent consideration on purchase of Legalsimpli	100,000	600,000
Liability to issue shares	1,150,000	-
Deferred tax liability	-	4,000
Total Liabilities	3,628,002	1,796,397
Stockholders' Equity (Deficit)		
Common stock, $0.01 par value; 100,000,000 shares authorized, 46,882,305 and 45,267,105 shares issued, 46,367,105 and 45,267,105 outstanding as of June 30, 2019 and December 31, 2018, respectively	468,822	457,822
Additional paid-in capital	13,122,309	12,744,249
Accumulated (deficit)	(14,941,930)	(12,140,670)
	(1,350,799)	1,061,401
Treasury stock, 515,200 and 515,200 shares, at cost	(163,701)	(163,701)
Total Conversion Labs, Inc. Stockholders' (Deficit)	(1,514,500)	897,700
Non-controlling interest	85,415	(77,962)
Total Stockholders' (Deficit)	(1,429,085)	819,738
Total Liabilities and Stockholders' (Deficit)	$ 2,198,917	$ 2,616,135

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

CONVERSION LABS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Sales	$ 2,698,407	$ 2,037,636	$ 5,397,397	$ 3,644,127
Cost of Sales	655,211	534,727	1,333,184	890,180
Gross Profit	2,043,196	1,502,909	4,064,213	2,753,947
Operating expenses				
Compensation and related expenses	490,435	322,319	871,533	465,965
Professional fees	143,739	310,043	277,946	442,158
Marketing expenses	1,815,082	1,271,021	3,506,894	2,168,185
General and administrative expenses	427,105	197,019	804,374	554,446
Total operating expenses	2,876,361	2,100,402	5,460,747	3,630,754
Operating Loss	(833,165)	(597,493)	(1,396,534)	(876,807)
Interest (expense)	(129,826)	(51,078)	(300,020)	(57,528)
Loss from continuing operations before provision for income taxes	(962,991)	(648,571)	(1,696,554)	(934,335)
Income taxes (Benefit)	-	-	-	-
Income from discontinued operations, including gain on sale, net of income taxes	-	-	-	925,738
Net Income (Loss)	(962,991)	(648,571)	(1,696,554)	(8,597)
Net (loss) income attributable to noncontrolling interests	(144,887)	(41,539)	(214,702)	12,697
Net Income (loss) attributable to Conversion Labs, Inc.	(818,104)	(607,032)	(1,481,852)	(21,294)
Basic loss per share attributable to Conversion Labs, Inc. from continuing operation	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.02)
Basic income per share attributable to Conversion Labs, Inc. from discontinued operation	-	-	-	0.02
Diluted loss per share attributable to Conversion Labs, Inc. from continuing operation	(0.02)	(0.02)	(0.04)	(0.02)
Diluted income per share attributable to Conversion Labs, Inc. from discontinued operation	$ -	$ -	$ -	$ 0.02
Weighted Average number of common shares outstanding				
Basic	46,882,305.00	43,168,337.73	46,844,735.94	43,338,090.62
Diluted	46,882,305.00	43,168,337.73	46,844,735.94	45,458,779.51

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

CONVERSION LABS, INC.
CONDENSED CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	Conversion Labs, Inc.							
	Common Stock		Additional Paid-in	Accumulated	Treasury		Noncontrolling	
	Shares	Amount	Capital	(Deficit)	Stock	Total	interest	Total
Balance at December 31, 2018	45,782,305	$ 457,822	$ 12,744,249	$ (12,140,670)	$ (163,701)	$ 897,700	$ (77,962)	$ 819,738
stock issued for services	100,000	1,000	15,000			16,000		16,000
Stock compensation	1,000,000	10,000	363,060			373,060		373,060
Distributions to non-controlling interest						-	(34,298)	(34,298)
Agreement to issue shares for non-controlling interest in CVLB PR				(1,319,407)		(1,319,407)	412,377	(907,030)
Net (loss)				(1,481,852)		(1,481,852)	(214,702)	(1,696,554)
Balance at June 30, 2019	46,882,305	$ 468,822	$ 13,122,309	$ (14,941,929)	$ (163,701)	$ (1,514,499)	$ 85,415	$ (1,429,084)

	Conversion Labs, Inc.							
	Common Stock		Additional Paid-in	Accumulated	Treasury		Noncontrolling	
	Shares	Amount	Capital	(Deficit)	Stock	Total	interest	Total
Balance at December 31, 2017	44,493,063	$ 444,930	$ 11,500,537	$ (10,899,843)	$ (163,701)	$ 881,923	$ (259,084)	$ 622,839
Issuance of common stock for services	1,450,000	14,500	292,579	-	-	307,079	-	307,079
Stock repurchase from shareholder	-	-	-	-	(460,000)	(460,000)	-	(460,000)
Retirement of common stock	(2,000,000)	(20,000)	(440,000)	-	460,000	-	-	-
Warrants Issued in relation to debt offering	-	-	533,691	-	-	533,691	-	533,691
Noncontrolling interest in acquisition of subsidiary	-	-	-	-	-	-	144,118	144,118
Issuance of stock options for services	-	-	33,317	-	-	33,317	-	33,317
Investment in subsidiary by noncontrolling interest, net of distributions	-	-	-	-	-	-	154,000	154,000
Net (loss)	-	-	-	20,245	-	20,245	(28,842)	(8,597)
Balance at June 30, 2018	42,993,063	$ 429,930	$ 11,139,850	$ (10,272,566)	$ (163,701)	$ 1,133,513	$ (246,387)	$ 887,126

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

CONVERSION LABS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss) income	$ (1,696,554)	$ (8,597)
Adjustments to reconcile net (loss) income to net		
cash provided by (used) in operating activities		
Amortization of debt discount	86,268	46,789
Amortization of intangibles	167,807	-
Operating Lease Payments	3,453	
(Gain) loss on discontinued operations and disposal	-	(775,738)
Stock issued for services	16,000	-
Stock compensation expense	373,060	340,395
Liability to issue shares for services	242,969	-
Changes in Assets and Liabilities		-
Trade accounts receivable	(4,218)	64,145
Product deposit	(98,275)	(67,500)
Inventory	319,330	174,047
Other current assets	144,241	(124,942)
Deferred revenue	(23,871)	1,727
Deferred tax liability	(4,000)	-
Accounts payable and accrued expenses	1,113,972	(29,463)
Net cash provided by (used in) operating activities of continuing operations	640,182	(379,137)
Net cash used in operating activities of discontinued operations	-	140,488
Net cash provided by operating activities	640,182	(238,649)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment to seller for contingent consideration	(500,000)	-
Proceeds from sale of legacy business	-	390,000
Net cash (used in) provided by investing activities	(500,000)	390,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to non-controlling interest	(34,298)	-
Proceeds from notes payable	50,000	-
Repayment of notes payable	(70,870)	(167,479)
Net cash provided by (used in) financing activities	$ (55,168)	$ (167,479)
Net increase in cash	85,014	(16,128)
Cash at beginning of the period	180,093	-
Cash at end of the period	$ 265,107	$ (16,128)
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 4,383	$ 4,723
Retirement of stock	$ -	$ 460,000
Stock repurchase from shareholder	$ -	$ 460,000
Conversion of liability as consideration on sale of legacy business	$ -	$ 150,000
Agreement to issue shares for non-controlling interest in CVLB PR	$ 907,031	$ -

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

NOTE 1 – NATURE OF THE ORGANIZATION AND BUSINESS

Nature of Business

Conversions Labs, Inc. ("Conversion Labs," "we," "us," "our," the "Company") is an internet-based direct response marketing company that in-licenses, acquires, creates and markets innovative and proprietary products to consumers around the world via our technology infrastructure and relationships with agencies, third party marketers, and online advertising platforms such as Facebook, Google and Amazon. We currently have four commercial stage products including (i) Shapiro MD, a patented shampoo, conditioner, and leave-in foamer for thicker, fuller hair, (ii) iNR Wellness MD, a nutritional supplement for immune and gut support, (iii) Scarology, a proprietary 3-step scar care system designed to improve the overall color, texture and appearance of scars that consists of a natural fruit acid exfoliator, a proprietary scar healing cream and silicon scar sheets, and (iv) PDF Simpli, a PDF conversion software, which is marketed through our subsidiary, LegalSimpli Software, LLC, a marketing-driven software solutions business.

We launched our online direct marketing business in the fourth quarter of 2015 with the establishment of a partnership with Inate Skincare, LLC ("Inate"). Our initial intention was to launch a skin care line containing our proprietary ingredients and to market such products directly to consumers. We entered into a limited liability company operating agreement with our joint venture partners with respect to Inate under the legal name Immudyne PR LLC (now known as "Conversion Labs PR"). On April 1, 2016, the original operating agreement of Conversion Labs PR was amended and restated and we increased our ownership and voting interest in Conversion Labs PR to 78.2%. On April 25, 2019, the operating agreement of Conversion Labs PR was amended and restated in its entirety to increase the Company's ownership and voting interest in Conversion Labs PR to 100%.

During 2016, we utilized third party entities to provide and increase credit card processing capacity and optimize corresponding rates and fees through one or more merchant bank accounts held by such entities. Some of the entities contracted to provide these services had been determined to be variable interest entities ("VIEs") and were consolidated in the Company's financial statements. The one (1%) percent fee received by these VIEs was eliminated in consolidation of the net revenues processed and collected by such contractors from sales initiated by the Company. The remaining entities provided such services as independent contractors, the majority of which were considered related parties and no fee was paid. Upon receipt of funds by such contractors from their respective merchant banks, the Company required the prompt transfer of funds to Company controlled accounts. The Company reimbursed and/or advanced funds to such contractors for any deficit or charge related to returns, chargeback and other fees charged by such merchant bank. By our year ended December 31, 2018, we ceased processing credit card charges through all VIE merchant accounts. At December 31, 2018, we recorded the merchant reserves from these VIE merchant accounts on our balance sheet as accounts receivable.

As used in these financial statements and unless otherwise indicated, the terms "Company," "we," "us," and "our" refer to Conversion Labs, Inc. (formerly known as Immudyne, Inc.) and our majority-owned subsidiaries LegalSimpli Software, LLC, a Puerto Rico limited liability company ("LegalSimpli"), Conversion Labs PR, LLC (formerly Immudyne PR LLC), a Puerto Rico limited liability company ("Conversion Labs PR"), Conversion Labs Media, LLC ("CVLB Media"), a Puerto Rico limited liability company, Conversion Labs RX, LLC ("CVLB RX"), a Puerto Rico limited liability company, and Conversion Labs Asia Limited, a Hong Kong company ("Conversion Labs Asia"). Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Acquisition of Membership Interest Purchase Agreement

On May 29, 2018, Immudyne PR acquired 51% of the membership interests (the "Membership Interests") of LegalSimpli Software, LLC, a Puerto Rico limited liability company ("LegalSimpli"), which operates a marketing-driven software solutions business. In consideration for Immudyne PR's purchase of the Membership Interests, Immudyne PR paid $150,000 (the "Initial Payment") to the sellers upon execution of the purchase agreement. Additionally, Conversion Labs PR agreed to pay up to an additional $200,000 for such Membership Interests and an additional $400,000 of contingent consideration should the Company or Conversion Labs PR ever pay a dividend.

Recent Developments

On April 25, 2019, the Company entered into an membership purchase agreement with entities owned by the Company's Chief Executive officer and Chief Technology Officer, Conversion Labs PR, and purchased the remaining 21.8% interest of Conversion Labs PR from the Company's Chief Executive officer and Chief Technology Officer. As such, the Company now wholly-owns 100% of Conversion labs PR. In order to consummate this transaction, the Company agreed to issue 5 million shares of common stock based on the issuance price of $0.18 per share, equal to $900,000 to the Company's Chief Executive Officer and Chief Technology Officer. The shares were not issued until August 6, 2019, and, as such, the Company has recorded a liability on the Company's balance sheet as of June 30, 2019.

On May 31, 2019, through our wholly-owned subsidiary, Conversion Labs PR, the Company entered into the operating agreement by and among Conversion Labs RX, LLC, a Puerto Rico limited liability company ("CVLB RX"), by and among the Company, Conversion Labs PR, LLC, Harborside Advisors, LLC, Happy Walters, an individual ("Walters"), and David Hanig, an individual ("Hanig", and together with CLPR, Harborside and Walters, each a "Member" and together the "Members"). Pursuant to the operating agreement, the Company, through Conversion Labs PR, owns 51% of the membership interests of CVLB RX. The operating agreement governs the operations of CVLB RX and provides for CVLB RX's management by a Board of Managers of at least three members. Among the provisions of the operating agreement are limitations and restrictions on the disposition of membership interests by a member, including right of first refusal of the members and an option for both the Company and the members to purchase membership interests that are being offered by a member.

Going Concern

The Company has funded operations in the past through the sales of its products, issuance of common stock and through loans and advances from officers and directors. The Company's continued operations are dependent upon obtaining an increase in its sales volume and the continued financial support from officers and directors or its ability to raise additional capital from the sale of common stock or through debt securities. The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business. At June 30, 2019, the Company had an accumulated deficit approximating $14,941,000. Management has significant doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Based on the Company's cash balance at June 30, 2019, and projected cash needs for 2019, management estimates that it will need to increase sales revenue and/or raise additional capital to cover operating and capital requirements for the 2019 fiscal year. Although management has been successful to date in raising capital to fund operations , there can be no assurance that sales revenue will substantially increase or that any required future financing can be successfully completed on a timely basis, or on terms acceptable to the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The Company evaluates the need to consolidate affiliates based on standards set forth in ASC 810 Consolidation ("ASC 810"). The consolidated financial statements include the accounts of the Company and its 51% owned subsidiaries, CVLB RX and LegalSimpli and variable interest entities (VIE's) in which the Company has been determined to be the primary beneficiary. Prior to April 25, 2019, the non-controlling interest in Conversion Labs PR represented 21.833% equity interest held by other members of the joint venture, but as of June 30, 2019 the Company owns 100% of the equity interests of Conversion Labs PR. All significant consolidated transactions and balances have been eliminated in consolidation.

Management's Representation of Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements include all of the adjustments, which in the opinion of management are necessary to a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for December 31, 2018 as filed with the SEC on April 1, 2019.

Variable Interest Entities

The Company follows ASC 810-10-15 guidance with respect to accounting for variable interest entities (each, a "VIE"). These entities do not have sufficient equity at risk to finance their activities without additional subordinated financial support from other parties or whose equity investors lack any of the characteristics of a controlling financial interest. A variable interest is an investment or other interest that will absorb portions of a VIE's expected losses or receive portions of its expected residual returns and are contractual, ownership, or pecuniary in nature and that change with changes in the fair value of the entity's net assets. A reporting entity is the primary beneficiary of a VIE and must consolidate it when that party has a variable interest, or combination of variable interests, that provides it with a controlling financial interest. A party is deemed to have a controlling financial interest if it meets both of the power and losses/benefits criteria. The power criterion is the ability to direct the activities of the VIE that most significantly impact its economic performance. The losses/benefits criterion is the obligation to absorb losses from, or right to receive benefits from, the VIE that could potentially be significant to the VIE. The VIE model requires an ongoing reconsideration of whether a reporting entity is the primary beneficiary of a VIE due to changes in facts and circumstances.

By our fiscal year ending December 31, 2018, we ceased processing credit card charges through all VIE merchant accounts. At June 30, 2019 and December 31, 2018, we recorded the merchant reserves from these VIE merchant accounts on our balance sheet as accounts receivable.

Conversion Labs PR is the primary beneficiary of Innerwell Skincare LLC, Spurs 5, LLC, and Salus LLC, which are deemed by management to be VIEs. The assets and liabilities and revenues and expenses of these VIEs are included in the financial statements of Conversion Labs PR and further included in the consolidated financial statements. The assets and liabilities include balances due from and due to the subsidiaries of Conversion Labs PR. These inter-company receivables and payables have been eliminated upon consolidation of the VIE with Conversion Labs PR and the Company. No assets were pledged or given as collateral against any borrowings.

Use of Estimates

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates required to be made by management include the determination of reserves for accounts receivable, returns and allowances, the accounting for derivatives, the valuation of inventory and stockholders' equity based transactions. Actual results could differ from those estimates.

Inventory

At June 30, 2019 and March 31, 2019, inventory consisted primarily of finished cosmetic products. Inventory is maintained in a third-party warehouse in Pennsylvania.

Inventory is valued at the lower of cost or net realizable value with cost determined on a first-in, first-out ("FIFO") basis. Management compares the cost of inventory with the net realizable value and an allowance is made for writing down inventory to net realizable value, if lower. At June 30, 2019 and December 31, 2018, the Company recorded an inventory reserve in the amount of $12,500, respectively on the Company's accompanying balance sheet. As of June 30, 2019 and December 31, 2018, the inventory balances, net included on the Company's accompanying balance sheet were approximately $703,000 and $1,022,000, respectively.

Product Deposits

Many of our vendors require deposits when a purchase order is placed for goods. Our vendors issue a credit memo when sending their final invoice, reducing the amount the Company owes for the deposit amount on file with the vendors. As of June 30, 2019 and December 31, 2018, the Company has approximately $131,000 and $33,000, respectively included on the Company's accompanying balance sheet for product deposits with multiple vendors for the purchase of raw materials for products the Company sells online.

Revenue Recognition

The Company records revenue under the adoption of ASC 606 by analyzing exchanges with its customers using a five-step analysis such as identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

For the Company's product-based contracts with customers, the Company generally records sales of finished products once the customer places and pays for the order and the product is simultaneously shipped, but in limited cases if title does not pass until the product reaches the customer's delivery site, then recognition of revenue should be deferred until that time, however the Company does not have a process to properly record the recognition of revenue if orders are not immediately shipped. Delivery is considered to have occurred when title and risk of loss have transferred to the customer, which is usually upon shipment of the product. The Company records an estimate for provisions of discounts, returns, allowances, customer rebates and other adjustments for each shipment, and are netted with gross sales. The Company accounts for such provisions during the same period in which the related revenues are earned. The Company has determined that the population of contracts with customers is typically homogenous, such that review of the contracts and estimate of various revenue related adjustments can be applied to the entire population.

The Company began testing trial offers with the Shapiro MD products in late 2018. The Company was unable to adequately implement a process to report any trial-based revenue and the related impact on inventory. Given the relatively new trial period being offered, the Company has not yet been able to estimate the historical effect to determine how this will change the recording of revenue.

For the Company's software subscription-based contracts with customers, the Company records the sales after completion of the customers 14-day free trial and at the end of the service period for which the customer purchased a monthly subscription or records revenue over time as the yearly subscription lapses. The Company offers either a monthly subscription or a yearly subscription to the Company's software. The Company offers a discount for purchase of the yearly subscription, which must be paid at initiation of the contract term, so that the Contract price is fixed at the contract initiation. Yearly subscriptions for the software are recorded net of discount.

Customer discounts, returns and rebates included on the Company's accompanying statement of operations for the three and six months ended June 30, 2019 approximated $161,000 and $713,000, respectively. Customer discounts, returns and rebates included on the Company's accompanying statement of operations for the three and six months ended June 30, 2018 approximated $131,000 and $220,000, respectively.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for holdbacks and doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions and sets up an allowance for doubtful accounts when collection is uncertain. Customers' accounts are written off when all attempts to collect have been exhausted. Recoveries of accounts receivable previously written off are recorded as income when received. At June 30, 2019 and December 31, 2018, the accounts receivable reserve included on the Company's accompany balance sheet was $0 for both periods. At June 30, 2019 and December 31, 2018, the reserve for sales returns and allowances included on the Company's accompany balance sheet was approximately $83,000 and $43,000, respectively.

Income Taxes

The Company files Corporate Federal and State tax returns, while Conversion Labs PR and LegalSimpli, which were formed as limited liability companies, file separate tax returns with any tax liabilities or benefits passing through to its members.

The Company records current and deferred taxes in accordance with Accounting Standards Codification (ASC) 740, "Accounting for Income Taxes." This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by a history of net operating losses and determines the necessity for a valuation allowance. ASC 740 also provides a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. Using this guidance, a company may recognize the tax benefit from an uncertain tax position in its financial statements only if it is more likely-than-not (i.e., a likelihood of more than 50%) that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The Company's tax returns for all years since December 31, 2014, remain open to federal and state taxing authorities.

At June 30, 2019, the Company has approximately $5,370,000 of operating loss carryforwards for federal that may be applied against future taxable income. The net operating loss carryforwards will begin to expire in the year 2021 if not utilized prior to that date, expiring during various years through 2037. There is no provision for income taxes because the Company has historically incurred operating losses and maintains a full valuation allowance against its net deferred tax assets. The Company has fully reserved the deferred tax asset resulting from available net operating loss carryforwards.

Stock-Based Compensation

The Company follows the provisions of ASC 718, "Share-Based Payment". Under this guidance compensation cost generally is recognized at fair value on the date of the grant and amortized over the respective vesting periods. The fair value of options at the date of grant is estimated using the Black-Scholes option pricing model. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of the Company's shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free rate approximates the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. Due to limited history of forfeitures, the estimated forfeiture rate included in the option valuation was zero.

Many of the assumptions require significant judgment and any changes could have a material impact in the determination of stock-based compensation expense.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is based on the weighted average number of shares outstanding during each period presented. Warrants and options to purchase common stock are included as common stock equivalents only when dilutive. Potential common stock equivalents are excluded from dilutive earnings per share when the effects would be antidilutive.

Common stock equivalents comprising shares underlying 13,600 and 13,600 options and warrants for the three and six months ended June 30, 2019, respectively, have not been included in the loss per share calculations as the effects are anti-dilutive.

Common stock equivalents comprising shares underlying 8,210,800 and 6,090,111 options and warrants for the three and six months ended June 30, 2018, respectively, have not been included in the income per share calculations as the effects are anti-dilutive.

Recent Accounting Pronouncements

All other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash, trade accounts receivable, accounts payable and accrued expenses and the face amount of notes payable approximate fair value for all periods.

Noncontrolling Interests

The Company accounts for its less than 100% interests in CVLB RX and LegalSimpli in accordance with ASC Topic 810, Consolidation, and accordingly the Company presents noncontrolling interests as a component of equity on its consolidated balance sheet and reports the noncontrolling interest's share of the Conversion Labs PR, and LegalSimpli's net loss attributable to noncontrolling interests in the consolidated statement of operations.

Consolidation of Variable Interest Entities

In accordance with ASC 810-10-25-37 and as amended by ASU 2009-17, the Company determines whether any legal entity in which the Company becomes involved is a VIE and subject to consolidation. The Company conducts an assessment on an ongoing basis for each VIE including (1) the power to direct activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. As a result, the Company determined that six entities were VIEs and subject to consolidation. These variable interest entities had no significant activity during the preceding six months ending June 30, 2019 or the year ended December 31, 2018.

Concentration of Credit Risk

The Company grants credit in the normal course of business to its customers. The Company periodically performs credit analysis and monitors the financial condition of its customers to reduce credit risk.

The Company monitors its positions with, and the credit quality of, the financial institutions with which it invests. The Company, at times, maintains balances in various operating accounts in excess of federally insured limits.

Although the Company does have some wholesale customers, over 90% of the Company's sales are to unique customers. Since the Company sells its products to tens of thousands of customers, there is no accounts receivable concentration from customers. However, the Company uses merchant processors to charge customer credit cards and does contain concentration risk between credit card processors.

As of June 30, 2019, the Company's accounts receivable had no significant concentration from any one customer. As of June 30, 2019, three credit card processors accounted for 65%, 21% and 11% of accounts receivable.

NOTE 3 – DISCONTNUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

On January 29, 2018, the Company entered into a Legacy Asset Sale Agreement (the "Asset Sale Agreement") with Mark McLaughlin (the Company's former President and Chief Executive Officer) whereby the Company sold the net assets of the legacy beta glucan business for $850,000. On February 7, 2018, the Company and Mr. McLaughlin entered into an amendment to the Asset Sale Agreement (the "Asset Sale Agreement Amendment") to amend the purchase price of the assets, whereby Mr. McLaughlin agreed, through a newly formed entity, to purchase the assets and liabilities of the yeast beta glucan manufacturing business, for the following: (i) 2,000,000 shares of the Company's common stock (valued at $0.23 per share or $460,000), payable on February 12, 2018, (the "Closing Date"), (ii) $190,000 payable on the Closing Date, (iii) $200,000 payable within 120 days following the Closing Date, and (iv) the waiver of all rights to any severance payment in the amount of $150,000. The total purchase price per the Asset Sale Agreement Amendment was $1,000,000. The total net assets and liabilities transferred in the sale was $255,248, resulting in a gain on sale of $744,752. As part of the agreement, the Company and Mark Mclaughlin agreed that the options that were fully vested are no longer issuable and agreed that any contingently issuable performance options issued to Mark McLaughlin and his related family members were cancelled. These options amounted to approximately 600,000 services based options and 2,000,000 contingently issuable performance options.

NOTE 4 – BUSINESS COMBINATION

Acquisition of Membership Interest Purchase Agreement

On May 29, 2018 (the "Closing Date"), Immudyne, PR (currently Conversion Labs PR) entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") by and among nine individuals, as Sellers and Conversion Labs PR, as buyer ("Buyer"), pursuant to which Buyer acquired from Sellers all of Sellers' right, title and interest in and to an aggregate 51% of the membership interests (the "Membership Interests") of LegalSimpli Software, LLC, a Puerto Rico limited liability company ("LegalSimpli"), which operates a marketing-driven software solutions business.

In consideration for Buyer's purchase of the Membership Interests the Buyer paid $150,000 (the "Initial Payment") to the Sellers upon execution of the Purchase Agreement. Additionally, Buyer may be obligated to pay up to an additional $200,000 in accordance with the following milestones (the "Milestones"): (i) $100,000 to the Sellers on the 90-day anniversary of the Purchase Agreement, so long LegalSimpli's gross revenue for the preceding 30-day period is equal to or greater than $75,000; and (ii) $100,000 to the Sellers on the 180-day anniversary of the Purchase Agreement, so long as LegalSimpli's gross revenue for the preceding 30-day period is equal to or greater than $150,000, with a minimum net profit margin of 25% in each instance. As of December 31, 2018, while the Company does not anticipate LegalSimpli meeting the above milestones, the Company anticipates that it is probable that the Company will pay the total $200,000 consideration to the Sellers for these milestones. Regardless of whether LegalSimpli achieves either or both of the Milestones, the Buyer will retain full ownership of the Membership Interests. In addition, the Purchase Agreement calls for an additional $400,000 of consideration to be paid to the Sellers if/when Conversion Labs PR or the Company ever pay a dividend to shareholders. The Company has determined that it is probable that at some future point that the Company will pay this $400,000 to the Sellers.

Fair Value of Consideration Transferred and Recording of Assets Acquired

The following table summarizes the acquisition date fair value of the consideration paid, identifiable assets acquired, and liabilities assumed including an amount for intangible assets:

Consideration Paid:		
Cash and cash equivalents	$	150,000
Additional consideration to be paid		200,000
Contingent consideration		400,000
Fair value of total consideration	$	750,000
Recognized amount of identifiable assets acquired, and liabilities assumed:		
Financial assets:		
Cash and cash equivalents	$	1,445
Financial liabilities:		
Accounts payable and accrued liabilities		(84,349)
Deferred revenue		(29,818)
Non-controlling interest		(144,118)
Total identifiable net assets		(256,840)
Customer relationship asset		1,006,840
	$	750,000

NOTE 5 – INTANGIBLE ASSETS

As of June 30, 2019 the Company has the following amounts related to intangible assets:

		Gross Carrying Amount		Accumulated Amortization
Amortizable of intangible assets				
Customer relationship asset	$	1,006,840	$	(363,582)
Indefinite lived intangible assets				
Purchased licenses		200,000		-
	$	1,206,840	$	(363,582)

For the three months ended June 30, 2019, the Company recognized amortization expense of approximately $162,009.

As of December 31, 2018 the Company has the following amounts related to intangible assets:

		Gross Carrying Amount		Accumulated Amortization
Amortizable intangible assets				
Customer relationship asset	$	1,006,840	$	(195,775)
Indefinite lived intangible assets				
Purchased licenses		200,000		-
	$	1,206,840	$	(195,775)

NOTE 6 – NOTES PAYABLE

The following table outlines the Company's notes payable as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Convertible notes of $550,000 issued in May of 2018. These notes have a maturity date of May 28, 2019 and accrue interest at a rate of 12% compounded annually. The conversion price for these notes is $0.23 per share of common stock, subject to adjustment. The borrowers have converted $344,642 of these notes including $9,922 of interest as of June 30, 2019 and December 31, 2018. One note has been repaid as of June 30, 2019, and the other note is currently in technical default.	$ 170,280	$ 215,280
Warrants to purchase up to 2,391,305 shares of common stock with an exercise price of $0.28 per share. The fair value of the warrants was determined to be $533,691 and was recorded as a debt discount to be amortized over the life of the note. For the six months ended June 30, 2019 and year ended December 31, 2018, amortization of debt discount was $217,864 and $315,828, respectively.	-	(217,864)
Promissory note of $230,000 issued in October of 2018. This note has a maturity date of April 1, 2019 and bears no interest, but requires an additional $30,000 from the original $200,000 received. The Company has recorded $0 and $12,000 as accrued interest as of June 30, 2018 and December 31, 2018, respectively. This note was repaid on April 1, 2019.	-	200,000
Related party promissory note of $106,000 issued in December of 2018. This note has a maturity date of March 1, 2019 and bears no interest, but requires an additional $6,000 from the original $100,000 received. The Company has recorded $9,000 as accrued interest as of June 30, 2019.	100,000	50,000
	$ 270,280	**$ 247,416**

NOTE 7 – STOCKHOLDERS' EQUITY

Common Stock

In February 2018, pursuant to the sale of the Company's legacy yeast beta glucan assets to the Company's former CEO, Mr. McLaughlin, 2,000,000 shares of common stock of Mr. McLaughlin's shares were cancelled.

In March 2018, the Company issued 500,000 shares of common stock valued at $120,000 to a consultant. In May 2018, the Company amended the agreement with the consultant whereby the Company rescinded the 500,000 shares of common stock and reissued 250,000 shares of common stock. The 250,000 shares of common stock issued on May 14, 2018, were valued at $62,500. The Company is recognizing the expense at the time of issuance.

In May 2018, the Company issued 1,000,000 shares of common stock valued at $230,000 to JLS Ventures, LLC, a company controlled by our CEO, Justin Schreiber, for services. These 1,000,000 shares serve as the compensation for Mr. Schreiber for his services as CEO of the Company.

In May 2018, the Company issued 200,000 shares of common stock valued at $56,000 to a consultant for services over a three month term. The Company is recognizing the expense at the time of issuance.

On January 1, 2019, in connection with the Company's agreement with JLS Ventures, LLC, the Company issued 1,000,000 shares of restricted stock to JLS Ventures, LLC, an entity owned by our Chief Executive Officer.

On February 27, 2019, the Company entered into a short-term note agreement for $100,000 that was repaid prior to the quarter end. As part of the note agreement, the Company issued 100,000 shares of common stock to the note holder valued at $16,000.

During the year ended December 31, 2018, the Company had convertible note holders convert 1,498,442 shares at a conversion price of $0.23 per share, resulting in a decrease to the aggregate amount of outstanding convertible debt of approximately $344,641 during the year.

Noncontrolling Interest

For the three and six months ended June 30, 2019, the net (loss) income from non-controlling interests attributed the Company amounted to approximately ($97,000) and $(481,000), respectively. For the three and six months ended June 30, 2018, the net (loss) income from non-controlling interests attributed the Company amounted to approximately ($36,000) and ($23,000), respectively.

On May 29, 2018, Conversion Labs PR acquired a 51% interest in LegalSimpli, which operates a marketing-driven software solutions business.

On April 25, 2019, the Company entered into an membership purchase agreement with entities owned by the Company's Chief Executive officer and Chief Technology Officer, Conversion Labs PR, whereby the Company acquired the remaining 21.8% interest of Conversion Labs PR from the Company's Chief Executive officer and Chief Technology Officer. As such, the Company now wholly-owns 100% of Conversion labs PR. In order to consummate this transaction, the Company agreed to issue 5 million shares of common stock based on the issuance price of $0.18 per share, or for a total of $900,000 to the Company's Chief Executive officer and Chief Technology Officer. The shares were not issued until August 6, 2019, and, as such, the Company has recorded a liability on the Company's balance sheet as of June 30, 2019.

On May 31, 2019, the Company entered into the operating agreement of CVLB RX, by and among the Company, Conversion Labs PR, Harborside Advisors, LLC, Happy Walters, an individual ("Walters"), and David Hanig, an individual ("Hanig", and together with Conversion Labs PR, Harborside and Walters, each a "Member" and together the "Members"). Pursuant to the Operating Agreement, the Company, through Conversion Labs PR, owns 51% of the membership interests of CVLB RX. The Operating Agreement governs the operations of CVLB RX and provides for CVLB RX's management by a Board of Managers of at least three members. Among the provisions of the Operating Agreement are limitations and restrictions on the disposition of membership interests by a Member, including right of first refusal of the Members and an option for both the Company and the Members to purchase membership interests that are being offered by a Member.

Stock Options

The following is a summary of outstanding service-based options at June 30, 2019:

	Options Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
Balance at December 31, 2018	13,820,000	$ 0.20 - 0.40	4.84 years	$ 0.26
Granted	500,000	$0.23	9.70 years	0.23
Cancelled	(25,000)	$0.40	8.26 years	0.40
Expired	–	–	–	–
Balance at June 30, 2019	14,295,000	$ 0.20 - 0.40	5.00 years	$ 0.26
Exercisable December 31, 2018	10,805,416	$ 0.20 - 0.40	3.89 years	$ 0.24
Exercisable June 30, 2019	11,467,916	$ 0.20 - 0.40	4.13 years	$ 0.25

All outstanding options are exercisable and have a cashless exercise provision, and certain options provide for accelerated vesting provisions and modifications, as defined, if the Company is sold or acquired. The intrinsic value of options outstanding and exercisable at June 30, 2019 and December 31, 2018 amounted to $0 and $0, respectively.

On February 9, 2019, Robert Kalkstein, the former Chief Financial Officer of the Company, tendered his resignation to the Company's Board of Directors, effective March 31, 2019. In connection with Mr. Kalkstein's resignation, the Company agreed to amend certain options granted to Mr. Kalkstein by decreasing the exercise price of 500,000 options for the Company's common stock previously granted to Mr. Kalkstein from $0.40 per share to $0.28 per share; accelerate the vesting of 150,000 Options with such options to vest on March 31, 2019; and cancel 200,000 unvested options, the vesting of which was not accelerated. The Company determined that the additional compensation expense for this transaction was approximately $3,000, which was recognized in March of 2019.

On March 15, 2019 the Company granted Mr. Piñeiro, the Chief Financial Officer of the Company, options to purchase 500,000 shares of the Company's common stock at an exercise price of $0.23. The Company valued the estimated compensation expense for these options as approximately $73,000, using a Black-Scholes option-pricing model as follows:

Significant assumptions:	
Risk-free interest rate at grant date	2.38%
Expected stock price volatility	184.78%
Expected dividend payout	-
Expected option life-years	6.5 years
Weighted average grant date fair value	$ 0.15
Forfeiture rate	0%

Performance-Based Stock Options

The following is a summary of outstanding performance-based options at June 30, 2019:

	Options Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
Balance at December 31, 2018	15,425,000	$ 0.25 - 0.40	5.67 years	$ 0.27
Granted	–	–	–	–
Cancelled	(8,600,000)	0.25 - 0.40	7.57 years	0.31
Expired	–	–	–	–
Balance at June 30, 2019	6,825,000	$ 0.25 - 0.40	3.27 years	$ 0.23
Exercisable December 31, 2018	3,175,000	$ 0.25 - 0.40	3.74 years	$ 0.40
Exercisable June 30, 2019	3,175,000	$ 0.25 - 0.40	3.68 years	$ 0.40

Vested

During 2017, the Company granted performance-based options to purchase 250,000 shares of common stock at an exercise price of $0.40 per share. These options expire in 2027 and are exercisable upon the Company achieving annual sales revenue of $5,000,000. These options are valued at $55,439. During 2017, the Company met the performance criteria.

Unvested

During 2017, the Company granted performance-based options to purchase 6,000,000 shares of common stock with an exercise prices of $0.35 per share to JLS Ventures, LLC, a related party. The options expire in 10 years and become exercisable upon cash received by Conversion Labs, Inc. from Conversion Labs PR between $4,000,000 and $7,000,000. The aggregate fair value of these performance-based options is $1,688,212. On April 25, 2019, concurrent with the Company's purchase of the remaining 21.8% interest of Conversion Labs PR, these options were cancelled.

In the third quarter of 2017, the Company granted performance-based options to purchase 3,750,000 shares of common stock with an exercise prices of $0.25 and $0.35 per share. The options expire in 10 years and become exercisable upon the company achieving pre-tax earnings benchmarks between $4,000,000 and $7,000,000. The aggregate fair value of these performance-based options is $1,152,849. As of February 2018, 2,000,000 of these options had been cancelled.

Warrants

The following is a summary of outstanding and exercisable warrants:

	Warrants Outstanding Number of Shares	Exercise Price per Share	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share
Balance at December 31, 2018	5,225,533	$ 0.20 - 0.50	3.25 years	$ 0.35
Granted	1,086,957	$0.28	9.87 years	0.28
Exercised	–	–	–	–
Expired	–	–	–	–
Balance at June 30, 2019	6,312,490	$ 0.20 - 0.50	4.39 years	$ 0.34
Exercisable December 31, 2018	5,225,533	$ 0.20 - 0.50	3.27 years	$ 0.35
Exercisable June 30, 2019	5,248,178	$ 0.20 - 0.50	3.25 years	$ 0.35

In March 2018, the Company issued 100,000 warrants to purchase shares of common stock with an exercise price of $0.50 per share, in relation to royalty license agreement. These warrants are fully vested and expire in ten years.

In May 2018, the Company issued 2,391,305 warrants to purchase shares of common stock with an exercise price of $0.28 per share, in relation to an issuance of convertible notes payable. These warrants are fully vested and expire in five years.

In May 2019, the Company issued 1,086,957 warrants to purchase shares of common stock with an exercise price of $0.28 to Bertrand Velge, a board member. The warrants will vest monthly over a four year period and expire in five years.

Stock Based Compensation

The total stock-based compensation expense related to Service-Based Stock Options, Performance-Based Stock Options and Warrants issued for service approximated $191,000 and $373,000 for the three and six months ended June 30, 2019, respectively. The total stock-based compensation expense related to Service-Based Stock Options, Performance-Based Stock Options and Warrants issued for service approximated $256,000 and $340,000 for the three and six months ended June 30, 2018, respectively. Such amounts are included in compensation and related expenses in the consolidated statement of operations.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Royalty Agreements

Pilaris Laboratories, LLC

On September 1, 2016, Conversion Labs PR entered into a sole and exclusive license, royalty and advisory agreement with Pilaris Laboratories, LLC ("Pilaris") relating to Pilaris' PilarisMax shampoo formulation and conditioner. The term of the agreement will be the life of the US Patent held by Pilaris. As consideration for granting Conversion Labs PR this license, Pilaris will receive on quarterly basis, 10% of the net income collected by the licensed products based on the following formula: Net Income = total income – cost of goods sold – advertising and operating expenses directly related to the marketing of the licensed products. In addition, Conversion Labs PR shall pay Pilaris a performance fee of $50,000 on the 180-day anniversary of the agreement and an additional $50,000 performance fee on the 365-day anniversary of the agreement. For the year ended December 31, 2018, the Company recognized expenses related to the performance fee in the amount of $100,000. In April 2017, the Company issued 217,390 shares of common stock and 108,696 warrants, pursuant to a subscription agreement, for the stated consideration and satisfaction of obligation to pay $50,000 on the 180-day anniversary of the execution of this agreement. As of June 30, 2019 and December 31, 2018, the Company has accrued $29,592 and $0, respectively, which is included in accounts payable and accrued expenses in regard to this agreement.

M.ALPHABET, LLC

On March 26, 2018, the Company entered into a license agreement (the "Alphabet Agreement") with M.ALPHABET, LLC ("Alphabet"), pursuant to which Alphabet agreed to license its PURPUREX business which consists of methods and compositions for the treatment of purpura, bruising, post-procedural bruising and traumatic bruising (the "Product Line"). Pursuant to the license granted under the Alphabet Agreement, Conversion Labs PR obtained an exclusive license to incorporate (i) any intellectual property rights related to the Product Line and (ii) all designs, drawings, formulas, chemical compositions and specifications used or useable in the Product Line into one or more products manufactured, sold, and/or distributed by Alphabet for the treatment of purpura, bruising, post-procedural bruising and traumatic bruising and for all other fields of use or purposes (the "Licensed Product(s)"), and to make, have made, advertise, promote, market, sell, import, export, use, offer to sell and distribute the Licensed Product(s) throughout the world with the exception of China, Hong Kong, Japan, and Australia (the "License").

The Company shall pay Alphabet a royalty equal to 13% of Gross Receipts (as defined in the Alphabet Agreement) realized from the sales of Licensed Products. Further, so long as the Alphabet Agreement is not previously terminated, the Company, also agreed to pay Alphabet $50,000 on the 120-day anniversary of the Alphabet Agreement and an additional $50,000 on the 360-day anniversary of the Agreement.

Upon execution of the Alphabet Agreement, Alphabet was granted a 10-year option to purchase 100,000 shares of the Company's common stock at an exercise price of $0.50. Further, if Licensed Products have gross receipts of $7,500,000 in any calendar year, the Company will grant Alphabet an option to purchase an additional 100,000 shares of the Company's common stock at an exercise price of $0.50; (ii) if Licensed Products have gross receipts of $10,000,000 in any calendar year, the Company will grant Alphabet an additional option to purchase an additional 100,000 shares of the Company's common stock at an exercise price of $0.50 and (iii) If Licensed Products have gross receipts of $20,000,000 in any calendar year, the Company will grant Alphabet an option to purchase an additional 200,000 shares of the Company's common stock at an exercise price of $0.75.

Milestone-based Royalty Agreement

The Company is subject to a royalty agreement based upon sales of certain hair care products, namely the owners of the Shapiro MD product line. For the three and six months ended June 30, 2019, the Company recognized approximately $10,500 and $40,000, respectively, in royalty expense related to this agreement. For the three and six months ended June 30, 2018, the Company recognized approximately $18,000 and $38,500, respectively, in royalty expense related to this agreement. These amounts are included in the Company's accompanying statement of operations as general and administrative expenses.

Restricted Stock and Options

The Company has entered into two agreements on April 1, 2016 with two consultants of Conversion Labs PR for business development, marketing and sales related services (the "Consultant Agreements"). Upon signing, each consultant was issued 1,000,000 restricted shares of the Company's common stock. In addition, each consultant received an additional 150,000 restricted shares of the Company's common stock. The Company valued the shares of common stock at their grant date for a value of $0.30 per share for a total of $690,000 to be expensed over the estimated service period.

In addition, the Consultant Agreements provided that each consultant shall receive a bonus of an additional 750,000 restricted shares of the Company's common stock, plus an option to buy 1,000,000 shares of the Company's common stock at a price of $0.20 per share (including a cashless exercise feature) when Conversion Labs PR has transferred to the Company at each of the following three (3) thresholds: $1,250,000, $2,000,000 and $3,000,000 for a total of 2,250,000 of restricted shares of the Company's common stock and options to purchase up to 3,000,000 shares of the Company's common stock at a price of $0.20 per share. As of June 30, 2019, no bonus shares had been issued, and no options have been granted under the Consultant Agreements. On April 25, 2019, concurrent with the Company's purchase of the remaining 21.8% interest of Conversion Labs PR, these options were cancelled.

Legal Matters

In the normal course of business operations, the Company may become involved in various legal matters. At June 30, 2019, the Company's management does not believe that there are any potential legal matters that could have an adverse effect on the Company's financial position.

NOTE 9 – LEASES

On January 1, 2019, we adopted ASU 2016-02 using the optional transition method resulting in a cumulative-effect adjustment to our Consolidated Balance Sheets. Comparative financial statements of prior periods have not been adjusted to apply the new method retrospectively. The new method of accounting was applied only to leases that have ongoing minimum lease commitments after January 1, 2019, excluding short-term leases.

The Company has applied the practical expedient for leases less than 12-months for the following lease, and as such has excluded it from the calculation of right of use assets and lease liabilities. Conversion Labs PR utilizes office space in Puerto Rico which is subleased from Mr. Schreiber (the Company's President and CEO) and incurs expense of approximately $4,000 per month for this office space.

In February 2018, the Company entered into a 3-year agreement to lease office space in Huntington Beach, CA beginning on March 2, 2018. The rent is payable on a monthly basis in the amount of $2,106 for the first twelve months, $2,149 for the second twelve months and $2,235 for the third twelve months. The Company has recognized a right of use asset and lease liability of $30,287 as of January 1, 2019 for adopting ASC 842, and has classified this lease as an operating lease. The lease did not contain any interest for use in the present value calculation, as a result, the Company used the third-party interest rate from similar borrowings of 7%. The Company has paid a security deposit of $2,235 was paid for this lease. The lease payments for this lease were $6,382, and the implied interest for such lease was $4,241.

Rent expense, including short-term lease, for the three and six months ended June 30, 2019, was approximately $30,000 and $87,000, respectively. Rent expense, including short-term lease, for the three and six months ended June 30, 2018, was approximately $14,000 and $45,000, respectively. These amounts are included in the Company's accompanying statement of operations as general and administrative expenses.

NOTE 10 – RELATED PARTY TRANSACTIONS

Other

Certain related party transactions were incurred by the legacy business that was sold in February 2018, including reimbursement of home office expenditures to the Company's former President and CEO, employment of the Company's former President and CEO's wife, and legal and business advisory services provided by one of the Company's directors.

Chief Executive Officer

JLS Ventures LLC, owned by our current CEO, provides credit card processing services through one or more merchant banks. JLS Ventures LLC did not receive any compensation for these services. In July 2017, the Company and JLS Ventures, an entity owned by the Company's current Chief Executive Officer, entered into a second amendment to a Service Agreement effective July 1, 2017. As compensation and in lieu of any cash compensation, the Company issued 900,000 shares of common stock valued at $432,000. The Company recognized the expense over the term of the agreement. In May 2018, the Company entered into a two year agreement with Mr. Schreiber to compensate him for his service as CEO for the 2018 and 2019 calendar year. In lieu of any cash compensation for serving as CEO of the Company in 2018 and 2019, the Company agreed to issue 1,000,000 shares of common stock per year.is recognizing the expense over the term of the agreement. In May 2018, the Company issued 1,000,000 shares of common stock valued at $230,000 to JLS Ventures, LLC, for services. The Company also committed to issue an additional 1,000,000 shares of common stock on January 1, 2019 valued in the aggregate amount of $230,000 if JLS Ventures met the service requirement specified in the agreement. These 2,000,000 shares serve as the compensation for Mr. Schreiber for his services as CEO of the Company. The Company is recognizing the expense for the issuances over the twenty-four-month term of the agreement.

JSDC, Inc., owned by our Chief Executive Officer, provides credit card processing services through one or more merchant banks. JSDC, Inc. did not receive any compensation for these services.

On November 20, 2017, the Company entered into an agreement (the "JOJ Agreement") with JOJ Holdings, LLC ("JOJ"). Pursuant to the terms of the Agreement, Conversion Labs, Inc. ("Conversion Labs") purchased 2,000,000 shares (post-split from a 2:1 forward split on January 16, 2018) of Blockchain Industries, Inc. ("BCII") from JOJ. The JOJ Agreement was amended on December 8, 2017 and again on March 9, 2018. In consideration for the purchase, Conversion Labs agreed to issue one (1) share of Conversion Labs common stock to JOJ for every dollar Conversion Labs realizes from gross proceeds on the sale of shares of BCII purchased pursuant to the JOJ Agreement, up to a total maximum aggregate amount of 5,000,000 shares. The Company has 3 years to sell the shares of BCII and has agreed not to sell more than 20% of the 30-day average daily trading volume of BCII. Justin Schreiber, the Company's President and CEO is the President and owner of JOJ. The transaction was determined not to meet the criteria for recognition as an exchange transaction, therefore no asset or liability has been recorded in the financial statements.

Conversion Labs PR utilizes office space in Puerto Rico which is subleased from Mr. Schreiber (President and CEO) incurs expense of approximately $4,000 a month on month-to-month terms for this office space.

Conversion Labs PR utilizes BV Global Fulfillment, owned by a related party of the Company's current Chief Executive Officer, and incurred approximately $262,000 and $157,000 for the three months ended June 30, 2019 and 2018, respectively, for these services.

NOTE 11 – SUBSEQUENT EVENTS

The Company has evaluated and determined that there are no subsequent events through the date these financial statements were issued.

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

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") that reflect management's current views with respect to future events and financial performance. These statements are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by the Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used herein, the words "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue" or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks relating to the Company's business, industry, and the Company's operations and results of operations. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report. The forward-looking statements made in this report are based only on events or information as of the date on which the statements are made in this report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this report and the documents we refer to in this report and have filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we expect. These risks include, by way of example and without limitation:

- our ability to successfully commercialize our products and services on a large enough scale to generate profitable operations;
- our ability to maintain and develop relationships with customers and suppliers;
- our ability to successfully integrate acquired businesses or new brands;
- the impact of competitive products and pricing;
- supply constraints or difficulties;
- general economic and business conditions;
- our ability to continue as a going concern;
- our need to raise additional funds in the future;
- our ability to successfully recruit and retain qualified personnel;
- our ability to successfully implement our business plan;
- our ability to successfully acquire, develop or commercialize new products and equipment;
- intellectual property claims brought by third parties; and
- the impact of any industry regulation.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, or performance. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission ("SEC"). We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time except as required by law. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions.

As used in this Quarterly Report on Form 10-Q and unless otherwise indicated, the terms "Company," "we," "us," and "our" refer to Conversion Labs, Inc. (formerly known as Immudyne, Inc.) and our majority-owned subsidiaries LegalSimpli Software, LLC, a Puerto Rico limited liability company ("LegalSimpli"), Conversion Labs PR, LLC (formerly Immudyne PR LLC, now "Conversion Labs PR"), a Puerto Rico limited liability company ("Conversion Labs PR"), Conversion Labs Media, LLC ("CVLB Media"), a Puerto Rico limited liability company, Conversion Labs RX, LLC ("CVLB RX"), a Puerto Rico limited liability company, and Conversion Labs Asia Limited, a Hong Kong company ("Conversion Labs Asia"). Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Corporate History and Overview

Conversion Labs, Inc. is a diversified online direct response marketing company that creates, in-licenses, and acquires proprietary and innovative consumer products that address large unmet needs in the online marketplace. These products are then marketed and sold directly to consumers through advertisements on Facebook, Google, Amazon, and other social media and e-commerce platforms. Secondarily, we also sell our products to traditional retailers, wholesalers and physicians' offices.

We currently have four commercial stage brands in our portfolio:

- Shapiro MD: Launched in 2017, Shapiro MD is a patented line consisting of a shampoo, conditioner and leave-in foamer for thicker, fuller hair. The Shapiro MD line now also includes a U.S. Food and Drug Administration ("FDA") approved minoxidil product and a supplement for hair loss.
- iNR Wellness MD: Launched in 2018, iNR Wellness MD is a beta glucan nutritional supplement for immune and gut support. There are a multitude of published studies, many noted on the National Institute of Health website, relating to the health benefits of beta glucan. The FDA and the European Food Safety Authority have approved health claims related to the maintenance or reduction of blood cholesterol and consumption of 3 grams of beta-glucan daily.
- Scarology: Launched in 2019, Scarology is a proprietary 3 step Scar Care System designed to improve the overall color, texture and appearance of scars. The system consists of a natural fruit acid exfoliator, a proprietary scar healing cream and silicon scar sheets.
- PDF Simpli: Launched in 2018, PDF Simpli is a PDF conversion software product, which was acquired through the purchase of 51% of the membership interests of LegalSimpli Software, LLC, a Puerto Rico limited liability company, which operates a marketing-driven software solutions business.

We launched our online direct marketing business in the fourth quarter of 2015 with the establishment of a partnership with Inate Skincare, LLC ("Inate"). Our initial intention was to launch a skin care line containing our proprietary ingredients and to market such products directly to consumers. We entered into a limited liability company operating agreement with our joint venture partners with respect to Inate under the legal name Immudyne PR LLC ("Immudyne PR"). On April 1, 2016, the original operating agreement of Immudyne PR was amended and restated and we increased our ownership and voting interest in Immudyne PR to 78.2%. Concurrent with the name change of the parent company to Conversion Labs, Inc. completed in 2018, Immudyne PR was renamed to Conversion Labs PR LLC (now known as "Conversion Labs PR"). On April 1, 2016, the original operating agreement of Conversion Labs PR was amended and restated and we increased our ownership and voting interest in Conversion Labs PR to 78.2%. On April 25, 2019, the operating agreement of Conversion Labs PR was amended and restated in its entirety to increase the Company's ownership and voting interest in Conversion Labs PR to 100%.

Our priority is to pursue opportunities to market our products and increase sales. We expect that a significant component of our selling, general and administration expenses going forward will consist of advertising fees and service fees to retain skilled professionals to market our products through the internet. These aforementioned costs, along with the additional costs resulting from our operations as a public reporting company, could adversely impact our future results of operations.

We historically have expended a significant amount of our funds on obtaining and protecting our patents, trade secrets and proprietary products. We rely on the patent and trademark protection laws in the U.S. to protect our intellectual property and maintain our competitive position in the marketplace. We have historically operated with limited capital and have funded operations in the past through the sales of our products and loans and advances from our executives and directors.

Divestiture of Nutraceutical and Cosmetic Additives Business

Prior to 2018, we manufactured, distributed and sold natural immune support products containing our proprietary yeast beta glucans, a group of beta glucans naturally occurring in the cell walls of yeast that have been shown through testing and analysis to support the immune system. Beta glucans, or β-Glucans, are a natural extract that are considered to be "biological response modifiers" that support the immune system. The most common sources of beta glucans are from the cell walls of baker's yeast, the cellulose in plants, the bran of cereal grains and certain fungi and bacteria.

In the first quarter of 2018 we sold all assets and liabilities related to our legacy business that manufactured raw yeast beta glucan. As a result of this divestiture, we now solely operate our online direct marketing business through our majority-owned operating subsidiary, Conversion Labs PR.

Our Products

We currently have four commercial stage brands. Generally, our business model is to license or acquire innovative products that address large, global unmet needs which can be placed onto our internet based or "online" direct response marketing platform. We seek to protect the market position of our products with intellectual property, trade secrets, trademarks and brand equity. Our brands and products are as follows:

Shapiro MD®

Launched in the second quarter of 2017, Shapiro MD is a patented line of hair products designed to help men and women regain thicker, fuller and healthier looking hair. The products in our Shapiro MD line currently include a shampoo, a conditioner, a leave-in foamer, and a "product" which contains Minoxidil, an FDA-approved product for hair growth. Additionally, we are in the process of adding an FDA-cleared laser cap to our Shapiro MD product line. The Shapiro MD Shampoo and Conditioner are the result of 15 years of research and development by Dr. Steven Shapiro and Dr. Michael Borenstein. The Shapiro MD product line is protected by two U.S. patents and typically contains three naturally-occurring dihydrotestosterone (DHT) blocking ingredients. DHT is widely believed to be the main culprit responsible for balding/hair-loss. Clinical research on the ingredients used in Shapiro MD products has been published in scientific journals, including the U.S. National Library of Medicine National Institutes of Health, International Journal of Dermatology and European Hair Research Society.

iNR Wellness MD®

Launched in 2018, iNR Wellness MD is a nutritional supplement for immune and gut support. The iNR Wellness product line is a daily nutritional supplement that contains yeast, oat, and mushroom beta glucans. Beta glucans, or β-Glucans, are a natural extract considered to be "biological response modifiers" that support the immune system. Our three naturally occurring beta glucans have clinically shown to support the human immune system and are commonly used as an OTC supplement to reduce cholesterol levels, maintain healthy blood glucose levels, and support the immune system. Our spokespersons for our iNR Wellness MD brand include Dr. Joseph DiTrolio, a member of the Board of Directors of the Company, Dr. Jack Gilbert, and Dr. Liz Lipski, who are leading doctors/researchers in fields such as urology, microbiology, and nutrition. General scientific research on beta glucans has been conducted in recent years by renowned medical laboratories, including Baylor College of Medicine, U.S. Armed Forces Radiobiology Institute, Stanford University, Harvard University, and North Carolina State University. As more studies are conducted on beta glucans, we believe the potential benefits to human health will continue to gain recognition. Although the Food and Drug Administration ("FDA") has historically endorsed the consumption of oat glucan/dietary fiber as an aid to lower cholesterol, most of the testing and analysis or scientific research mentioned in this annual report has not been subject to oversight of the FDA or any comparable regulatory body, and no regulatory body has attested to the efficacy of beta glucans in supporting the immune system or treating disease. Further, the marketing of beta glucans is not subject to FDA approval, and we are prohibited by Federal Trade Commission ("FTC") and FDA regulations from suggesting in advertisements and product labels that our products mitigate, treat, cure or prevent a specific disease or class of disease.

PDF Simpli

Launched in 2018, PDFSimpli is a PDF conversion software, which we acquired in June 2018 through the purchase of 51% of the membership interests of LegalSimpli Software, LLC, a Puerto Rico limited liability company. PDFSimpli enables users to convert, edit and sign PDF documents. As of August 9, 2019, PDFSimpli was ranked in the top 29,000 websites globally, in which it was also ranked in the top 2,500 for specific countries with more than 1.6M registered users globally. Since its launch, PDFSimpli has converted or edited over 3 terabytes of documents for customers from the legal, financial, real-estate and academic sectors. PDFSimpli has over 14,000 active subscriptions as of August 9, 2019.

Scarology™

Launched in 2018, Scarology is a topically applied scar healing solution delivered through a day and night routine. The system consists of a natural fruit acid exfoliator, a proprietary scar healing cream and silicon scar sheets. The Scarology system was developed by two prominent dermatologists and has been tested extensively in a clinical environment. The current global scar treatment market is estimated to be more than $10 billion and is expected to exceed $34.5 billion by 2025.

Growth Strategy

We actively seek to acquire, license and develop products and brands with large untapped e-commerce potential and proven business models. We intend to continue to grow revenue and profitability of our four commercial stage consumer products. We also expect that PDFSimpli will continue to grow and will achieve profitability in 2019. We continue to actively seek new brands to buy or license to expand our product offerings and add to our growth.

We have begun selling all of our products in international markets and we believe this represents a significant growth opportunity for us. We also entered into a strategic partnership in Asia in 2018. We are in the process of building an e-commerce infrastructure in Asia and are continuing to explore how to expand our market share in that region.

In early 2019, we also launched a service-based business under the name Conversion Labs Media LLC, which will be used to run e-commerce marketing campaigns for other online businesses. Conversion Labs Media LLC intends to develop, run, and optimize advertising and media strategies for third parties looking to continue their growth on online platforms such as Amazon, Google, and Facebook. These services will be monetized through a monthly consulting model or on a revenue share basis.

Material Developments During the Three Months Ended June 30, 2019

Changes to the Board of Directors

On June 11, 2019, we announced the appointment of Happy Walters and Bertrand Velge to our Board of Directors effective June 11, 2019. In addition, the Company's President, CEO and largest shareholder, Justin Schreiber assumed the role of Chairman of the Board. Former Chairman, John R. Strawn, Jr., remains as a Director of the Company.

Telemedicine-focused Joint Venture

In June 2019, the Company announced a telemedicine-focused joint venture and strategic partnership with CVLB RX and Specialty Medical Drugstore, Inc. ("GoGoMeds"). GoGoMeds is a large online pharmacy licensed to dispense and ship prescription drugs to patients in all 50 states and the District of Columbia. We intend to leverage this partnership to offer prescription drugs in tandem with existing product lines in addition to launching several new 'branded generic' drug offerings that will be marketed directly to consumers in the United States.

Results of Operations

Comparison of the Three Months Ended June 30, 2019 to the Three Months Ended June 30, 2018

Revenue and Operating Expenses

Our revenue, operating expenses and net loss for the three months ended June 30, 2019 and 2018 are summarized as follows:

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
	$	% of Sales	$	% of Sales
Net sales	2,698,407		2,037,636	
Cost of sales	655,211	24%	534,727	26%
Gross profit	2,043,196	76%	1,502,909	74%
Operating expenses	2,876,361	107%	2,100,402	103%
Operating (loss)	(833,165)	(0)	(597,493)	(0)
Other income (expenses)	(129,826)	-5%	(51,078)	-3%
Net income (loss)	(962,991)	-36%	(648,571)	-32%
Net (loss) income attributable to noncontrolling interests	(144,887)	-5%	(41,539)	-2%
Net (loss) income attributable to Conversion Labs, Inc.	(818,104)	-30%	(607,032)	-30%

Net Sales

Sales were approximately $2.7 million for the three months ended June 30, 2019, compared to approximately $2.0 million for the three months ended June 30, 2018. This is an increase of approximately $660,000 or 32% which can primarily be attributed to an increase in the Company's sales channels for haircare and skincare products.

Cost of Sales

Total cost of sales was approximately $655,000 for the three months ended June 30, 2019, compared to approximately $534,000 for the three months ended June 30, 2018. Cost of sales consists primarily of material costs and related overhead directly attributable to the production of our products. Cost of Sales as a percentage of income is 24% for the three months ended June 30, 2019, as compared to 26% for the three months ended June 30, 2018. The increase of approximately $120,000 or 23% is a result of the increase in sales of 32%.

Gross Profit

Gross profit was approximately $2.0 million for the three months ended June 30, 2019, compared to approximately $1.5 million for the three months ended June 30, 2019, an increase of approximately $540,000 or 36%. The increase in our gross profit was primarily the result of the increased sales of our in-licensed Shapiro MD hair loss product line.

Operating Expenses

Total operating expenses increased approximately 37% to approximately $2.9 million for the three months endedJune 30, 2019, from approximately $2.1 million for the three months ended June 30, 2018. The increase in our operating expenses between the periods was mostly attributable to our increased marketing efforts for our in-licensed patented hair loss shampoo, conditioner and leave-in foam, which increased approximately $544,000 over from the three-months ended June 30, 2019 compared to the three-months ended June 30, 2018. We also had increased compensation and related expense costs, and general and administrative expense during the comparable period.

Net Loss

Net loss for the three months ended June 30, 2019 was approximately $818,000, compared to net loss of approximately $607,000 for the three months ended June 30, 2018. Our net loss for the three months ended June 30, 2019 can be most attributed to our increased marketing efforts.

Comparison of the Six Months Ended June 30, 2019 to the Six Months Ended June 30, 2018

Revenue and Operating Expenses

Our revenue, operating expenses and net loss for the six months ended June 30, 2019 and 2018 are summarized as follows:

	Six Months Ended June 30, 2019		**Six Months Ended June 30, 2018**	
	$	**% of Sales**	**$**	**% of Sales**
Net sales	5,397,397		3,644,127	
Cost of sales	1,333,184	25%	890,180	24%
Gross profit	4,064,213	75%	2,753,947	76%
Operating expenses	5,460,747	101%	3,630,754	100%
Operating (loss)	(1,396,534)	(0)	(876,807)	(0)
Other income (expenses)	(300,020)	-6%	(57,528)	-2%
Income from continuing operations	(1,696,554)	-31%	(934,335)	-26%
Income from discontinued operations, including gain on sale, net of income taxes	-	0%	925,738	25%
Net income (loss)	(1,696,554)	(0)	(8,597)	(0)
Net (loss) income attributable to noncontrolling interests	(214,702)	-4%	12,697	0%
Net (loss) income attributable to Conversion Labs, Inc.	(1,481,852)	-27%	(21,294)	-1%

Net Sales

Sales were approximately $5.4 million for the six months ended June 30, 2019, compared to approximately $3.6 million for the three months ended June 30, 2018. The increase is a result of the Company’s increase in haircare sales, skincare and their on-line direct to consumer application sales.

Cost of Sales

Total cost of sales was approximately $1.3 million for the six months ended June 30, 2019, compared to approximately $890,000 for the six months ended June 30, 2018. Cost of sales consists primarily of material costs and related overhead directly attributable to the production of our products. Cost of Sales increased by $443,000 or 50% which is a result of the increased sales.

Gross Profit

Gross profit was approximately $4.1 million for the six months ended June 30, 2019, compared to approximately $2.8 million for the six months ended June 30, 2018, an increase of approximately 48%. The increase in our gross profit was primarily the result of the increased sales of our in-licensed patented hair loss shampoo, conditioner and leave-in foam.

Operating Expenses

Total operating expenses increased approximately 50% to approximately $1.8 million for the three months endedJune 30, 2019, from approximately $3.6 million for the three months ended June 30, 2018. The increase in our operating expenses between the periods was mostly attributable to our increased marketing efforts for our in-licensed patented hair loss shampoo, conditioner and leave-in foam, which increased approximately $1.3 million over from the six months ended June 30, 2019 compared to the six months ended June 30, 2018. We also had increased general and administrative, compensation and related expense costs, and lower professional fees during the comparable period.

Net Loss

Net loss for the six months ended June 30, 2019 was approximately $1.7 million, compared to net loss of approximately $9,000 for the six months ended June 30, 2018. Our net loss for the six months ended June 30, 2019 was mostly attributable to our increased marketing efforts, whereas our low net loss for the three months ended June 30, 2018 was mostly attributable to the sale of the Company's legacy business.

Liquidity and Capital Resources

Working Capital

The following table sets forth a summary of working capital as of June 30, 2018 and December 31, 2018:

	June 30, 2019	December 31, 2018
Current assets	$ 1,329,006	$ 1,605,070
Current liabilities	2,347,896	1,192,397
Working capital	$ (1,018,890)	$ 412,673

We had a negative net working deficit of $1,018,890 at June 30, 2019, resulting in a decrease of $1,431,563 in working capital from net working capital of $412,673 at December 31, 2018. The ratio of current assets to current liabilities was 0.57 to 1 at June 30, 2019.

Cash Flows

The following table sets forth a summary of changes in cash flows for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30,	
	2019	2018
Net cash provided by (used in) operating activities	$ 640,182	$ (238,649)
Net cash (used in) provided by investing activities	(500,000)	390,000
Net cash used in financing activities	(55,168)	(167,479)
Change in cash	$ 85,014	$ (16,128)

Operating Activities

Net cash provided by operating activities was approximately $640,000 for the six months ended June 30, 2019 primarily due to increases in accounts payable and accrued expenses of $1.1 million, stock compensation expense of approximately $373,000 and decreases in inventory of approximately $319,000.

Net cash used in operating activities was approximately $238,000 for the six months ended June 30, 2018. Cash from operating activities during the six months ended June 30, 2019 was primarily due to the net loss of approximately $9,000, net cash used in operating activities of discontinued operations of approximately $140,000 and stock compensation expense of approximately $340,000.

Investing Activities

For the six months ended June 30, 2019, net cash used in investing activities was $500,000 for payments related to the purchase of LegalSimpli.

For the six months ended June 30, 2018, net cash provided by investing activities was $390,000 for proceeds related to the sale of the legacy business.

Financing Activities

For the six months ended June 30, 2019, net cash used in financing activities was approximately $55,000 of which consisted of $50,000 was received from the issuance of notes, offset by distributions to noncontrolling interest totaling $34,298 and payments to convertible note holder of $70,870.

For the six months ended June 30, 2018, net cash used in financing activities was $167,479 which related to the payment of notes payable.

Going Concern and Future Financing

Our principal demands for liquidity are to increase sales via online marketing, purchase inventory and for sales distribution and general corporate purposes. We incurred negative operating cash flows of our continued operations to date in 2019 as well as in the 2018 fiscal year. As a result, we have substantial doubt about our ability to continue as a going concern.

We will require additional funds to implement our growth strategy for our business. In addition, while we have received capital from various private placements and convertible loans that have enabled us to fund our operations, these funds have been largely used to supplement our working capital, although additional funds are needed for other corporate operational and working capital purposes. At this time and at our current burn rate, we have sufficient capital to fund our operations through the balance of this fiscal year. At this time, we have not determined the amount that may be needed. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis should it be required, or generate significant material revenues from operations, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

Equity Financings

On February 27, 2019, the Company entered into short-term note agreement for $100,000 that was repaid prior to the end of this quarter. As part of the note agreement, the Company issued 100,000 restricted shares of common stock to the note holder valued at $16,000.

Debt Financings

None.

Liquidity and Capital Resources Outlook

The Company has funded operations in the past through the sales of its products, issuance of common stock, and debt securities and through loans and advances from officers and directors. The Company's continued operations are dependent upon obtaining an increase in its sales volume and the continued financial support from officers and directors or the issuance of additional shares of common stock and/or debt securities.

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business. At June 30, 2019, the Company has an accumulated deficit approximating $14.9 million and a working capital deficit of approximately $1,019,000. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Based on the Company's cash balance at June 30, 2019, and projected cash needs for the remainder of 2019, management estimates that it will need to increase sales revenue and/or raise additional capital to cover operating and capital requirements for the 2019 year and beyond. Management will need to raise the additional needed funds through increased sales volume, issuing additional shares of common stock or other equity securities, or obtaining debt financing. Although management has been successful to date in raising necessary funding, there can be no assurance that sales revenue will substantially increase or that any required future financing can be successfully completed on a timely basis, or on terms acceptable to the Company.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Effects of Inflation

We do not believe that inflation has had a material impact on our business, revenues or operating results during the periods presented.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in the notes to our financial statements included herein for the quarter ended June 30, 2019 and in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on April 1, 2019.

Recently Issued Accounting Pronouncements

Any recently issued accounting pronouncements are more fully described in Note 1 to our financial statements included herein for the quarter ended June 30, 2019.

Recently Adopted Accounting Standards

Aside from the below, our recently adopted accounting pronouncements are more fully described in Note 2 to our financial statements included herein for the quarter ended June 30, 2019.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). The standard requires all leases that have a term of over 12 months to be recognized on the balance sheet with the liability for lease payments and the corresponding right-of-use asset initially measured at the present value of amounts expected to be paid over the term. Recognition of the costs of these leases on the income statement will be dependent upon their classification as either an operating or a financing lease. Costs of an operating lease will continue to be recognized as a single operating expense on a straight-line basis over the lease term. Costs for a financing lease will be disaggregated and recognized as both an operating expense (for the amortization of the right-of-use asset) and interest expense (for interest on the lease liability). This standard will be effective for our interim and annual periods beginning January 1, 2019, and must be applied on a modified retrospective basis to leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company adopted ASU 2016-02 on January 1, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable. As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our principal executive officer and principal financial officer concluded that, our disclosure controls and procedures were not effective due to the material weakness(es) in internal control over financial reporting described below.

Material Weakness in Internal Control over Financial Reporting

Management conducted an assessment of the effectiveness of the Registrant’s internal control over financial reporting as of June 30, 2019 based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Registrant’s internal control over financial reporting as of June 30, 2019 was not effective.

A material weakness, as defined in the standards established by the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The ineffectiveness of the Company's internal control over financial reporting was due to the following material weaknesses which are indicative of many small companies with small number of staff:

- Lack of a functioning audit committee and a lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures;
- Inadequate segregation of duties consistent with control objectives;
- Insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC Guidelines;
- Inadequate security and restricted access to computer systems including a disaster recovery plan;
- Lack of formal written policy for the approval, identification and authorization of related party transactions; and
- No written whistleblower policy.

Management's Plan to Remediate the Material Weakness

Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions planned include:

- Continue to search for and evaluate qualified independent outside directors;
- Identify gaps in our skills base and the expertise of our staff required to meet the financial reporting requirements of a public company;
- Continue to develop policies and procedures on internal control over financial reporting and monitor the effectiveness of operations on existing controls and procedures;
- Identify and remedy gaps in our security and restricted access policies to computer systems and implement a disaster recovery plan; and
- Develop a written whistleblower policy.

During the quarter ended June 30, 2019, we continued to execute upon our planned remediation actions which are all intended to strengthen our overall control environment. During the third quarter of 2019, we have (i) begun a search for expert qualified independent third-party individuals to sit on our Board of Directors; (ii) retained an expert consulting firm to assist the Company in updating and drafting our written policies and procedures for accounting and financial reporting; (iii) retained an expert consulting firm to assist the Company in developing a disaster recovery plan and whistleblower policy; and (iv) have migrated the accounting functions, internal control policies and procedures of LegalSimpli Software, LLC under the Company's policies and procedures. We believe the above steps will improve oversight of internal controls over financial reporting.

We are committed to maintaining a strong internal control environment and believe that these remediation efforts will represent significant improvements in our control environment. Our management will continue to monitor and evaluate the relevance of our risk-based approach and the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2019 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations, except as set forth below. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the risk factors included in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018 (the "Annual Report"), as filed with the SEC on April 1, 2019, in addition to other information contained in those documents and reports that we have filed with the SEC pursuant to the Securities Act and the Exchange Act since the date of the filing of the Annual Report, including, without limitation, this Quarterly Report on Form 10-Q, in evaluating our company and its business before purchasing shares of our common stock. Our business, operating results and financial condition could be adversely affected due to any of those risks.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following paragraphs set forth certain information with respect to all securities sold by the Company during the three months ended June 30, 2019 without registration under the Securities Act:

On April 25, 2019, the Company entered into an membership purchase agreement with entities owned by the Company's Chief Executive officer and Chief Technology Officer, Conversion Labs PR, whereby the Company acquired the remaining 21.8% interest of Conversion Labs PR from the Company's Chief Executive officer and Chief Technology Officer. As such, the Company now wholly-owns 100% of Conversion labs PR. In order to consummate this transaction, the Company agreed to issue 5 million shares of common stock based on the issuance price of $0.18 per share, or for a total of $900,000 to the Company's Chief Executive officer and Chief Technology Officer. The shares were not issued until August 6, 2019, and, as such, the Company has recorded a liability on the Company's balance sheet as of June 30, 2019.

The above transactions did not involve any underwriters, underwriting discounts or commissions, or any public offering. The Company relied upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act") by virtue of Section 4(a)(2) thereof and/or Regulation D promulgated by the SEC under the Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

There is no other information required to be disclosed under this item which has not been previously reported.

ITEM 6. EXHIBITS

Exhibit Number	Description
(10)	**Material Agreements**
10.1	Amended and Restated Promissory Note, dated May 8, 2019 by and between LegalSimpli Software, LLC and Conversion Labs PR LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 13, 2019)
10.2	Security Agreement, dated May 8, 2019 and between LegalSimpli Software, LLC and Conversion Labs PR LLC (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 13, 2019)
10.3	Operating Agreement of Conversion Labs RX, LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 7, 2019)
10.4	Consulting Agreement, dated May 31, 2019, by and between Conversion Labs, Inc. and Harborside Advisors, LLC (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on June 7, 2019)
10.5	Consulting Agreement, dated May 31, 2019, by and between Conversion Labs, Inc. and Happy Walters (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on June 7, 2019)
10.6	Strategic Partnership Agreement, dated May 31, 2019, by and between Conversion Labs RX, LLC and Specialty Medical Drugstore (d/b/a GoGo Meds) (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on June 7, 2019)
10.7	Membership Interest Purchase Agreement by and between the Company, Conversion Labs PR LLC, Taggart International Trust and American Nutra Tech LLC, dated April 25, 2019 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 31, 2019)
10.8	Second Amended and Restated Limited Liability Company Operating Agreement of Conversion Labs PR (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 31, 2019)
10.9‡	Employment Agreement by and between the Company and Mr. Juan Manuel Piñeiro Dagnery dated April 1, 2019 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on March 20, 2019)
10.10‡*	Employment Agreement by and between the Company and Mr. Stefan Galluppi dated March 18, 2019
(31)	**Rule 13a-14(a)/15d-14(a) Certifications**
31.1*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer
31.2*	Section 302 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer and Principal Accounting Officer
(32)	**Section 1350 Certifications**
32.1**	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer
32.2**	Section 906 Certification under the Sarbanes-Oxley Act of 2002 of the Principal Accounting Officer
(101)*	**Interactive Data Files**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* *Filed herewith.*
** *Furnished herewith.*
‡ Employment Agreement.

SIGNATURES

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

CONVERSION LABS, INC.

By: */s/ Justin Schreiber*
Justin Schreiber
Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Date: August 14, 2019

By: */s/ Juan Manuel Piñeiro Dagnery*
Juan Manuel Piñeiro Dagnery
Chief Financial Officer (Principal Financial Officer)
Date: August 14, 2019

Exhibit 10.10

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this "Agreement"), effective as of March 18, 2019, is entered into between Conversion Labs, Inc., a Delaware corporation ("Company" or "Employer"), a corporation, and Stefan Galluppi ("Employee"), an individual.

1. Employment, Duties and Acceptance

1.1 The Employee currently serves as the Company's Chief Technology and Operations Officer. The Company and Employee desire to enter into this Agreement to define the terms of his employment. The Company shall employ Employee to render exclusive and full-time services as Chief Technology and Operations Officer of the Company and its subsidiaries, and in connection therewith to devote his best efforts to the affairs of the Company and its subsidiaries and to perform such duties as Employee shall reasonably be directed to perform by officers of the Company. Employee shall report directly to the Company's Chief Executive Officer.

1.2 Employee hereby accepts such employment and agrees to render the services set forth in Section 1.1 hereof. Employee agrees to render such services where designated by Employer and Employee will travel on temporary trips to such other place or places as may be required from time to time to perform his duties hereunder. During the term hereof, Employee will not render any services for others, or for Employee's own account, in the business of internet-based direct response marketing that in-licenses, acquires and creates innovative and proprietary products that are sold to consumers around the world via our technology infrastructure and relationships with agencies, third party marketers, and online advertising platforms such as Facebook, Google and Amazon and will not render any services to any supplier or significant customer of the Company or its subsidiaries. The Employee will devote substantially all of his business hours to, and, during such time, make the best use of his energy, knowledge and training in advancing the Employer's interests. The Employee will diligently and conscientiously perform the duties of the Employee's position within the general guidelines to be determined by the Employer. While the Employee is employed by the Company, the Employee will keep the Company informed of any other business activities or outside employment, and will promptly stop any activity or employment that might, in Employer's sole determination, conflict with the Employer's interests or adversely affect the performance of the Employee's duties for the Company. Employee shall undertake any and all other actions necessary for the proper operation of the Employer's business within the guidelines, policies and directives of the Employer. In furtherance of Employee's obligations hereunder, Employee shall abide by all rules, regulations and policies of Employer. Employee agrees to abide by all supervision, orders, advice and direction of Employer. Employee agrees that he will at all times faithfully, industriously and to the best of his ability, experience and talents, perform all the duties which may be required of and from him, pursuant to the express and implicit terms hereof, to the satisfaction of Employer. Employee shall perform his duties at such locations as designated by the Company. Initially, Employee shall be based in the State of California.

1.3 Anything contained in this Agreement to the contrary notwithstanding, Employee shall have no authority whatsoever to bind Employer to any contracts or obligations with any third parties. Employee shall not convey or express to any third party, either directly or indirectly, that he has any authority whatsoever to bind Employer to any contracts. Employee agrees to indemnify and hold Employer harmless from the claims of any and all third parties who shall in any way claim that Employer is bound to an agreement based on representations made by Employee.

2. Term of Employment. This Agreement may be terminated without notice by either party at any time for any reason.

3. Compensation

3.1 As compensation for all services to be rendered pursuant to this Agreement to or at the request of Company, Company agrees to pay Employee a salary at the rate of One Hundred Twenty Thousand and No/100ths Dollars ($120,000) per annum (the "Salary"), payable in semi-monthly installments each month during Employee's Term of Employment.

3.2 The Salary set forth hereinabove shall be payable in accordance with the regular payroll practices of the Company for employees. All payments hereunder shall be subject to the provisions of Section 4 hereof.

3.3 Employee shall be eligible to participate in all health, medical, dental, life insurance and stock option employee benefits as are available from time to time to other key executive employees (and their families) of the Company.

3.4 Employee shall be entitled to 3 weeks of paid vacation per year.

3.5 In addition to Employee's Salary as stated herein, Employee shall be eligible for an annual discretionary bonus of up to 100% of Employee's Salary.

4. Termination

4.1 Upon the termination of this Agreement for any reason all bonuses set forth in this Agreement which have not yet been paid as of the date of termination (whether or not same have otherwise been fully or partially earned) shall be forfeited by Employee and Employee shall have no further rights to such compensation or bonuses.

5. Protection of Confidential Information

5.1 Employee acknowledges that during the Term of this Agreement he will have access to, knowledge of and familiarity with the business of Company, its trade secrets and its other confidential information including, without limitation, client lists, client proposals, designs, scientific and technical information, marketing strategies, research and development data, inventions, discoveries, manufacturing methods, sales procedures, customer lists, future business plans, formulas, pricing, methods of operation and products which are of value to Company and not generally known to the public. In order to induce Company to enter into this Agreement, and to protect the Company's proprietary interest in its trade secrets and confidential information, Employee agrees that at all times during the Term of this Agreement, or any extension, renewal, modification or amendment of the same, and for a period of two years after the termination of this Agreement, Employee shall not directly or indirectly, without the prior written consent of Company, disclose or divulge to any third parties, or otherwise use or suffer to be used, any of the trade secrets and confidential information as described herein of Company.

5.2 All documents, records, tapes, and other media of every kind and description relating to the business, present or otherwise, of the Company or its subsidiaries and any copies, in whole or in part, thereof (the "Documents"), whether or not prepared by the Employee, shall be the sole and exclusive property of the Company. The Employee shall safeguard all Documents and shall surrender to the Company at the time his consultancy terminates, or at such earlier time or times as the Company may specify, all Documents then in the Employee's possession or control.

6. Covenant Against Solicitation of Customers. Employee agrees that during the Term of this Agreement and for a period of two (2) years immediately following termination of this Agreement, Employee shall not, on his own behalf or on behalf of any person, firm, partnership, association, corporation or business organization, entity or enterprise, solicit, contact, call upon, communicate with or attempt to communicate with any customer or prospect of the Company, or any representative of any customer or prospect of the Company, with a view to the selling or providing of any program, product or service competitive or potentially competitive with any program, product, equipment or service sold or provided or under development by the Company during a period of two (2) years immediately preceding termination of this Agreement, provided, however, that the restrictions set forth in this Section 6 shall apply only to customers or prospects of the Company, or representatives of customers or prospects of the Company, with which Employee had contact during such two-year period. The actions prohibited by this section shall not be engaged in by Employee, directly or indirectly, whether as manager, owner, sales or service representative, agent, engineer, technician or otherwise. Employee hereby confirms and acknowledges that the covenant set forth in this Section is reasonable, appropriate and necessary to protect the interest of the Employer, and will not cause undue hardship on Employee.

7. Covenant against Competition. Employee hereby expressly covenants and agrees that Employee will not during the Term of this Agreement engage in any activity in competition with the business activities of Employer. Employee further agrees that for a period of two (2) years immediately following termination of this Agreement, within a fifty (50) mile radius of the address where Employee is working as of the date of the termination of this Agreement, Employee shall not for any reason whatsoever, conduct any activity that is competitive with the activities Employee conducted for Employer within one year prior to the termination of this Agreement.

8. Covenant against hiring employees of Employer. During the Term of this Agreement and through the period ending two (2) years after the termination of this Agreement, Employee agrees that he will not for any reason whatsoever, recruit, employ or attempt to recruit or employ or assist anyone else in recruiting or employing any employee of the Company.

9. Tolling of Restrictive Covenants. In the event the enforceability of any of the terms of Sections 5, 6, 7 or 8 of this Agreement shall be challenged in court and Employee is not enjoined from breaching any of the protective covenants contained in Sections 5, 6, 7 or 8 hereof, then if a court of competent jurisdiction finds that the challenged protective covenant is enforceable, the time periods described in the challenged Section(s), or Paragraph(s), shall be deemed tolled upon the filing of the lawsuit in which the enforceability of the covenant is challenged until the dispute is finally resolved and all applicable appeal rights have expired.

10. Attorney Fee Indemnification for Enforcement of the Provisions of this Contract. The parties hereto agree that if either party is forced to engage the services of an attorney at law to enforce any of the provisions of this Agreement and is successful in so enforcing the provisions of this Agreement, the losing party shall indemnify the prevailing party for all attorney's fees incurred by the prevailing party in bringing such an action to enforce said provisions.

11. Notices

11.1 All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or sent by prepaid telegram, or mailed first-class, postage prepaid, as follows:

If to Employee:

Stefan Galluppi
121 15th st. Huntington Beach CA. 92649
____
Email: stefan@conversionlabs.com

With a copy to:

____
____
____
____

If to Company:

Conversion Labs, Inc.
Attn: Justin Schreiber, Chief Executive Officer
Email: justin@jlsventures.com

With a copy to:

Lucosky Brookman LLP
101 Wood Avenue South, Fifth Floor
Woodbridge, NJ 08830
Attn: Lawrence Metelitsa
Email: lmetelitsa@lucbro.com

Or to other addresses as either party may specify by written notice to the other as provided in this Article 11.1.

12. General

12.1 Employee acknowledges and warrants that his breach of any of the provisions contained in Sections 5, 6, 7 or 8 hereof would result in irreparable damage and injury to Employer which injury could not be adequately compensated by money damages or other legal remedies. Accordingly, in the event of such a breach of any of the provisions of Sections 5, 6, 7 or 8 hereof, in addition to any remedies which may be available to Employer, Employer may seek equitable relief for such breaches, including, without limitations, an injunction or an order for a specific performance. If Employer seeks to enjoin Employee from breaching any such provision of Sections 5, 6, 7 or 8, Employee hereby waives the defense that Employer has or will then have an adequate remedy at law. Nothing in this Section shall be deemed to limit Employer's remedies at law or in equity for any breach by Employee of any provision of this Agreement which may be pursued or availed by Employer. Furthermore, nothing in this Paragraph 12.1 or otherwise contained in this Agreement shall limit, abridge or modify the rights of Employer in and to its trade secrets and confidential information under any applicable trade secret, trademark, patent, unfair competition or other law of the United States or any other jurisdiction.

12.2 This Agreement sets forth the entire agreement and understanding of the parties hereto, and supersedes all prior agreements, arrangements, and understandings. Nothing herein contained shall be construed so as to require the commission of any act contrary to law and wherever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation, the latter shall prevail, but in such event the provision of this Agreement affected shall be curtailed and limited only to the extent necessary to bring it within legal requirements. Without limiting the generality of the foregoing, in the event that any compensation or other monies payable hereunder shall be in excess of the amount permitted by any such statute, law, ordinance, or regulation, payment of the maximum amount allowed thereby shall constitute full compliance by Company with the payment requirements of this Agreement.

12.3 No representation, promise, or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise, or inducement not so set forth.

12.4 The provisions of this Agreement shall inure to the benefit of the parties hereto, their heirs, legal representatives, successors, and assigns. This Agreement, and Employee's rights and obligations hereunder, may not be assigned by Employee. Company may assign its rights, together with its obligations, hereunder in connection with any sale, transfer or other disposition of all or substantially all of its business and assets. Company may also assign this Agreement to any affiliate of Company; provided, however, that no such assignment shall (unless Employee shall so agree in writing) release Company of liability directly to Employee for the due performance of all of the terms, covenants, and conditions of this Agreement to be complied with and performed by Company. The term "affiliate", as used in this agreement, shall mean any corporation, firm, partnership, or other entity controlling, controlled by or under common control with Company. The term "control" (including "controlling", "controlled by", and "under common control with"), as used in the preceding sentence, shall be deemed to mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such corporation, firm, partnership, or other entity, whether through ownership of voting securities or by contract or otherwise.

12.5 This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by both of the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of either party at any time or times to require performance of any provisions hereof shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

12.6 This Agreement shall be governed by and construed according to the laws of the State of New York applicable to agreements to be wholly performed therein.

12.7 The parties hereto expressly agree that it is not the intention of the parties hereto to violate any public policy, statutory or common law rules, regulations, treaties or decisions of any government or agency thereof. If any provision of this Agreement is judicially or administratively interpreted or construed as being in violation of any such provision, such articles, sections, paragraphs, sentences, words, clauses or combinations thereof shall be inoperative in such jurisdiction and the remainder of this agreement shall remain binding upon the parties hereto and in full force and effect.

12.8 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR ANY OTHER AGREEMENTS EXECUTED IN CONNECTION HEREWITH. OR THE ADMINISTRATION THEREOF OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BUYER TO ENTER INTO THIS AGREEMENT.

(See following page for execution signatures)

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of March [DATE], 2019.

"COMPANY" or "EMPLOYER"	"EMPLOYEE"
Conversion Labs, Inc., a Delaware corporation	
By: /s/ Justin Schreiber	/s/ Stefan Galluppi
Print Name Justin Schreiber	Stefan Galluppi, an individual
Print Title CEO	
March 18, 2019	3-18-19
Date	Date

Exhibit 31.1

CONVERSION LABS, INC.
CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Justin Schreiber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conversion Labs, Inc. for the period ended June 30, 2019;

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 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.

By: *_/s/ Justin Schreiber_*
Justin Schreiber
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)
Date: August 14, 2019

Exhibit 31.2

CONVERSION LABS, INC.
CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Juan Manuel Piñeiro Dagnery, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Conversion Labs, Inc. for the period ended June 30, 2019;

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 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.

By: * /s/ Juan Manuel Piñeiro Dagnery*
Juan Manuel Piñeiro Dagnery
Chief Financial Officer (Principal Financial and
Accounting Officer)
Date: August 14, 2019

Exhibit 32.1

CONVERSION LABS, INC.
CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Conversion Labs, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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 operation of the Company.

By: *\/s/ Justin Schreiber*
Justin Schreiber
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)
Date: August 14, 2019

Exhibit 32.2

CONVERSION LABS, INC.
CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Conversion Labs, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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 operation of the Company.

By: *\/s/ Juan Manuel Piñeiro Dagnery*
Juan Manuel Piñeiro Dagnery
Chief Financial Officer (Principal Financial and
Accounting Officer)
Date: August 14, 2019