PRIVATE PLACEMENT MEMORANDUM

KNOW LABS, INC.

500 UNION STREET, SUITE 810, SEATTLE, WA 98101

Maximum Offering Up to $5,000,000

8.0 % Subordinated Convertible Notes with Warrants

(Purchase Price per Unit: $1.00)

We are Know Labs, Inc., a late development stage Nevada corporation ("Know Labs," "the Company," "we" or "us") engaged in the business of developing sensor technology platforms. The Company's first focus is on utilizing its technology in a wearable form to non-invasively ascertain blood glucose levels. This offering (this "Offering") is a private placement of 8.0% convertible subordinated notes (the "Convertible Subordinated Notes") convertible into common stock of the Company, par value $0.001 per share (the "Shares" or "Common Stock") and warrants to purchase Shares (the "Warrants").

We are offering Subordinated Convertible Notes that convert into, in the aggregate, up to 5,000,000 Shares and half as many Warrants to purchase Shares. Each Warrant may be exercised to purchase one-half (1/2) Share at an exercise price equal to 120% of the Purchase Price ($1.20 per Share). The Subordinated Convertible Notes and Warrants will be sold in units (the "Units"). Each Unit will be sold at a price of $1.00 per Unit (the "Purchase Price") and will consist of a Subordinated Convertible Note and a Warrant. The Subordinated Convertible Note and Warrants will be issued separately but can only be purchased together in this Offering. Units will not be issued or certificated.

We are offering up to a maximum of 5,000,000 Units (including 2,500,000 Warrants) at an aggregate maximum offering price of $5,000,000 (the "Maximum Offering"). See "Plan of Distribution." We may not sell fractional Units in this Offering. We have engaged Boustead Securities, LLC (the "Placement Agent") as our exclusive agent to assist in selling the Units. This Offering is being conducted only through this Private Placement Memorandum, as it may be amended or supplemented from time to time, including all annexes and exhibits hereto, if any (this "Memorandum"). Affiliates and related parties of the Placement Agent and/or the Company may purchase Units in this Offering and any purchases by them may be counted in determining whether the Maximum Offering amount has been reached.

This Offering is being conducted on a "reasonable efforts" basis. We will file a registration statement on Form S-1 or other appropriate form in our sole discretion (the "Registration Statement") to register the Shares issuable upon conversion of the Subordinated Convertible Notes and the Shares issuable upon exercise of the Warrants (the "Registrable Securities") under the Securities Act of 1933, as amended (the "Securities Act") within 45 days after the final closing of this Offering with the U.S. Securities and Exchange Commission (the "SEC") (the "Registration Filing Date") and will use commercially reasonable efforts to ensure that registration of the Registerable Securities becomes effective as soon as practical after the Registration Filing Date and thereafter to keep the Registration Statement effective for a period of one year following the closing date of this Offering.

	Purchase Price	Placement Agent Fee[(1)]	Proceeds to Company[(2)]
Price for one Unit	$1.00	$0.08	$0.92
Maximum Offering	$5,000,000	$400,000	$4,600,000

(1) The Placement Agent is entitled to additional non-cash compensation in the form of Warrants and an advance of its commission in the form of an Advisory Fee. See "Plan of Distribution."

(2) Before deducting legal and other offering expenses payable by us. See "Use of Proceeds" and "Plan of Distribution."

Investing in the Units (and the underlying Shares) is speculative and involves a high degree of risk. You should not invest in the Units unless you are in a position to lose the entire amount of your investment. See "Risk Factors." Our Shares trade in the OTCQB Marketplace under the symbol "KNWN". Although the last reported trade for our Shares on January 15, 2019 was $1.20, our Shares are not widely traded and no assurance can be given that more robust trading will develop after this Offering.

Neither the Securities and Exchange Commission nor any state securities authority has approved or disapproved of the Units or the underlying Securities, passed on the completeness or accuracy of this Memorandum or the merits of this Offering. Any representation to the contrary is a criminal offense.

Boustead Securities

EXPLANATORY NOTES

This Memorandum is intended to furnish information solely to investors regarding a possible investment in our Subordinated Convertible Notes and Warrants and contains summaries of certain provisions of the documents relating to our Subordinated Convertible Notes and Warrants. Such summaries are not complete and are subject to, and qualified in their entirety by, reference to the texts of the original documents.

This Offering is made solely to investors who qualify as "accredited investors," as defined in Regulation D promulgated under the Securities Act, in a private placement exempt from registration under the Securities Act and applicable state securities laws. We will not sell Units in this Offering to any person who does not demonstrate compliance with the requirements described in this Memorandum. See "Terms of this Offering."

The Company is making this Offering exclusively through the Placement Agent. If you wish to purchase Units in this Offering, you must submit to the Placement Agent one executed signature page to the Subscription Agreement which accompanied this Memorandum. You will then receive the Securities Purchase Agreement and a Subscription Agreement which is attached to the Securities Purchase Agreement. You will then need to execute those documents and return along with the required payment.

The Units will be offered through February 28, 2019 (the "Initial Offering Period"), which period may be extended by Know Labs and the Placement Agent, in their mutual discretion, to a date not later than April 15, 2019 (any such additional period, together the Initial Offering Period, shall be referred to as the "Offering Period"). We are not required to raise any minimum amount in this Offering before we may utilize the funds received in this Offering. There is no assurance that any funds will be invested other than your own funds. In addition, we may terminate this Offering at any time without notice.

Any investment in the Company involves a high degree of financial risk. Before participating in this Offering, you should carefully read this entire Memorandum and our public filings with the SEC and consider all of the risk factors relating to this Offering and the Company. In addition, you should consult your own counsel, accountants and other professional advisors (the "Authorized Representatives") as to legal, tax, accounting and other related matters concerning your investment in the Subordinated Convertible Notes and Warrants and its suitability for you. This Offering is intended only for persons or entities who can afford to lose all of their investment.

We are offering the Units in a private placement in reliance upon exemptions from the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Subordinated Convertible Notes, the Warrants and the Shares underlying the Subordinated Convertible Notes and Warrants (together, the "Securities") that we sell in this Offering will be restricted securities under the Securities Act and, therefore, subject to restrictions on resale. You may not transfer the Securities, except in a transaction (i) registered under the Securities Act and applicable state securities laws or (ii) exempt from the Securities Act and applicable state securities registration requirements and upon your obtaining a legal opinion, reasonably acceptable to us, that your transfer is exempt from such registration. Each document or certificate representing the Securities will bear a legend evidencing this restriction. See "Restrictions on the Transfer of Securities."

We have not authorized anyone (other than the individuals to whom inquiries are specifically directed as set forth below) to provide any information about us or this Offering other than the information contained in this Memorandum and, if provided, you should not rely on any such information as having been authorized by us. The information contained herein, including any representations concerning the Company or the Offering, is correct as of the date of this Memorandum, and the delivery and use of this Memorandum at any time after such date does not imply, and should not be construed to mean, that such information is correct at such later date. We disclaim any intention or, subject to applicable law, obligation to update any of the information contained in this Memorandum.

Prior to any purchase of the Units, you and your Authorized Representatives may ask questions concerning the terms and conditions of this Offering and our business, and to obtain additional information to the extent that we possess such information or can acquire it without unreasonable effort or expense. **If you desire any additional information concerning our Company, please contact Ron Erickson, at ron@knowlabs.co or if you have any questions involving the subscription procedures relating to this Offering, please contact Peter Conley, Boustead Securities, LLC, at (310) 383-7874.**

We have prepared this Memorandum solely for use in connection with this Offering. This Memorandum is personal to each offeree and does not constitute an offer to any other person, or to the public generally, to purchase Units. This Memorandum and the information contained herein are our property. You must keep this Memorandum confidential and may not make or provide a copy of this Memorandum to anyone other than your Authorized Representatives, and then only for the purpose of advising you in connection with this Offering. By your acceptance of this Memorandum, you hereby acknowledge and agree to the foregoing restrictions.

The information contained in this Memorandum has been prepared to assist interested parties in making their own evaluation of Know Labs and does not purport to contain all the information that a prospective investor may require. The information in this Memorandum is for background purposes only and is subject to change. In all cases interested parties should conduct their own investigation, analysis and evaluation of Know Labs and the data set forth in this Memorandum. The information in this Memorandum has not been independently verified and was provided by Know Labs and other sources deemed by such parties to be reliable. Neither legal counsel to Know Labs nor legal counsel to the Placement Agent or their respective affiliates is acting as legal counsel for any potential investor and such persons are advised to retain and consult with their own legal counsel. Counsel for the Company and for the Placement Agent expressly disclaim any representation respecting any information concerning Know Lab's future operating results that are included in this Memorandum.

This Memorandum was prepared by representatives of the Company. Boustead Securities LLC, and its officers, directors, partners, shareholders, managers, members and employees, acting as Placement Agent, expressly disclaim any representation or warranty regarding involvement in or responsibility for any information or forward-looking statements contained in this Memorandum. Boustead is acting as Placement Agent for the Company, and, in that capacity, is not acting as investment advisor to prospective investors in connection with the Securities being offered in this Memorandum. Prospective investors must make their own investment decisions. In making those decisions, prospective investors should be aware that Boustead will receive a placement fee and other compensation as described elsewhere in this Memorandum.

We may reject any subscription for Units, in whole or in part, in any order and for any or no reason, in our sole discretion. In the event that this Offering is over-subscribed, we may reduce (or reject) the subscriptions based on each investor's pro rata participation in this Offering or in any other manner that we together with the Placement Agent may determine, or we may increase the size of the offering.

NOTICE TO RESIDENTS OF ALL STATES

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF OUR COMPANY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS RECOMMENDED THESE SECURITIES, NOR HAVE ANY OF THE FOREGOING PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. FURTHERMORE, NONE OF THE FOREGOING AUTHORITIES HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND MAY NOT BE TRANSFERRED OR RESOLD UNLESS REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION THEREFROM. INVESTORS SHOULD BE ABLE TO BEAR INDEFINITELY THE RISKS OF THEIR INVESTMENT AND TO WITHSTAND A TOTAL LOSS OF THEIR INVESTMENT.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR THE LAWS OF ANY FOREIGN JURISDICTION AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. THE SECURITIES WILL BE OFFERED AND SOLD UNDER THE EXEMPTION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER AND OTHER EXEMPTIONS OF SIMILAR IMPORT IN THE LAWS OF THE STATES AND OTHER JURISDICTIONS WHERE THE OFFERING WILL BE MADE. AS SUCH, EACH PURCHASER OF THE INTERESTS OFFERED HEREBY MUST BE AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION TO ANY PERSON OR ENTITY TO WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH STATE OR JURISDICTION. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

SPECIAL NOTICE TO FOREIGN INVESTORS

IF YOU LIVE OUTSIDE THE UNITED STATES, IT IS YOUR RESPONSIBILITY TO FULLY OBSERVE THE LAWS OF ANY RELEVANT TERRITORY OR JURISDICTION OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY PURCHASE OF OUR SECURITIES, INCLUDING OBTAINING REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER REQUIRED LEGAL OR OTHER FORMALITIES.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Memorandum contains "forward-looking statements," which include information relating to future events, future financial performance, financial projections, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will be achieved. Forward-looking statements are based on information we have when those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Please see "Risk Factors" for additional risks which could adversely impact our business and financial performance.

Moreover, new risks regularly emerge, and it is not possible for our management to predict or articulate all risks we face, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. All forward-looking statements included in this Memorandum are based on information available to us on the date of this Memorandum. Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained above and throughout this Memorandum.

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BUSINESS SUMMARY

This summary highlights certain information regarding the Company, including its history, its business objectives, and management team. This summary does not contain all of the information that you should consider before purchasing the Units. The words "KNOW LABS," "us," "we," the "Company" and any variants thereof used in this Memorandum refer to Know Labs, Inc. ***You should read this entire Memorandum carefully, including the information under the heading "Risk Factors," before investing in the Units.***

BACKGROUND AND CAPITAL STRUCTURE

Know Labs, Inc., formerly Visualant, Incorporated, was incorporated under the laws of the State of Nevada in 1998. Since 2007, we have been focused primarily on research and development of proprietary technologies which can be used to authenticate and diagnose a wide variety of organic and non-organic substances and materials. Our Common Stock trades on the OTCQB marketplace under the symbol "KNWN."

BUSINESS

We are focused on the development, marketing and sales of a proprietary technologies which are capable of uniquely authenticating or diagnosing almost any substance or material using electromagnetic energy to create, record and detect the unique "signature" of the substance. We call these our "ChromaID™" and "Bio-RFID™" technologies.

Overview

Historically, the Company focused on the development of our proprietary ChromaID technology. Using light from low-cost LEDs (light emitting diodes) we map the color of substances, fluids and materials and with our proprietary processes we can authenticate, identify and diagnose based upon the color that is present. The color is both visible to us as humans but also outside of the humanly visible color spectrum in the near infra-red and near ultra-violet and beyond. Our ChromaID scanner sees what we like to call "Nature's Color Fingerprint." Everything in nature has a unique color identifier and with ChromaID we can see it, and identify, authenticate and diagnose based upon the color that is present. Our ChromaID scanner is capable of uniquely identifying and authenticating almost any substance or liquid using light to create, record and detect its unique color signature. We will continue to develop and enhance our ChromaID technology and extend its capacity. More recently, we have focused upon extensions and new inventions that are derived from and extend beyond our ChromaID technology. We call this technology Bio-RFID. The rapid advances made with our Bio-RFID technology in our laboratory have caused us to move quickly in to the commercialization phase of our Company as we work to create revenue generating products for the marketplace. We will also, as resources permit, pursue licensing opportunities with third parties who have ready applications for our technologies.

In 2010, we acquired TransTech Systems, Inc. as an adjunct to our business. TransTech is a distributor of products for employee and personnel identification and authentication. TransTech has historically provided substantially all of the Company's revenues. The financial results from our TransTech subsidiary have been diminishing as vendors of their products increasingly move to the Internet and direct sales to their customers. While it does provide our current revenues it is not central to our current focus as a Company. Moreover, we have written down any goodwill associated with its historic acquisition. We continue to closely monitor this subsidiary.

The Know Labs Technology

We have internally and under contract with third parties developed proprietary platform technologies to uniquely authenticate or diagnose almost any material and substance. Our technology utilizes electromagnetic energy at various points along the electromagnetic spectrum to perform analytics which allow the user to identify, authenticate and diagnose depending upon the application and the unique field of use. The Company's proprietary platform technologies are called ChromaID and Bio-RFID.

The ChromaID patented technology utilizes light at the photon (elementary particle of light) level through a series of emitters and detectors to generate a unique signature or "fingerprint" from a scan of almost any solid, liquid or gaseous material. This signature of reflected or transmitted light is digitized, creating a unique ChromaID signature. Each ChromaID signature is comprised of hundreds to thousands of specific data points.

The ChromaID technology looks beyond visible light frequencies to areas of near infra-red and ultraviolet light and beyond that are outside the humanly visible light spectrum. The data obtained allows us to create a very specific and unique ChromaID signature of the substance for a myriad of authentication, verification and diagnostic applications.

Traditional light-based identification technology, called spectrophotometry, has relied upon a complex system of prisms, mirrors and visible light. Spectrophotometers typically have a higher cost and utilize a form factor (shape and size) more suited to a laboratory setting and require trained laboratory personnel to interpret the information. The ChromaID technology uses lower cost LEDs and photodiodes and specific electromagnetic frequencies resulting in a more accurate, portable and easy-to-use solution for a wide variety of applications. The ChromaID technology not only has significant cost advantages as compared to spectrophotometry, it is also completely flexible is size, shape and configuration. The ChromaID scan head can range in size from endoscopic to a scale that could be the size of a large ceiling-mounted florescent light fixture.

In normal operation, a ChromaID master or reference scan is generated and stored in a database. We call this the ChromaID Reference Library. The scan head can then scan similar materials to identify, authenticate or diagnose them by comparing the new ChromaID digital signature scan to that of the original or reference ChromaID signature or scan result. Over time, we believe the ChromaID Reference Libraries can become a significant asset of the Company, providing valuable information in numerous fields of use. The Reference Libraries for Bio-RFID will have a similar promise regarding their utility and value.

The Company's latest technology platform is called Bio-RFID. Working in our lab over the past year, we have developed extensions and new inventions derived in part from our ChromaID technology which we refer to as Bio-RFID technology. While we are in the early stages of the development of this technology, we have recently announced that we have successfully been able to non-invasively ascertain blood glucose levels. We are building the internal and external development team necessary to commercialize this newly discovered technology as well as make additional patent filings covering the intellectual property created with these new inventions. The first applications of our Bio-RFID technology will be in a product we call the UBAND™. The first UBAND product will be marketed as a real time calorie counter. It is a wearable product which will be worn on the wrist and communicate with a smart phone device via Bluetooth connectivity. It will provide the user with real time information on their caloric consumption from carbohydrates.

We have recently announced the results of laboratory-based comparison testing between our Bio-RFID technology and the leading continuous glucose monitors from Abbott Labs (Freestyle Libre®) and DexCom (G5®). These results provide evidence of a high degree of correlation between our Bio-RFID based technology and the current industry leaders. Our technology is fundamentally differentiated from these industry leaders as it is completely non-invasive.

We expect to begin the process of obtaining US Food and Drug Administration approval of our non-invasive continuous blood glucose monitoring device during calendar year 2019. We are unable to estimate the time necessary for such approval nor the likelihood of success in that endeavor.

ChromaID and Bio-RFID: Foundational Platform Technologies

Our ChromaID and Bio-RFID technologies provide a platform upon which a myriad of applications can be developed. As platform technologies, they are analogous to a smartphone, upon which an enormous number of previously unforeseen applications have been developed. ChromaID and Bio-RFID technologies are "enabling" technologies that bring the science of electromagnetic energy to low-cost, real-world commercialization opportunities across multiple industries. The technologies are foundational and, as such, the basis upon which the Company believes a significant business can be built.

As with other foundational technologies, a single application may reach across multiple industries. The ChromaID technology can, for example effectively differentiate and identify different brands of clear vodkas that appear identical to the human eye. By extension, this same technology can identify pure water from water with contaminants present. It can provide real time detection of liquid medicines such as morphine that have been adulterated or compromised. It can detect if jet fuel has water contamination present. It could determine when it is time to change oil in a deep fat fryer. These are but a few of the potential applications of the ChromaID technology based upon extensions of its ability to identify different clear liquids.

Similarly, the Bio-RFID technology can non-invasively identity the presence and quantity of glucose in the human body. By extension, there may be other molecular structures which this same technology can identity in the human body which, over time, the Company will focus upon. They may include the monitoring of drug usage or the presence of illicit drugs. They may also involve identifying hormones and various markers of disease.

The cornerstone of a company with a foundational platform technology is its intellectual property. We have pursued an active intellectual property strategy and have been granted 12 patents. We currently have 20 patents pending. We possess all right, title and interest to the issued patents. Ten of the pending patents are licensed exclusively to us in perpetuity by our strategic partner, Allied Inventors.

Our Patents and Intellectual Property

We believe that our 12 patents, 20 patent applications, three registered trademarks, and our trade secrets, copyrights and other intellectual property rights are important assets. Our issued patents will expire at various times between 2027 and 2033. The duration of our trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

The issued patents cover the fundamental aspects of the Know Labs ChromaID technology and a growing number of unique applications ranging, to date, from invisible bar codes to tissue and liquid analysis. We have filed patents on Bio-RFID technology and will continue to expand the Company's patent portfolio over time through internal development efforts as well as through licensing opportunities with third parties.

Additionally, significant aspects of our technology are trade secrets which may not be disclosed through the patent filing process. We intend to be diligent in maintaining our trade secrets.

The patents that have been issued to Know Labs and their dates of issuance are:

On August 9, 2011, we were issued US Patent No. 7,996,173 B2 entitled "Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy," by the United States Office of Patents and Trademarks. The patent expires August 24, 2029.

On December 13, 2011, we were issued US Patent No. 8,076,630 B2 entitled "System and Method of Evaluating an Object Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires November 7, 2028.

On December 20, 2011, we were issued US Patent No. 8,081,304 B2 entitled "Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 28, 2030.

On October 9, 2012, we were issued US Patent No. 8,285,510 B2 entitled "Method, Apparatus, and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On February 5, 2013, we were issued US Patent No. 8,368,878 B2 entitled "Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On November 12, 2013, we were issued US Patent No. 8,583,394 B2 entitled "Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On November 21, 2014, we were issued US Patent No. 8,888,207 B2 entitled "Systems, Methods, and Articles Related to Machine-Readable Indicia and Symbols" by the United States Office of Patents and Trademarks. The patent expires February 7, 2033. This patent describes using ChromaID to see what we call invisible bar codes and other identifiers.

On March 23, 2015, we were issued US Patent No. 8,988,666 B2 entitled "Method, Apparatus, and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On May 26, 2015, we were issued US Patent No. 9,041,920 B2 entitled "Device for Evaluation of Fluids using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires March 12, 2033. This patent describes a ChromaID fluid sampling devices.

On April 19, 2016, we were issued US Patent No. 9,316,581 B2 entitled "Method, Apparatus, and Article to Facilitate Evaluation of Substances Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires March 12, 2033. This patent describes an enhancement to the foundational ChromaID technology.

On April 18, 2017, we were issued US Patent No. 9,625,371 B2 entitled "Method, Apparatus, and Article to Facilitate Evaluation of Substances Using Electromagnetic Energy." The patent expires July 2027. This patent pertains to the use of ChromaID technology for the identification and analysis of biological tissue. It has many potential applications in medical, industrial and consumer markets.

On April 4, 2018, we were issued US Patent No. 9,869,636 B2, entitled "Device for Evaluation of Fluids Using Electromagnetic Energy."

The patent expires approximately April 2033. This patent pertains to the use of ChromaID technology for evaluating and analyzing fluids such as those following through an IV drip in a hospital or water, for example.

We continue to pursue a patent strategy to expand our unique intellectual property in the United States and other countries.

Joint Development Agreements and Product Strategy

We are currently undertaking internal development work on potential products for the consumer marketplace. This development work was being performed through our Consulting Agreement with Blaze Clinical, and Phillip A. Bosua, who served as our Chief Product Officer. In his current role as Chief Executive Officer, Mr. Bosua continues to lead these efforts. As these products take form over the coming months, we will make appropriate product announcements.

We also will continue to engage with partners through licensing our technology in various fields of use, entering in to joint venture agreements to develop specific applications of our technology, and in certain specific instances develop our own products for the marketplace.

We have deployed our ChromaID development kit to a number of potential joint venture partners and customers around the world. There are strong indications of interest in deploying our technology in a wide variety of applications involving identification, authentication and diagnostics. Currently we are focusing our current efforts on productizing our Bio-RFID technology as we moveit out of the research laboratory and in to the marketplace.

Research and Development

Our current research and development efforts are primarily focused improving our Bio-RFID technology, extending its capacity and developing new and unique applications for the technology. As part of this effort, we conduct on-going laboratory testing to ensure that application methods are compatible with the end-user and regulatory requirements, and that they can be implemented in a cost-effective manner. We are also actively involved in identifying new applications. Our current internal team along with outside consultants have considerable experience working with the application of our technologies and their application. We engage third party experts as required to supplement our internal team. We believe that continued development of new and enhanced technologies is essential to our future success. We incurred expenses of $570,514 and $79,405 for the year ended September 30, 2018 and 2017, respectively, on development activities. On July 6, 2017, we entered into a Consulting Agreement with Phillip A. Bosua, our Chief Product Officer to lead our development efforts. He has continued in that role with expanded responsibilities upon his appointment as Chief Executive Officer on April 19, 2018.

OTHER DEVELOPMENTS

Merger with RAAI Lighting, Inc.

On April 10, 2018, we entered into an Agreement and Plan of Merger with 500 Union Corporation, a Delaware corporation and a wholly owned subsidiary of the Company, and RAAI Lighting, Inc., a Delaware corporation. Pursuant to the Merger Agreement, we have acquired all the outstanding shares of RAAI's capital stock through a merger of Merger Sub with and into RAAI (the "Merger"), with RAAI surviving the Merger as a wholly owned subsidiary of the Company.

Under the terms of the Merger Agreement, each share of RAAI common stock issued and outstanding immediately before the Merger (1,000 shares) were cancelled and we issued 2,000,000 shares of our common stock. As a result, we issued 2,000,000 shares of its common stock to Phillip A. Bosua, formerly the sole stockholder of RAAI. The consideration for the Merger was determined through arms-length bargaining by the Company and RAAI. The Merger was structured to qualify as a tax-free reorganization for U.S. federal income tax purposes. As a result of the Merger, the Company received certain intellectual property, related to RAAI.

Appointment of Director

On April 10, 2018, the Board increased the size of the Board from three to four members and Phillip A. Bosua was appointed as a member of the Board. Mr. Bosua's term of office expire at the next annual meeting of our stockholders. On May 24, 2018, the Board of Directors increased the size of the Board from four to five members and appointed (Ret.) Admiral William Owens as a member of the Board. Admiral Owen's term of office expires at the next annual meeting of our stockholders.

Appointment of Officer

On April 10, 2018, we appointed Mr. Bosua as Chief Executive Officer of the Company, replacing Ronald P. Erickson, who remains Chairman of the Company. Mr. Erickson has been a director and officer of Know Labs since April 2003. He was appointed as our CEO and President in November 2009 and as Chairman of the Board in February 2015. Previously, Mr. Erickson was our President and Chief Executive Officer from September 2003 through August 2003 and was Chairman of the Board from August 2004 until May 2011.

Phillip A. Bosua was appointed the Company's CEO on April 10, 2018. Previously, Mr. Bosua served as our Chief Product Officer since August 2017. We entered into a Consulting Agreement with Mr. Bosua's company, Blaze Clinical on July 7, 2017. From September 2012 to February 2015, Mr. Bosua was the founder and Chief Executive Officer of LIFX Inc. (where he developed and marketed an innovative "smart" light bulb) and from August 2015 until February 2016 was Vice President Consumer Products at Soraa (which markets specialty LED light bulbs). From February 2016 to July 2017, Mr. Bosua was the founder and CEO of RAAI, Inc. (where he continued the development of his smart lighting technology). From May 2008 to February 2013 he was the Founder and CEO of LimeMouse Apps, a leading developer of applications for the Apple App Store.

On April 10, 2018, we entered into an Employment Agreement with Mr. Bosua reflecting his appointment as Chief Executive Officer. The Employment Agreement is for an initial term of 12 months (subject to earlier termination) and will be automatically extended for additional 12-month terms unless either party notifies the other party of its intention to terminate the Employment Agreement. Mr. Bosua will be paid a base salary of $225,000 per year, received 500,000 shares of common stock valued at $0.33 per share and may be entitled to bonuses and equity awards at the discretion of the Board or a committee of the Board. The Employment Agreement provides for severance pay equal to 12 months of base salary if Mr. Bosua is terminated without "cause" or voluntarily terminates his employment for "good reason."

On April 10, 2018, we entered into an Amended Employment Agreement for Ronald P. Erickson which amends the Employment Agreement dated July 1, 2017. The Agreement expires March 21, 2019.

Amendment of Equity Incentive Plan

On April 10, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan from 93,333 to 1,200,000. On August 1, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan 1,200,000 to 2,000,000.

Merger with Know Labs, Inc.

On May 1, 2018, Know Labs, Inc., a Nevada corporation incorporated on April 3, 2018, and our wholly-owned subsidiary, merged with and into the Company pursuant to an Agreement and Plan of Merger dated May 1, 2018. In connection with the merger, our Articles of Incorporation were effectively amended to change our name to Know Labs, Inc. by and through the filing of Articles of Merger. This parent-subsidiary merger was approved by us, the parent, in accordance with Nevada Revised Statutes Section 92A.180. Stockholder approval was not required. This amendment was filed with the Nevada Secretary of State and became effective on May 1, 2018.

Corporate Name Change and Symbol Change

On May 24, 2018, the Financial Industry Regulatory Authority ("FINRA") announced the effectiveness of a change in our name from Know Labs Incorporated to Know Labs, Inc. and a change in our ticker symbol from VSUL to the new trading symbol KNWN which became effective on the opening of trading as of May 25, 2018. In addition, in connection with the name change and symbol change, we were assigned the CUSIP number of 499238103.

Closing of Financing on June 25, 2018

On June 25, 2018, we closed a private placement and received gross proceeds of $1,750,000 in exchange for issuing 7,000,000 shares of common stock and warrants to purchase 3,500,000 shares of common stock in a private placement to accredited investors pursuant to a series of substantially identical subscription agreements.

The initial exercise price of the warrants described above is $0.25 per share, subject to certain adjustments, and they expired five years after their issuance.

The shares and the warrants described above were issued in transactions that were not registered under the Securities Act of 1933, as amended (the "Act") in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and/or Rule 506 of SEC Regulation D under the Act.

Conversion of Certain Debt to Equity

On June 25, 2018, we closed debt conversions and issued 605,000 shares of common stock in exchange for the conversion of $199,935 in preexisting debt owed by the Company to certain service providers, all of whom are accredited investors. These shares were issued in transactions that were not registered under the Act in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and/or Rule 506 of SEC Regulation D under the Act.

On July 9, 2018, we repaid a $199,935 Business Loan Agreement with Umpqua Bank from funds previously provided by an entity affiliated with Ronald P. Erickson, our Chairman of the Board. The Company paid $27,041 and issued 800,000 shares of common stock in exchange for the conversion of this debt. Mr. Erickson is an accredited investor. These shares were issued in transactions that were not registered under the Act in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and/or Rule 506 of SEC Regulation D under the Act.

THE COMPANY'S COMMON STOCK

Our Common Stock trades on the OTCQB marketplace under the symbol "KNWN." On May 1, 2018, we filed a corporate action with FINRA to effectively change the Company's OTC trading symbol and change our name to "Know Labs, Inc." Our name change from Know Labs, Incorporated to Know Labs, Inc. and symbol change from VSUL to KNWN was announced by FINRA declared effective on the opening of trading as of May 25, 2018.

PRIMARY RISKS AND UNCERTAINTIES

We are exposed to various risks related to our need for additional financing, the sale of significant numbers of our shares and a volatile market price for our common stock. These risks and uncertainties are discussed in more detail below in Risk Factors.

CORPORATE INFORMATION

We were incorporated under the laws of the State of Nevada on October 8, 1998. Our executive offices are located at 500 Union Street, Suite 810, Seattle, WA 98101. Our telephone number is (206) 903-1351 and its principal website address is located at www.knowlabs.co. The information on our website is not incorporated as a part of this Memorandum.

EMPLOYEES

As of September 30, 2018, we had 15 full-time employees and two consultants or consulting groups. Our senior management is located in the Seattle, Washington office.

WEBSITE ACCESS TO UNITED STATES SECURITIES AND EXCHANGE COMMISSION REPORTS

We file annual and quarterly reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information concerning filers. We also maintain a web site at http://www.knowlabs.co that provides additional information about our Company and links to documents we file with the SEC. The Company's charters for the Audit Committee, the Compensation Committee, and the Nominating Committee; and the Code of Conduct & Ethics are also available on our website. The information on our website is not part of this Memorandum.

SUMMARY OF THIS OFFERING

The following is a summary of material terms of the Units to be sold in this Offering. Additional information regarding the Shares and Warrants comprising the Units is set forth in "Description of the Our Capital Stock."

Issuer:	Know Labs, Inc., a Nevada Corporation
Placement Agent:	Boustead Securities, LLC has been engaged as our exclusive placement agent in connection with this Offering (the "Placement Agent"). For a description of compensation payable to the Placement Agent, please see "Plan of Distribution."
Offering Size:	Maximum Offering of $5,000,000 in principal amount of 8.0% Subordinated Convertible Notes convertible at a price of $1.00 into 5,000,000 Shares with warrants to purchase one-half of the number of Shares issuable upon conversion of the Subordinated Convertible Notes (2,500,000 shares in the aggregate) at an exercise price of $1.20 per Share.
Securities Offered:	Units consisting of (i) an 8.0% Subordinated Convertible Note in the principal amount of $25,000 convertible at $1.00 per share into 25,000 shares of the Company's Common Stock and (ii) a Warrant for the Purchase of 12,500 shares of the Company's Common Stock at an exercise price of $1.20. All principal, together with accrued and unpaid interest, is payable on a payment-in-kind, or "PIK," basis, and is due and payable in Common Stock on the earlier of: (a) mandatory and automatic conversion of the Subordinated Convertible Note into a financing that yields gross proceeds of at least $10 million or (b) on the one-year anniversary of the Subordinated Convertible Note. Prospective investors will not receive a cash return on the Convertible Subordinated Notes. Subordinated Convertible Notes and Warrants will be issued separately but can only be purchased together in this Offering. The Company may issue Units in increments of less than $25,000 in its sole discretion.
Purchase Price:	$1.00 per Unit.
Warrants:	The Company will grant Warrants to investors for the purchase of one-half of the number of shares issuable upon conversion of the Subordinated Convertible Notes acquired by the investor. The Warrants will have an exercise price equal to 120% of the Purchase Price ($1.20 per Share).
Offering Period:	The Units will be offered through February 28, 2019, which period may be extended by the Placement Agent and the Company, in their joint discretion, to a date not later than April 15, 2019 (such date, the "Termination Date"). We may hold one or more initial Closings at any time after the conditions to closing have been satisfied and upon agreement between us and the Placement Agent.
Common Stock Outstanding Immediately Prior to this Offering:	17,811,451 shares of Common Stock.
Common Stock Outstanding After Maximum Offering:	The number of shares of Common Stock outstanding immediately after the Maximum Offering will not change. Assuming the conversion of the Subordinated Convertible Notes and exercise of the Warrants, an additional 6,000,000 shares of Common Stock will be outstanding, for a total of 23,811,451 shares of Common Stock.
No Minimum Offering Amount:	The Company is not required to raise any minimum amount in this offering before it may utilize the funds received in this offering. Potential investors should be aware that there is no assurance that any monies other than their own will be invested in the Company through this Offering.
Use of Proceeds:	We intend to use the net proceeds from the Offering primarily for research and development, operating expenses and general working capital. See "Use of Proceeds."

Anti-dilution Provisions:	If at any time or from time to time prior to January 31, 2020 (the "Anti-Dilution Period") we issue any additional securities for a consideration per share that is less, or which on conversion or exercise of the underlying security is less, than the conversion price of the Subordinated Convertible Note, we will adjust the conversion price of the Subordinated Convertible Note such that additional securities will be issued to the Holder upon conversion of the Subordinated Convertible Note at no additional cost in an amount that the Holder would have received based upon such lower rice. See "Description of Securities Offered Hereby."
Risk Factors:	An investment in the Units (and the underlying Shares) is extremely speculative, involves a high degree of risk and is a suitable investment only for certain investors. You should not invest in the Units unless you are able to withstand a loss of your entire investment. See "Risk Factors."
Resale Restrictions:	We are making this Offering in reliance on exemptions from the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Subordinated Convertible Notes and Warrants that we sell in this Offering are "restricted securities," as defined under the Securities Act, and are, therefore, subject to restriction on resale. You may not transfer these securities except in a transaction registered under the Securities Act and all applicable state securities laws or unless you obtain a legal opinion, reasonably acceptable to us, that the transfer is exempt from such registration. Each document evidencing the Subordinated Convertible Notes and Warrants (as well as the underlying Shares) will bear a legend evidencing such restriction. See "Restrictions on the Transfer of Securities."
Investor Requirements:	We will sell Units in this Offering only to investors who qualify as "accredited investors," as defined under the Securities Act. You will be required to make, and we will rely on, representations with respect to your status as an accredited investor and certain other matters in order to accept your purchase of Units. See "Terms of this Offering."
How to Subscribe:	Please see "Terms of this Offering."

RISK FACTORS

An investment in the Units is speculative and illiquid and involves a high degree of risk, including the risk of a loss of your entire investment. You should carefully consider the risks and uncertainties described in our Current Report on Form 10-K filed with the SEC on December 19, 2018, risks and uncertainties described below and the other information contained in this Memorandum before purchasing any Units. These risks are not the only ones facing our Company. Additional risks and uncertainties may exist that could also adversely affect our business, operations and prospects. If any of the following risks actually materialize, our business, financial condition, prospects and/or operations could suffer. In such event, the value of your investment could decline, and you could lose all or a substantial portion of the money that you pay for the Units.

There are certain inherent risks which will have an effect on the Company's development in the future and the most significant risks and uncertainties known and identified by our management are described below.

Risks Relating to the Company Generally

We need additional financing to support our technology development and ongoing operations, pay our debts and maintain ownership of our intellectual properties.

We are currently operating at a loss. We believe that our cash on hand will be sufficient to fund our operations through March 31, 2019. We need additional financing to implement our business plan and to service our ongoing operations, pay our current debts (described below) and maintain ownership of our intellectual property. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain additional financing when it is needed, we will need to restructure our operations and/or divest all or a portion of our business. We may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, and could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to our then-existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, we may be required to delay, scale back, eliminate the development of business opportunities or file for bankruptcy and our operations and financial condition may be materially adversely affected. There can there can be no assurance that we will be able to sell that number of shares, if any.

We need to continue as a going concern if our business is to succeed.

Because of our recurring losses and negative cash flows from operations, the audit report of our independent registered public accountants on our consolidated financial statements for the year ended September 30, 2018 contains an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern. Factors identified in the report include our historical net losses, negative working capital, and the need for additional financing to implement our business plan and service our debt repayments. If we are not able to attain profitability in the near future our financial condition could deteriorate further, which would have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment. Further, we may be unable to pay our debt obligations as they become due, which include obligations to secured creditors. If we are unable to continue as a going concern, we might have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. Additionally, we are subject to customary operational covenants, including limitations on our ability to incur liens or additional debt, pay dividends, redeem stock, make specified investments and engage in merger, consolidation or asset sale transactions, among other restrictions. In addition, the inclusion of an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern and our lack of cash resources may materially adversely affect our share price and our ability to raise new capital or to enter into critical contractual relations with third parties.

As of September 30, 2018, we owe approximately $2,965,632 and if we do not satisfy these obligations, the lenders may have the right to demand payment in full or exercise other remedies.

On March 16, 2018, we closed a Note and Account Payable Conversion Agreement with J3E2A2Z, a Washington limited partnership, Ronald P. Erickson, our Executive Chairman of the Board and a member of the Board of Directors pursuant to which (a) all $664,233 currently owing under the J3E2A2Z Notes was converted to a Convertible Redeemable Promissory Note in the principal amount of $664,233, and (b) all $519,833 of the J3E2A2Z Account Payable was converted into a Convertible Redeemable Promissory Note in the principal amount of $519,833.

Mr. Erickson and/or entities with which he is affiliated also have accrued compensation and interest of approximately $565,380. The Company owes Mr. Erickson, or entities with which he is affiliated, $1,749,466 as of September 30, 2018.

On July 9, 2018, the Company repaid a $199,935 Business Loan Agreement with Umpqua Bank from funds previously provided by an entity affiliated with Ronald P. Erickson, our Chairman of the Board. The Company paid $27,041 and issued 800,000 shares of common stock in exchange for the conversion of this debt. Mr. Erickson is an accredited investor. These shares were issued in transactions that were not registered under the Act in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and/or Rule 506 of SEC Regulation D under the Act.

Including Mr. Erickson, we owe $2,255,066 under various convertible promissory notes as of September 30, 2018.

We owe Capital Source $145,186 under a credit facility.

We require additional financing, to service and/or repay these debt obligations. If we raise additional capital through borrowing or other debt financing, we may incur substantial interest expense. If and when we raise more equity capital in the future, it will result in substantial dilution to our current stockholders.

We have a history of operating losses and there can be no assurance that we can achieve or maintain profitability.

We have experienced net losses since inception. As of September 30, 2018, we had an accumulated deficit of $34,791,000 and net losses in the amount of $3,258,000 and $3,901,000 for the years ended September 30, 2018 and 2017, respectively. There can be no assurance that we will achieve or maintain profitability. If we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Failure to become and remain profitable would impair our ability to sustain operations and adversely affect the price of our common stock and our ability to raise capital. Our operating expenses may increase as we spend resources on growing our business, and if our revenue does not correspondingly increase, our operating results and financial condition will suffer. Our ChromaID business has produced minimal revenues, and may not produce significant revenues in the near term, or at all, which would harm our ability to continue our operations or obtain additional financing and require us to reduce or discontinue our operations. You must consider our business and prospects in light of the risks and difficulties we will encounter as business with an early-stage technology in a new and rapidly evolving industry. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, operating results and financial condition.

If the company were to dissolve or wind-up operations, holders of our common stock would not receive a liquidation preference.

If we were to wind-up or dissolve our company and liquidate and distribute our assets, our common stockholders would share in our assets only after we satisfy any amounts we owe to our creditors and preferred equity holders. If our liquidation or dissolution were attributable to our inability to profitably operate our business, then it is likely that we would have material liabilities at the time of liquidation or dissolution. Accordingly, it is very unlikely that sufficient assets will remain available after the payment of our creditors and preferred equity holders to enable common stockholders to receive any liquidation distribution with respect to any common stock.

We may not be able to generate sufficient revenue from the commercialization of our ChromaID and Bio-RFID technology and related products to achieve or sustain profitability.

We are in the early stages of commercializing our ChromaID and Bio-RFID technology. Failure to develop and sell products based upon our ChromaID and Bio-RFID technology, grant additional licenses and obtain royalties or develop other revenue streams will have a material adverse effect on our business, financial condition and results of operations.

To date, we have generated minimal revenue from sales of our products. We believe that our commercialization success is dependent upon our ability to significantly increase the number of customers that are using our products. In addition, demand for our products may not materialize, or increase as quickly as planned, and we may therefore be unable to increase our revenue levels as expected. We are currently not profitable. Even if we succeed in introducing our technology and related products to our target markets, we may not be able to generate sufficient revenue to achieve or sustain profitability.

We currently rely in part upon external resources for engineering and product development services. If we are unable to secure an engineering or product development partner or establish satisfactory engineering and product development capabilities, we may not be able to successfully commercialize our ChromaID and Bio-RFID technology.

Our success depends upon our ability to develop products that are accurate and provide solutions for our customers. Achieving the desired results for our customers requires solving engineering issues in concert with them. Any failure of our ChromaID and Bio-RFID technology or related products to meet customer expectations could result in customers choosing to retain their existing methods or to adopt systems other than ours.

We have not historically had sufficient internal resources which can work on engineering and product development matters. We have used third parties in the past and will continue to do so. These resources are not always readily available and the absence of their availability could inhibit our research and development efforts and our responsiveness to our customers. Our inability to secure those resources could impact our ability to provide engineering and product development services and could have an impact on our customers' willingness to use our technology.

We are in the early stages of commercialization and our ChromaID and Bio-RFID technology and related products may never achieve significant commercial market acceptance.

Our success depends on our ability to develop and market products that are recognized as accurate and cost-effective. Many of our potential customers may be reluctant to use our new technology. Market acceptance will depend on many factors, including our ability to convince potential customers that our ChromaID and Bio-RFID technology and related products are an attractive alternative to existing light-based technologies. We will need to demonstrate that our products provide accurate and cost-effective alternatives to existing light-based authentication technologies. Compared to most competing technologies, our technology is relatively new, and most potential customers have limited knowledge of, or experience with, our products. Prior to implementing our technology and related products, potential customers are required to devote significant time and effort to testing and validating our products. In addition, during the implementation phase, customers may be required to devote significant time and effort to training their personnel on appropriate practices to ensure accurate results from our technology and products. Any failure of our technology or related products to meet customer expectations could result in customers choosing to retain their existing testing methods or to adopt systems other than ours.

Many factors influence the perception of a system including its use by leaders in the industry. If we are unable to induce industry leaders in our target markets to implement and use our technology and related products, acceptance and adoption of our products could be slowed. In addition, if our products fail to gain significant acceptance in the marketplace and we are unable to expand our customer base, we may never generate sufficient revenue to achieve or sustain profitability.

Our management has concluded that we have material weaknesses in our internal controls over financial reporting and that our disclosure controls and procedures are not effective.

A material weakness 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 a company's annual or interim financial statements will not be prevented or detected on a timely basis. During the audit of our financial statements for the year ended September 30, 2018, our management identified material weaknesses in our internal control over financial reporting. If these weaknesses continue, investors could lose confidence in the accuracy and completeness of our financial reports and other disclosures.

In addition, our management has concluded that our disclosure controls and procedures were not effective due to the lack of an audit committee "financial expert." These material weaknesses, if not remediated, create an increased risk of misstatement of the Company's financial results, which, if material, may require future restatement thereof. A failure to implement improved internal controls, or difficulties encountered in their implementation or execution, could cause future delays in our reporting obligations and could have a negative effect on us and the trading price of our common stock.

Our services and license agreement with Allied Inventors is important to our business strategy and operations.

In November 2013, we entered into a five-year strategic relationship with Allied Inventors, formerly Xinova and Invention Development Management Company, a former subsidiary of Intellectual Ventures, a private intellectual property fund with over $5 billion under management. Allied Inventors owns over 40,000 IP assets and has broad global relationships for the invention of technology, the filing of patents and the licensing of intellectual property. Allied Inventors has worked to expand the reach and the potential application of the ChromaID technology and has filed ten patents based on the ChromaID technology, which it has licensed to us.

The amended agreement with Allied Inventors covers a number of areas that are important to our operations, including the following:

- The agreement requires Allied Inventors to identify and engage inventors to develop new applications of our ChromaID technology, present the developments to us for approval, and file at least ten patent applications to protect the developments;

- We received a worldwide, nontransferable, exclusive license to the licensed intellectual property developed under this agreement within the identification, authentication and diagnostics field of use;

- We received a nonexclusive and nontransferable option to acquire a worldwide, nontransferable, nonexclusive license to intellectual property held by Allied Inventors within that same field of use; and

- We granted to Allied Inventors certain licenses to our intellectual property outside the identification, authentication and diagnostics field of use.

Failure to operate in accordance with the Allied Inventors agreement, or an early termination or cancellation of this agreement for any reason, would have a material adverse effect on ability to execute our business strategy and on our results of operations and business.

If components used in our finished products become unavailable, or third-party manufacturers otherwise experience delays, we may incur delays in shipment to our customers, which would damage our business.

We depend on third-party suppliers for substantially all of our components and products. We purchase these products and components from third-party suppliers that serve the advanced lighting systems market and we believe that alternative sources of supply are readily available for most products and components. However, consolidation could result in one or more current suppliers being acquired by a competitor, rendering us unable to continue purchasing necessary amounts of key components at competitive prices. In addition, for certain of our customized components, arrangements for additional or replacement suppliers will take time and result in delays. We purchase products and components pursuant to purchase orders placed from time to time in the ordinary course of business. This means we are vulnerable to unanticipated price increases and product shortages. Any interruption or delay in the supply of components and products, or our inability to obtain components and products from alternate sources at acceptable prices in a timely manner, could harm our business, financial condition and results of operations.

While we believe alternative manufacturers for these products are available, we have selected these particular manufacturers based on their ability to consistently produce these products per our specifications ensuring the best quality product at the most cost-effective price. We depend on our third-party manufacturers to satisfy performance and quality specifications and to dedicate sufficient production capacity within scheduled delivery times. Accordingly, the loss of all or one of these manufacturers or delays in obtaining shipments could have a material adverse effect on our operations until such time as an alternative manufacturer could be found.

We are dependent on key personnel.

Our success depends to a significant degree upon the continued contributions of key management and other personnel, some of whom could be difficult to replace, including Ronald P. Erickson, our Chairman and Phil Bosua, our Chief Executive Officer. We do not maintain key person life insurance covering any of our officers. Our success will depend on the performance of our officers, our ability to retain and motivate our officers, our ability to integrate new officers into our operations, and the ability of all personnel to work together effectively as a team. Our officers do not currently have employment agreements. Our failure to retain and recruit officers and other key personnel could have a material adverse effect on our business, financial condition and results of operations. Our success also depends on our continued ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, manufacturing, administrative and sales and marketing personnel. Competition for these individuals is intense, and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. In particular, we may encounter difficulties in recruiting and retaining a sufficient number of qualified technical personnel, which could harm our ability to develop new products and adversely impact our relationships with existing and future customers. The inability to attract and retain necessary technical, managerial, manufacturing, administrative and sales and marketing personnel could harm our ability to obtain new customers and develop new products and could adversely affect our business and operating results.

We have limited insurance which may not cover claims by third parties against us or our officers and directors.

We have limited directors' and officers' liability insurance and commercial liability insurance policies. Claims by third parties against us may exceed policy amounts and we may not have amounts to cover these claims. Any significant claims would have a material

adverse effect on our business, financial condition and results of operations. In addition, our limited directors' and officers' liability insurance may affect our ability to attract and retain directors and officers.

Our inability to effectively protect our intellectual property would adversely affect our ability to compete effectively, our revenue, our financial condition and our results of operations.

We rely on a combination of patent, trademark, and trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. Obtaining and maintaining a strong patent position is important to our business. Patent law relating to the scope of claims in the technology fields in which we operate is complex and uncertain, so we cannot be assured that we will be able to obtain or maintain patent rights, or that the patent rights we may obtain will be valuable, provide an effective barrier to competitors or otherwise provide competitive advantages. Others have filed, and in the future are likely to file, patent applications that are similar or identical to ours or those of our licensors. To determine the priority of inventions, or demonstrate that we did not derive our invention from another, we may have to participate in interference or derivation proceedings in the USPTO or in court that could result in substantial costs in legal fees and could substantially affect the scope of our patent protection. We cannot be assured our patent applications will prevail over those filed by others. Also, our intellectual property rights may be subject to other challenges by third parties. Patents we obtain could be challenged in litigation or in administrative proceedings such as *ex parte* reexam, *inter parties* review, or post grant review in the United States or opposition proceedings in Europe or other jurisdictions.

There can be no assurance that:

- any of our existing patents will continue to be held valid, if challenged;
- patents will be issued for any of our pending applications;
- any claims allowed from existing or pending patents will have sufficient scope or strength to protect us;
- our patents will be issued in the primary countries where our products are sold in order to protect our rights and potential commercial advantage; or
- any of our products or technologies will not infringe on the patents of other companies.

If we are enjoined from selling our products, or if we are required to develop new technologies or pay significant monetary damages or are required to make substantial royalty payments, our business and results of operations would be harmed.

Obtaining and maintaining a patent portfolio entails significant expense and resources. Part of the expense includes periodic maintenance fees, renewal fees, annuity fees, various other governmental fees on patents and/or applications due in several stages over the lifetime of patents and/or applications, as well as the cost associated with complying with numerous procedural provisions during the patent application process. We may or may not choose to pursue or maintain protection for particular inventions. In addition, there are situations in which failure to make certain payments or noncompliance with certain requirements in the patent process can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we choose to forgo patent protection or allow a patent application or patent to lapse purposefully or inadvertently, our competitive position could suffer.

Legal actions to enforce our patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of our patents or a finding that they are unenforceable. We may or may not choose to pursue litigation or interferences against those that have infringed on our patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could have a material adverse effect on our results of operations and business.

Claims by others that our products infringe their patents or other intellectual property rights could prevent us from manufacturing and selling some of our products or require us to pay royalties or incur substantial costs from litigation or development of non-infringing technology.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. We may receive notices that claim we have infringed upon the intellectual property of others. Even if these claims are not valid, they could subject us to significant costs. Any such claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert our attention and resources, cause product shipment delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all. We have engaged in litigation

and litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. A successful claim of intellectual property infringement against us and our failure or inability to license the infringed technology or develop or license technology with comparable functionality could have a material adverse effect on our business, financial condition and operating results.

We currently have a very small sales and marketing organization at our TransTech Systems subsidiary. If we are unable to secure a sales and marketing partner or establish satisfactory sales and marketing capabilities at the Know Labs parent Company level we may not be able to successfully commercialize our ChromaID and Bio-RFID technology.

Our subsidiary, TransTech Systems, has six sales and marketing employees on staff to support the ongoing sales efforts of that business. In order to commercialize products that are approved for commercial sales, we sell directly to our customers, collaborate with third parties that have such commercial infrastructure and work with our strategic business partners to generate sales. If we are not successful entering into appropriate collaboration arrangements, or recruiting sales and marketing personnel or in building a sales and marketing infrastructure, we will have difficulty successfully commercializing our ChromaID and Bio-RFID technology, which would adversely affect our business, operating results and financial condition.

We may not be able to enter into collaboration agreements on terms acceptable to us or at all. In addition, even if we enter into such relationships, we may have limited or no control over the sales, marketing and distribution activities of these third parties. Our future revenues may depend heavily on the success of the efforts of these third parties. If we elect to establish a sales and marketing infrastructure we may not realize a positive return on this investment. In addition, we must compete with established and well-funded pharmaceutical and biotechnology companies to recruit, hire, train and retain sales and marketing personnel. Factors that may inhibit our efforts to commercialize ChromaID and Bio-RFID without strategic partners or licensees include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

Government regulatory approval may be necessary before some of our products can be sold and there is no assurance such approval will be granted.

Our ChromaID and Bio-RFID technology may have a number of potential applications in fields of use which will require prior governmental regulatory approval before the technology can be introduced to the marketplace. For example, we are exploring the use of our ChromaID and Bio-RFID technology for certain medical diagnostic applications, with an initial focus on the continuous monitoring of blood glucose.

There is no assurance that we will be successful in developing a continuous glucose monitoring medical applications for our technology.

If we were to be successful in developing a continuous glucose monitoring medical applications of our technology, prior approval by the FDA and other governmental regulatory bodies will be required before the technology could be introduced into the marketplace.

There is no assurance that such regulatory approval would be obtained for a continuous glucose monitoring medical diagnostic or other applications requiring such approval.

The FDA can refuse to grant, delay, limit or deny approval of an application for approval of our UBA ND CGM for many reasons,

We may not obtain the necessary regulatory approvals or clearances to market these continuous glucose monitoring systems in the United States or outside of the United States.

Any delay in, or failure to receive or maintain, approval or clearance for our products could prevent us from generating revenue from these products or achieving profitability.

Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

Cyber incidents can result from deliberate attacks or unintentional events. We collect and store on our networks sensitive information, including intellectual property, proprietary business information and personally identifiable information of our customers. The secure maintenance of this information and technology is critical to our business operations. We have implemented multiple layers of security measures to protect the confidentiality, integrity and availability of this data and the systems and devices that store and transmit such data. We utilize current security technologies, and our defenses are monitored and routinely tested internally and by external parties. Despite these efforts, threats from malicious persons and groups, new vulnerabilities and advanced new attacks against information systems create risk of cybersecurity incidents. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures.

These threats can come from a variety of sources, ranging in sophistication from an individual hacker to malfeasance by employees, consultants or other service providers to state-sponsored attacks. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past several years, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be vulnerable to cyber-attack, malicious intrusion, malfeasance, loss of data privacy or other significant disruption and may be subject to unauthorized access by hackers, employees, consultants or other service providers. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and temporary staff.

There can be no assurance that we will not be subject to cybersecurity incidents that bypass our security measures, impact the integrity, availability or privacy of personal health information or other data subject to privacy laws or disrupt our information systems, devices or business, including our ability to deliver services to our customers. As a result, cybersecurity, physical security and the continued development and enhancement of our controls, processes and practices designed to protect our enterprise, information systems and data from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities.

We may engage in acquisitions, mergers, strategic alliances, joint ventures and divestures that could result in final results that are different than expected.

In the normal course of business, we engage in discussions relating to possible acquisitions, equity investments, mergers, strategic alliances, joint ventures and divestitures. Such transactions are accompanied by a number of risks, including the use of significant amounts of cash, potentially dilutive issuances of equity securities, incurrence of debt on potentially unfavorable terms as well as impairment expenses related to goodwill and amortization expenses related to other intangible assets, the possibility that we may pay too much cash or issue too many of our shares as the purchase price for an acquisition relative to the economic benefits that we ultimately derive from such acquisition, and various potential difficulties involved in integrating acquired businesses into our operations.

From time to time, we have also engaged in discussions with candidates regarding the potential acquisitions of our product lines, technologies and businesses. If a divestiture such as this does occur, we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected. A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser; identify and separate the intellectual property to be divested from the intellectual property that we wish to retain; reduce fixed costs previously associated with the divested assets or business; and collect the proceeds from any divestitures.

If we do not realize the expected benefits of any acquisition or divestiture transaction, our financial position, results of operations, cash flows and stock price could be negatively impacted.

Our growth strategy depends in part on our ability to execute successful strategic acquisitions. We have made strategic acquisitions in the past and may do so in the future, and if the acquired companies do not perform as expected, this could adversely affect our operating results, financial condition and existing business.

We may continue to expand our business through strategic acquisitions. The success of any acquisition will depend on, among other things:

- the availability of suitable candidates;
- higher than anticipated acquisition costs and expenses;
- competition from other companies for the purchase of available candidates;
- our ability to value those candidates accurately and negotiate favorable terms for those acquisitions;
- the availability of funds to finance acquisitions and obtaining any consents necessary under our credit facility;
- the ability to establish new informational, operational and financial systems to meet the needs of our business;
- the ability to achieve anticipated synergies, including with respect to complementary products or services; and
- the availability of management resources to oversee the integration and operation of the acquired businesses.

We may not be successful in effectively integrating acquired businesses and completing acquisitions in the future. We also may incur substantial expenses and devote significant management time and resources in seeking to complete acquisitions. Acquired businesses may fail to meet our performance expectations. If we do not achieve the anticipated benefits of an acquisition as rapidly as expected, or at all, investors or analysts may not perceive the same benefits of the acquisition as we do. If these risks materialize, our stock price could be materially adversely affected.

We are subject to corporate governance and internal control requirements, and our costs related to compliance with, or our failure to comply with existing and future requirements could adversely affect our business.

We must comply with corporate governance requirements under the Sarbanes-Oxley Act of 2002 and the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, as well as additional rules and regulations currently in place and that may be subsequently adopted by the SEC and the Public Company Accounting Oversight Board. These laws, rules, and regulations continue to evolve and may become increasingly stringent in the future. The financial cost of compliance with these laws, rules, and regulations is expected to remain substantial.

Our management has concluded that our disclosure controls and procedures were not effective due to the lack of an audit committee "financial expert." We expect to appoint an additional independent director to serve as Audit Committee Chairman. This director will be an "audit committee financial expert" as defined by the SEC. However, we cannot assure you that we will be able to fully comply with these laws, rules, and regulations that address corporate governance, internal control reporting, and similar matters in the future. Failure to comply with these laws, rules and regulations could materially adversely affect our reputation, financial condition, and the value of our securities.

The Capital Source credit facility with TransTech contains covenants that may limit our flexibility in operating our business and failure to comply with any of these covenants could have a material adverse effect on our business.

In December 8, 2009, we entered into the Capital Source credit facility. On December 6, 2018, TransTech entered into the Sixth Modification to the Loan and Security Agreement which terminates the Capital Source Credit Facility as of March 12, 2019.

This Capital Source credit facility contains covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability to, among other things:

- sell, transfer, lease or dispose of certain assets;
- engage in certain mergers and consolidations;
- incur debt or encumber or permit liens on certain assets, except in the limited circumstances permitted under the loan and security agreements;
- make certain restricted payments, including paying dividends on, or repurchasing or making distributions with respect to, our common stock; and
- enter into certain transactions with affiliates.

A breach of any of the covenants under the Capital Source credit facility could result in a default under the Capital Source credit facility. Upon the occurrence of an event of default under the Capital Source credit facility, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we are unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure such indebtedness. We expect to replace the credit facility by March 12, 2019.

Our wholly-owned TransTech subsidiary revenues are declining.

The financial results from our TransTech subsidiary have been diminishing as vendors of their products increasingly move to the Internet and direct sales to their customers. While it does provide our current revenues, it is not central to our current focus as a Company. Moreover, we have written down any goodwill associated with its historic acquisition. We continue to closely monitor this subsidiary. We may not be able to successfully address this revenue decline, which could significantly harm our business, operating results and financial condition and result in winding down this subsidiary.

The exercise prices of certain warrants, convertible notes payable and the Series A, C, and D Preferred Shares may require further adjustment.

In the future, if we sell our common stock at a price below $0.25 per share, the exercise price of 20,000 outstanding shares of Series A Preferred Stock, 1,785,715 outstanding shares of Series C Preferred Stock, 1,016,004 outstanding shares Series D Preferred Stock that adjust below $0.25 per share pursuant to the documents governing such instruments. In addition, the conversion price of a Convertible Note Payable of $2,255,066 and the exercise price of additional outstanding warrants to purchase 13,865,286 shares of common stock would adjust below $0.25 per share pursuant to the documents governing such instruments.

Risks Relating to an Investment in the Subordinated Convertible Notes

Unlike traditional promissory notes, the Subordinated Convertible Notes are not payable in cash.

Pursuant to the terms of the Subordinated Convertible Notes, all principal, together with accrued and unpaid interest, is payable on a payment-in-kind, or "PIK," basis, as described below under "Description of Securities Offered Hereby." Instead of repayment of principal and interest in cash, each Subordinated Convertible Note is due and payable in shares of our Common Stock on the earlier of: (a) mandatory and automatic conversion of the Subordinated Convertible Note into a financing that yields gross proceeds of at least $10 million (a "Qualified Financing") or (b) on the one-year anniversary of the Subordinated Convertible Note (the "Maturity Date"). Prospective investors will not receive a cash return on the Convertible Subordinated Notes and should bear this in mind in making a decision about whether to invest in the Units. The number of Shares that Holders will receive is based on (a) in the case of a Qualified Financing, the price per share paid by investors in the Qualified Financing or (b) in the case of payment on the Maturity Date, the conversion price of the Convertible Subordinated Notes ($1.00 per share, subject to adjustment as described elsewhere in this Memorandum) and accrued interest. As a result, the value of the Subordinated Convertible Notes is effectively dependent on the price of our Common Stock, which has been, and may continue to be, volatile. See "Risks Relating to our Stock" below.

The conversion price for the Convertible Subordinated Notes and the exercise price of the Warrants were determined arbitrarily and not based upon any standard valuation metric. The conversion price and/or exercise price may be higher than the actual price per share of the Company's Common Stock.

The Company has determined the conversion price of the Convertible Subordinated Notes and the exercise price of the Warrants. Such conversion price and exercise price are not based on any projected earnings of the Company and there can be no assurance that the Common Stock will have a market value equal to or greater than such prices at the time of any conversion or exercise, or a value equal to or greater than the conversion or exercise price at the time of the conversion of the Subordinated Convertible Notes or the exercise of the Warrants. The conversion price and the exercise price do not bear any direct relationship to the assets, operations, book or other established criteria of value of the Company, and was determined arbitrarily by the Company. Each Holder considering the conversion of their Subordinated Convertible Note or the exercise of their Warrant should make an independent evaluation of the fairness of such prices under all the circumstances prior to electing to convert a Convertible Subordinated Note or exercise a Warrant.

Risks Relating to Our Stock

The price of our common stock is volatile, which may cause investment losses for our stockholders.

The market price of our common stock has been and is likely in the future to be volatile. Our common stock price may fluctuate in response to factors such as:

- Announcements by us regarding liquidity, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments and litigation;
- Issuance of convertible or equity securities and related warrants for general or merger and acquisition purposes;
- Issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes;
- Sale of a significant number of shares of our common stock by stockholders;
- General market and economic conditions;
- Quarterly variations in our operating results;
- Investor and public relation activities;
- Announcements of technological innovations;
- New product introductions by us or our competitors;
- Competitive activities; and
- Additions or departures of key personnel.

These broad market and industry factors may have a material adverse effect on the market price of our common stock, regardless of our actual operating performance. These factors could have a material adverse effect on our business, financial condition and results of operations.

Transfers of our securities may be restricted by virtue of state securities "blue sky" laws, which prohibit trading absent compliance with individual state laws. These restrictions may make it difficult or impossible to sell shares in those states.

Transfers of our common stock may be restricted under the securities or securities regulations laws promulgated by various states and foreign jurisdictions, commonly referred to as "blue sky" laws. Absent compliance with such individual state laws, our common stock may not be traded in such jurisdictions. Because the securities held by many of our stockholders have not been registered for resale under the blue sky laws of any state, the holders of such shares and persons who desire to purchase them should be aware that there may be significant state blue sky law restrictions upon the ability of investors to sell the securities and of purchasers to purchase the securities. These restrictions may prohibit the secondary trading of our common stock. Investors should consider the secondary market for our securities to be a limited one.

The sale of a significant number of our shares of common stock could depress the price of our common stock.

Sales or issuances of a large number of shares of common stock in the public market or the perception that sales may occur could cause the market price of our common stock to decline. As of December 31, 2018, we had 17,811,451 shares of common stock issued and outstanding, held by 123 stockholders of record. The number of stockholders, including beneficial owners holding shares through nominee names, is approximately 2,300. Each share of common stock entitles its holder to one vote on each matter submitted to the stockholders for a vote, and no cumulative voting for directors is permitted. Stockholders do not have any preemptive rights to

acquire additional securities issued by us. As of December 31, 2018, there were options outstanding for the purchase of 2,282,668 common shares, options outstanding for the purchase of 2,000,000 common shares (not earned), an unknown number of options for the purchase of common shares (not earned) related to a Kickstarter program, warrants for the purchase of 15,173,398 common shares, and 4,914,071 shares of our common stock issuable upon the conversion of Series A, Series C and Series D Convertible Preferred Stock. In addition, we have an unknown number of shares (9,020,264 common shares at the current conversion price of $0.25 per share) that are issuable upon conversion of convertible debentures of $2,255,066. The issuance of common shares pursuant to these options, warrants, and debentures would dilute future earnings per share.

Significant shares of common stock are held by our principal stockholders, other company insiders and other large stockholders. As "affiliates" of Know Labs, as defined under Securities and Exchange Commission Rule 144 under the Securities Act of 1933, our principal stockholders, other of our insiders and other large stockholders may only sell their shares of common stock in the public market pursuant to an effective registration statement or in compliance with Rule 144.

These options, warrants, convertible notes payable and convertible preferred stock could result in further dilution to common stock holders and may affect the market price of the common stock.

Future issuance of additional shares of common stock and/or preferred stock could dilute existing stockholders. We have and may issue preferred stock that could have rights that are preferential to the rights of common stock that could discourage potentially beneficially transactions to our common stockholders.

Pursuant to our certificate of incorporation, we currently have authorized 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. To the extent that common shares are available for issuance, subject to compliance with applicable stock exchange listing rules, our board of directors has the ability to issue additional shares of common stock in the future for such consideration as the board of directors may consider sufficient. The issuance of any additional securities could, among other things, result in substantial dilution of the percentage ownership of our stockholders at the time of issuance, result in substantial dilution of our earnings per share and adversely affect the prevailing market price for our common stock.

An issuance of additional shares of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over our common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors' authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve. The issuance of preferred stock could impair the voting, dividend and liquidation rights of common stockholders without their approval.

Future capital raises may dilute our existing stockholders' ownership and/or have other adverse effects on our operations.

If we raise additional capital by issuing equity securities, our existing stockholders' percentage ownership will be reduced and these stockholders may experience substantial dilution. We may also issue equity securities that provide for rights, preferences and privileges senior to those of our common stock. If we raise additional funds by issuing debt securities, these debt securities would have rights senior to those of our common stock and the terms of the debt securities issued could impose significant restrictions on our operations, including liens on our assets. If we raise additional funds through collaborations and licensing arrangements, we may be required to relinquish some rights to our technologies or candidate products, or to grant licenses on terms that are not favorable to us.

We do not anticipate paying any cash dividends on our capital stock in the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business, and we do not anticipate paying any cash dividends on our capital stock in the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Anti-takeover provisions may limit the ability of another party to acquire our company, which could cause our stock price to decline.

Our certificate of incorporation, as amended, our bylaws and Nevada law contain provisions that could discourage, delay or prevent a third party from acquiring our company, even if doing so may be beneficial to our stockholders. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our common stock.

Our articles of incorporation allow for our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock; our outstanding Preferred Stock contains provisions that restrict our ability to take certain actions without the consent of a certain percentage of Preferred Stock then outstanding.

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors also has the authority to issue preferred stock without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board of Directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

In addition, our articles of incorporation restrict our ability to take certain actions without the approval of the holders of our Preferred Stock. For example, the following actions, among others, must be approved by at least 66% of the Series A Preferred Stock then outstanding:

- authorizing, creating, designating, establishing or issuing an increased number of shares of Series A Preferred Stock or any other class or series of capital stock ranking senior to or on a parity with the Series A Preferred Stock;
- adopting a plan for the liquidation, dissolution or winding up the affairs of our company or any recapitalization plan (whether by merger, consolidation or otherwise);
- amending, altering or repealing, whether by merger, consolidation or otherwise, our articles of incorporation or bylaws in a manner that would adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock; and
- declaring or paying any dividend (with certain exceptions) or directly or indirectly purchase, redeem, repurchase or otherwise acquire any shares of our capital stock, stock options or convertible securities (with certain exceptions).

Our Series F "Exploding" Preferred Stock may limit the ability of another party to acquire our company, whether or not issued or triggered, which could cause our stock price to decline.

On August 1, 2018, we filed with the State of Nevada a Certificate of Designation establishing the Designations, Preferences, Limitations and Relative Rights of Series F Preferred Stock (the "Designation"). The Designation authorized 500 shares of Series F Preferred Stock. The Series F Preferred Stock shall only be issued to the current Board of Directors on the date of the Designation's filing and is not convertible into common stock. As set forth in the Designation, the Series F Preferred Stock has no rights to dividends or liquidation preference and carries rights to vote 100,000 shares of common stock per share of Series F upon a Trigger Event, as defined in the Designation. A Trigger Event includes certain unsolicited bids, tender offers, proxy contests, and significant share purchases, all as described in the Designation. Unless and until a Trigger Event, the Series F shall have no right to vote. The Series F Preferred Stock shall remain issued and outstanding until the date which is 731 days after the issuance of Series F Preferred Stock ("Explosion Date"), unless a Trigger Event occurs, in which case the Explosion Date shall be extended by 183 days. As a result, our current Board of Directors has the ability to prevent another party from acquiring our company. This could have an adverse impact on our stock price.

Risks Related to this Offering

The Offering is a "reasonable efforts" offering with no firm commitment.

The Common Stock is being offered by us on a "reasonable efforts" basis meaning that there is no assurance that any or all of the Offering will be sold or that any other investor's funds will be invested other than your own. Because there is no minimum closing amount, there is an increased risk to investors who participate in the Offering if less than the Maximum Amount is raised, since no specific amount has to be raised. Our inability to raise the Maximum Amount will likely not provide us with sufficient funds to fully execute our business plan. See "Use of Proceeds."

Future capital raises may dilute our existing stockholders' ownership and/or have other adverse effects on our operations.

If we raise additional capital by issuing equity securities, our existing stockholders' percentage ownership and the percentage ownership of investors who acquire notes in this Offering will be reduced, and these stockholders and investors who acquire notes in this Offering may experience substantial dilution. We may also issue equity securities that provide for rights, preferences and privileges senior to those of our Common Stock. If we raise additional funds by issuing debt securities, these debt securities would have rights senior to those of our Common Stock including the Common Stock underlying the Notes and the terms of the debt securities issued could impose significant restrictions on our operations, including liens on our assets. If we raise additional funds through collaborations and licensing arrangements, we may be required to relinquish some rights to our technologies or candidate products, or to grant licenses on terms that are not favorable to us.

The price of our Common Stock price has been, and may continue to be, volatile.

The market price of our Common Stock has historically been volatile and could be subject to significant fluctuations in the future. Market prices for securities of early-stage pharmaceutical, biotechnology and other life sciences companies have historically been particularly volatile. Some of the factors that may cause the market price of our Common Stock to fluctuate include:

- relatively low trading volume, which can result in significant volatility in the market price of our Common Stock based on a relatively smaller number of trades and dollar amount of transactions;
- the timing and results of our current and any future preclinical or clinical trials of our product candidates;
- the entry into or termination of key agreements, including, among others, key collaboration and license agreements;
- the results and timing of regulatory reviews relating to the approval of our product candidates;
- the initiation of, material developments in, or conclusion of, litigation to enforce or defend any of our intellectual property rights;
- failure of any of our product candidates, if approved, to achieve commercial success;
- general and industry-specific economic conditions that may affect our research and development expenditures;
- the results of clinical trials conducted by others on products that would compete with our product candidates;
- issues in manufacturing our product candidates or any approved products;
- the introduction of technological innovations or new commercial products by our competitors;
- changes in estimates or recommendations by securities analysts, if any, who cover our Common Stock;
- future sales of our Common Stock;
- period-to-period fluctuations in our financial results;
- publicity or announcements regarding regulatory developments relating to our products;
- period-to-period fluctuations in our financial results, including our cash and cash equivalents balance, operating expenses, cash burn rate or revenue levels;
- Common Stock sales in the public market by one or more of our larger stockholders, officers or directors;
- our filing for protection under federal bankruptcy laws; or
- a negative outcome in any litigation or potential legal proceeding.

The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of our Common Stock. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation.

Our Common Stock is currently traded in the OTCQB Marketplace. Broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

Our Common Stock currently trades in the OTCQB Marketplace. The OTCQB is viewed by most investors as a less desirable, and less liquid, marketplace. As a result, an investor may find it more difficult to purchase, dispose of or obtain accurate quotations as to the value of our Common Stock.

Because our Common Stock is not listed on any national securities exchange, such shares will also be subject to the regulations regarding trading in "penny stocks," which are those securities trading for less than $5.00 per share, and that are not otherwise exempted from the definition of a penny stock under other exemptions provided for in the applicable regulations. The following is a list of the general restrictions on the sale of penny stocks:

Before the sale of penny stock by a broker-dealer to a new purchaser, the broker-dealer must determine whether the purchaser is suitable to invest in penny stocks. To make that determination, a broker-dealer must obtain, from a prospective investor, information regarding the purchaser's financial condition and investment experience and objectives. Subsequently, the broker-dealer must deliver to the purchaser a written statement setting forth the basis of the suitability finding and obtain the purchaser's signature on such statement.

A broker-dealer must obtain from the purchaser an agreement to purchase the securities. This agreement must be obtained for every purchase until the purchaser becomes an "established customer." The Securities Exchange Act of 1934 (the "Exchange Act"), requires that before effecting any transaction in any penny stock, a broker-dealer must provide the purchaser with a "risk disclosure document" that contains, among other things, a description of the penny stock market and how it functions, and the risks associated with such investment. These disclosure rules are applicable to both purchases and sales by investors.

A dealer that sells penny stock must send to the purchaser, within 10 days after the end of each calendar month, a written account statement including prescribed information relating to the security.

These requirements can severely limit the liquidity of securities in the secondary market because fewer brokers or dealers are likely to be willing to undertake these compliance activities. As a result of our Common Stock not being listed on a national securities exchange and the rules and restrictions regarding penny stock transactions, an investor's ability to sell to a third party and our ability to raise additional capital may be limited. We make no guarantee that market-makers will make a market in our Common Stock, or that any market for our Common Stock will continue.

Four individuals could have significant influence over matters submitted to stockholders for approval.

As of December 31, 2018, four individuals in the aggregate (assuming the exercise of all warrants to purchase Common Stock and the conversion of notes into Common Stock) hold shares representing approximately 58% of our Common Stock on a fully-converted basis and could be considered a control group for purposes of SEC rules. However, the agreement with one of these individuals limits his ownership to 4.99% individually. Beneficial ownership includes shares over which an individual or entity has investment or voting power and includes shares that could be issued upon the exercise of options and warrants within 60 days after the date of determination. If these persons were to choose to act together, they would be able to significantly influence all matters submitted to our stockholders for approval, as well as our officers, directors, management and affairs. For example, these persons, if they choose to act together, could significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of us on terms that other stockholders may desire.

We have not retained independent professionals for subscribers.

We have not retained any independent professionals to review or comment on this Offering or otherwise protect the interests of the subscribers hereunder. Although the Placement Agent has retained its own counsel, such firm has not made any independent

examination of any factual matters represented by management herein, and purchasers of the securities offered hereby should not rely on such firm retained with respect to any matters herein described.

Our Common Stock is highly illiquid and the public market for the Common Stock may be minimal.

There is currently very little public trading for our Common Stock, and trading may not significantly increase in the foreseeable future. In particular, the shares of Common Stock are being offered and sold in this Offering in reliance upon exemptions from the registration requirements of applicable federal and state securities laws. Those exemptions require that the Common Stock be purchased for investment purposes only, and not with a current view toward their distribution or resale. Unless the Common Stock or the underlying Common Stock are subsequently registered with the Commission and any required state securities authorities, or appropriate exemptions from registration are available, you may be unable to liquidate your investment in us – even if your financial condition makes such liquidation necessary.

In addition, none of our securities will likely be readily acceptable as collateral for loans. Accordingly, prospective investors who require liquidity in their investments should not invest in the Common Stock. An investment in Common Stock should only be made by those who can afford the loss of their entire investment.

As we are in our early stages, an investment in our Company will require a long-term commitment, with no certainty of return. There is no public market for our Common Stock or any other security in our Company, and even if we become a publicly-listed reporting company, of which no assurances can be given, we cannot predict whether an active market for our stock will ever develop in the future. In the absence of an active trading market:

- investors may have difficulty buying and selling or obtaining market quotations;
- market visibility for shares of our stock may be limited; and
- a lack of visibility for shares of our stock may have a depressive effect on the market price for shares of our Common Stock.

The lack of an active market impairs your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire additional intellectual property assets by using our shares as consideration.

There may be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm our company.

Proper systems of internal controls over financial accounting and disclosure are critical to the operation of a public company. As we are a start-up company, we may be unable to effectively establish such systems, especially in light of the fact that we expect to operate as a publicly reporting company. This would leave us without the ability to reliably assimilate and compile financial information about our company and significantly impair our ability to prevent error and detect fraud, all of which would have a negative impact on our company from many perspectives.

Moreover, we do not expect that disclosure controls or internal control over financial reporting, even if established, will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent error or fraud could materially adversely impact us.

We are reviewing an SEC comment related to a potentially late Form 8-K filing.

We have received a request for information from the SEC with respect to a potential late filing of a Form 8-K on June 27, 2017, and have responded to this request. While we expect to resolve this matter as soon as possible, there can be no assurance that such resolution will not be delayed, particularly in light of the partial government shutdown that remains unresolved as of the date of this

Memorandum. A significant delay in resolving this issue could impact our ability to cause a registration statement to become effective for purposes of the registrations rights that are part of this Offering.

We do not currently intend to pay dividends to our stockholders in the foreseeable future, and consequently, your ability to achieve a return on your investment will depend on appreciation in the value of our Company.

We have never and do not anticipate paying any cash dividends to our stockholders in the foreseeable future. Consequently, investors must rely on sales of their Common Stock or underlying common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. There is no guarantee that the valuation of our Company will appreciate in value or even maintain the valuation at which our stockholders have purchased their shares.

Our management has broad discretion in using the net proceeds from this Offering.

We have stated, in only a general manner, how we intend to use the net proceeds from this Offering. See "Use of Proceeds." We will have broad discretion in the timing of the expenditures and application of proceeds received in this Offering. If we fail to apply the net proceeds effectively, we may not be successful in bringing our proposed products to market. You will not have the opportunity to evaluate all of the economic, financial or other information upon which we may base our decisions to use the net proceeds from this Offering.

IN ADDITION TO THE ABOVE RISKS, BUSINESSES ARE OFTEN SUBJECT TO RISKS NOT FORESEEN OR FULLY APPRECIATED BY OUR MANAGEMENT. IN REVIEWING THIS MEMORANDUM, POTENTIAL INVESTORS SHOULD KEEP IN MIND THAT THERE MAY BE OTHER POSSIBLE RISKS THAT COULD BE IMPORTANT.

USE OF PROCEEDS

The net proceeds of this Offering, estimated to be approximately $5,000,000 if the Maximum Offering is sold, The intended use of these funds are as follows:

Use of Proceeds	Amount Dedicated
Product Development (Lab Equipment, Personnel, Development Costs, Other)	$1,525,000
Patents (Internal Patents)	$250,000
Marketing (Personnel, Marketing Research, Advertising, Investor Relations, Travel & Entertainment)	$930,000
Working Capital and General Corporate Purposes	$1,895,000
Total Use of Proceeds	$4,600,000

The above table represents an estimate only of the use of the net proceeds of this Offering and our present cash position based upon our plans and current economic and industry conditions, and is subject to reallocation(s) of the net proceeds between or among the categories listed above or to new and additional areas of use. The expenses to be incurred in developing and pursuing our business plan cannot be predicted with any degree of certainty, especially given our lack of operating history. Specific allocation of proceeds will depend ultimately on, among other things, the progress and timing of our product development, marketing efforts and the timing and results of any required future debt and/or equity financings. See "Risk Factors – Our management has broad discretion in using the net proceeds from this Offering."

If we sell the Maximum Offering, we believe, based on our current estimates, that we will be able to fund our operations for at least 18 months following the Closing of the financing. We cannot assure you that our cost estimates will prove to be accurate or that unforeseen events, problems or delays will not occur that would require us to seek additional debt and/or equity funding, which may not be available on favorable terms, sooner than expected to meet our working capital requirements. See "Risk Factors – The proceeds of this Offering will only fund our operations for a limited time and we will need to raise additional capital to support our development and commercialization efforts."

In the event that our operations do not generate sufficient cash flow, or we cannot obtain additional funds, if and when needed, we may be forced to curtail or cease activities, which would likely result in loss to investors of all or a substantial portion of their investments.

CAPITALIZATION

The following table sets forth our total capitalization as of December 31, 2018:

	Fully Diluted Shares	Fully Diluted Shares (%)	Pre-Money Valuation
Common Stock	17,811,451	35.70%	$17,811,451
Options (Avg. $1.76)	2,282,668	4.44%	$2,282,668
Warrants (Avg. $0.328)	15,173,398	31.50%	$15,173,398
Conv. Debt (Avg. $0.25)	9,020,264	18.36%	$9,020,264
Preferred Stock (1x)	4,914,071	10.00%	$4,914,071
Performance options****	2,000,000	100.00%	$49,201,852*****
Total	51,201,852		

*100,000,000 Authorized Common Shares

**5,000,000 Authorized Preferred Shares

***Priced at $1.00/Share

****Unknown number of options to purchase Common Shares (not earned) related to a potential Kickstarter program

*****Enterprise Value = $37,952,416

DIVIDEND POLICY

We have not paid any cash dividends to date, nor do we anticipate paying any cash dividends in the foreseeable future. For the foreseeable future, we intend to retain all of our earnings, if any, to finance our growth and operations and to fund the expansion of our business. Payment of any dividends will be made at the discretion of our Board of Directors, after its taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion.

MANAGEMENT AND BOARD OF DIRECTORS

Executive Officers and Board Members

NAME	AGE	EXECUTIVE OFFICER POSITION
Phillip Bosua	45	Chief Executive Officer
Ronald Erickson	75	Interim Chief Financial Officer; Chairman
James Anderson, M.D.	75	Chief Medical Officer

NAME	AGE	BOARD OF DIRECTORS
Ronald Erickson	75	Chairman; Interim Chief Financial Officer (1)
William Owens	78	Director (2)
Ichiro Takesako	59	Director
Jon Pepper	67	Director (3)

(1) Chairman of the Nominating and Corporate Governance Committee.
(2) Chairman of the Compensation Committee.
(3) Chairman of the Audit Committee.

All directors hold office until their successors are duly appointed or until their earlier resignation or removal.

Background and Business Experience

Ronald P. Erickson has been a director and officer of Know Labs since April 2003. He was appointed as our CEO and President in November 2009 and as Chairman of the Board in February 2015. Previously, Mr. Erickson was our President and Chief Executive Officer from September 2003 through August 2004, and was Chairman of the Board from August 2004 until May 2011. Mr. Erickson stepped down as Chief Executive Officer on April 10, 2018.

A senior executive with more than 30 years of experience in the high technology, telecommunications, micro-computer, and digital media industries, Mr. Erickson was the founder of Know Labs. He is formerly Chairman, CEO and Co-Founder of Blue Frog Media, a mobile media and entertainment company; Chairman and CEO of eCharge Corporation, an Internet-based transaction procession company, Chairman, CEO and Co-founder of GlobalTel Resources, a provider of telecommunications services; Chairman, Interim President and CEO of Egghead Software, Inc. a software reseller where he was an original investor; Chairman and CEO of NBI, Inc.; and Co-founder of MicroRim, Inc. the database software developer. Earlier, Mr. Erickson practiced law in Seattle and worked in public policy in Washington, DC and New York, NY. Additionally, Mr. Erickson has been an angel investor and board member of a number of public and private technology companies. In addition to his business activities, Mr. Erickson is Chairman of the Board of Trustees of Central Washington University where he received his BA degree. He also holds a MA from the University of Wyoming and a JD from the University of California, Davis. He is licensed to practice law in the State of Washington.

Mr. Erickson is our founder and was appointed as a director because of his extensive experience in developing technology companies.

Phillip A. Bosua was appointed a director and Chief Executive Officer of the Company on April 10, 2018. Previously, Mr. Bosua served as our Chief Product Officer since August 2017 and we entered into a Consulting Agreement on July 7, 2017. From September 2012 to February 2015, he was the founder and Chief Executive Officer of LIFX Inc. (where he developed and marketed an innovative “smart” light bulb) and from August 2015 until February 2016 was Vice President Consumer Products at Soraa (which markets specialty LED light bulbs). From February 2016 to July 2017, Mr. Bosua was the founder and CEO of RAAI, Inc. (where he continued the development of his smart lighting technology). From May 2008 to February 2013 he was the Founder and CEO of LimeMouse Apps, a leading developer of applications for the Apple App Store.

Mr. Bosua was appointed as a director because of his extensive experience in developing technology companies.

James Anderson, M.D. previously was the Medical Leader, Diabetes and Endocrinology at Eli Lilly and Company, Chief of Medicine at the US Army Medical Research Institute for Infectious Diseases, Director at Generex Biotechnology Corporation, and Medical Director at Catapult Health.

Ichiro Takesako has served as a director since December 28, 2012. Mr. Takesako has held executive positions with Sumitomo Precision Products Co., Ltd or Sumitomo since 1983. Mr. Takesako graduated from Waseda University, Tokyo, Japan where he majored in Social Science and graduated with a Degree of Bachelor of Social Science.

In the past few years, Mr. Takesako has held the following executive position in Sumitomo and its affiliates:

June 2008:	appointed as General Manager of Sales and Marketing Department of Micro Technology Division
April 2009:	appointed as General Manager of Overseas Business Department of Micro Technology Division, in charge of M&A activity of certain business segment and assets of Aviza Technology, Inc.
July 2010:	appointed as Executive Director of SPP Process Technology Systems, 100% owned subsidiary of Sumitomo Precision Products then, stationed in Newport, Wales
August 2011:	appointed as General Manager, Corporate Strategic Planning Group
January 2013:	appointed as Chief Executive Officer of M2M Technologies, Inc., a company invested by Sumitomo Precision products
April 2013:	appointed as General Manager of Business Development Department, in parallel of CEO of M2M Technologies, Inc.
April 2014:	relieved from General Manager of Business Development Department and is responsible for M2M Technologies Inc. as its CEO

Mr. Takesako was appointed as a Director based on his position with Sumitomo and Sumitomo's significant partnership with the Company.

Jon Pepper has served as an independent director since April 2006. Mr. Pepper founded Pepcom in 1980, and continues as the founding partner of Pepcom, an industry leader at producing press-only technology showcase events around the country. Prior to that, Mr. Pepper started the DigitalFocus newsletter, a ground-breaking newsletter on digital imaging that was distributed to leading influencers worldwide. Mr. Pepper has been closely involved with the high technology revolution since the beginning of the personal computer era. He was formerly a well-regarded journalist and columnist; his work on technology subjects appeared in *The New York Times*, *Fortune*, *PC Magazine*, *Men's Journal*, *Working Woman*, *PC Week*, *Popular Science* and many other well-known publications. Pepper was educated at Union College in Schenectady, New York and the Royal Academy of Fine Arts in Copenhagen.

Mr. Pepper was appointed as a director because of his marketing skills with technology companies.

William A. Owens has served as an independent director since May 24, 2018. Mr. Owens is currently the co-founder and executive chairman of Red Bison Advisory Group, a company which identifies opportunities with proven enterprises in China, the Middle East, and the United States and creates dynamic partnerships focusing on: natural resources (oil, gas and fertilizer plants), real estate, and information and communication technology. Most recently, he was the chairman of the board of CenturyLink Telecom, the third largest telecommunications company in the United States and was on the advisory board of SAP USA. Mr. Owens serves on the board of directors at Wipro Technologies and is a director of the following private companies: Humm Kombucha, a beverage company and Versium. Mr. Owens is on the advisory board of the following private companies: Healthmine, Platform Science, Sarcos, Sierra Nevada Corporation, and Vodi. Mr. Owens is on the board of trustees at EastWest Institute, Seattle University, and an advisor to the Fiscal Responsibility Amendment (CFFRA) Association which aims to establish a balanced budget amendment to the US Constitution. He is also a member of the Council of Foreign Relations.

From 2007 to 2015, Mr. Owens was the Chairman and Senior Partner of AEA Investors Asia, a private equity firm located in Hong Kong, and Vice Chairman of the NYSE for Asia. Mr. Owens also served as the Chairman of Eastern Airlines. He has served on over 20 public boards including Daimler, British American Tobacco, Telstra, Nortel Networks, and Polycom. Mr. Owens was the CEO/Chairman of Teledesic LLC, a Bill Gates/Craig McCaw company bringing worldwide broadband through an extensive satellite network and prior, was the President, COO/Vice Chairman of Science Applications International Corporation (SAIC). Mr. Owens has also served on the boards of the non-for-profit organizations; Fred Hutchinson Cancer Research Center, Carnegie Corporation of New York, Brookings Institution, and RAND Corporation.

Mr. Owens is a four-star US Navy veteran. He was Vice Chairman of the Joint Chiefs of Staff, the second-ranking United States military officer with responsibility for reorganizing and restructuring the armed forces in the post- Cold War era. He is widely recognized for bringing commercial high-grade technology into the Department of Defense for military applications

Mr. Owens is a 1962 honor graduate of the United States Naval Academy with a bachelor's degree in mathematics, bachelor's and master's degrees in politics, philosophy and economics from Oxford University, and a master's degree in management from George Washington University.

Mr. Owens was appointed as a director because of his business skills with technology companies.

Corporate Governance

Board Committees

The Board has three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are currently the Audit Committee, the Nominating and Corporate Governance Committee, and the Compensation Committee. The Committees were formed in July 2010. The Audit and Compensation Committees are comprised solely of non-employee, independent directors. The Nominating and Corporate Governance Committee has one management director, Ronald Erickson, as Chairman. Charters for each committee are available on our website at www.knowlabs.co. The discussion below describes current membership for each of the standing Board committees.

Audit	Compensation	Nominating and Corporate Governance
Jon Pepper (Chairman)	William A. Owens (Chairman)	Ron Erickson (Chairman)
William A. Owens	Jon Pepper	William A. Owens
Ichiro Takesako	Ichiro Takesako	Jon Pepper

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee during the fiscal year ended September 30, 2018 served as an officer, former officer, or employee of the Company or participated in a related party transaction that would be required to be disclosed in this prospectus. Further, during this period, no executive officer of the Company served as:

- a member of the Compensation Committee or equivalent of any other entity, one of whose executive officers served as one of our directors or was an immediate family member of a director, or served on our Compensation Committee; or
- a director of any other entity, one of whose executive officers or their immediate family member served on our Compensation Committee.

Code of Ethics

We have adopted conduct and ethics standards titled the code of ethics, which is available at www.knowlabs.co. These standards were adopted by our Board of Directors to promote transparency and integrity. The standards apply to our Board of Directors, executives and employees. Waivers of the requirements of our code of ethics or associated polices with respect to members of our Board of Directors or executive officers are subject to approval of the full board.

Compensation Discussion and Analysis

Overview of Compensation Program

This Compensation Discussion and Analysis describes the material elements of compensation awarded to, earned by or paid to each of our executive officers named in the Compensation Table on page under "Remuneration of Executive Officers" (the "Named Executive Officers") who served during the year ended September 30, 2018. This compensation discussion primarily focuses on the information contained in the following tables and related footnotes and narrative for the last completed fiscal year. We also describe compensation actions taken after the last completed fiscal year to the extent that it enhances the understanding of our executive compensation disclosure. The principles and guidelines discussed herein would also apply to any additional executive officers that the Company may hire in the future.

The Compensation Committee of the Board has responsibility for overseeing, reviewing and approving executive compensation and benefit programs in accordance with the Compensation Committee's charter. The members of the Compensation Committee are Jon Pepper. We expect to appoint an additional independent Director to serve on the Compensation Committee by early 2019.

Compensation Philosophy and Objectives

The major compensation objectives for the Company's executive officers are as follows:

- to attract and retain highly qualified individuals capable of making significant contributions to our long-term success;
- to motivate and reward named executive officers whose knowledge, skills, and performance are critical to our success;
- to closely align the interests of our named executive officers and other key employees with those of its shareholders; and
- to utilize incentive based compensation to reinforce performance objectives and reward superior performance.

Role of Chief Executive Officer in Compensation Decisions

The Board approves all compensation for the chief executive officer. The Compensation Committee makes recommendations on the compensation for the chief executive officer and approves all compensation decisions, including equity awards, for our executive officers. Our chief executive officer makes recommendations regarding the base salary and non-equity compensation of other executive officers that are approved by the Compensation Committee in its discretion.

Setting Executive Compensation

The Compensation Committee believes that compensation for the Company's executive officers must be managed to what we can afford and in a way that allows for us to meet our goals for overall performance. During 2018 and 2017, the Compensation Committee and the Board compensated its Chairman of the Board and Interim Financial Officer with an annual salary of $180,000. Since April 10, 2018, the Compensation Committee and the Board compensated its Chief Executive Officer with an annual salary of $225,000. This compensation reflected the financial condition of the Company. Other Named Executive Officers were paid by us during 2018 and 2017. The Compensation Committee does not use a peer group of publicly-traded and privately-held companies in structuring the compensation packages.

Executive Compensation Components for the Year Ended September 30, 2018

The Compensation Committee did not use a formula for allocating compensation among the elements of total compensation during the year that ended on September 30, 2018. The Compensation Committee believes that in order to attract and retain highly effective people it must maintain a flexible compensation structure. For the year that ended on September 30, 2018, the principal components of compensation for named executive officers were base salary.

Base Salary

Base salary is intended to ensure that our employees are fairly and equitably compensated. Generally, base salary is used to appropriately recognize and reward the experience and skills that employees bring to the Company and provides motivation for career development and enhancement. Base salary ensures that all employees continue to receive a basic level of compensation that reflects any acquired skills which are competently demonstrated and are consistently used at work.

Base salaries for the Company's named executive officers are initially established based on their prior experience, the scope of their responsibilities and the applicable competitive market compensation paid by other companies for similar positions. Mr. Erickson and Mr. Wilson were compensated as described above based on the financial condition of the Company.

Performance-Based Incentive Compensation

The Compensation Committee believes incentive compensation reinforces performance objectives, rewards superior performance and is consistent with the enhancement of stockholder value. All of the Company's Named Executive Officers are eligible to receive performance-based incentive compensation. The Compensation Committee did not recommend or approve payment of any performance-

based incentive compensation to the Named Executive Officers during the year ended September 30, 2018 based on our financial condition.

Ownership Guidelines

The Compensation Committee does not require our executive officers to hold a minimum number of our shares. However, to directly align the interests of executive officers with the interests of the stockholders, the Compensation Committee encourages each executive officer to maintain an ownership interest in the Company.

Stock Option Program

Stock options are an integral part of our executive compensation program. They are intended to encourage ownership and retention of the Company's common stock by named executive officers and employees, as well as non-employee members of the Board. Through stock options, the objective of aligning employees' long-term interest with those of stockholders may be met by providing employees with the opportunity to build a meaningful stake in the Company.

The Stock Option Program assists us by:

- enhancing the link between the creation of stockholder value and long-term executive incentive compensation;

- providing an opportunity for increased equity ownership by executive officers; and

- maintaining competitive levels of total compensation.

Stock option award levels are determined by the Compensation Committee and vary among participants' positions within the Company. Newly hired executive officers or promoted executive officers are generally awarded stock options, at the discretion of the Compensation Committee, at the next regularly scheduled Compensation Committee meeting on or following their hire or promotion date. In addition, such executives are eligible to receive additional stock options on a discretionary basis after performance criteria are achieved.

Options are awarded at the closing price of our common stock on the date of the grant or last trading day prior to the date of the grant. The Compensation Committee's policy is not to grant options with an exercise price that is less than the closing price of our common stock on the grant date.

Generally, the majority of the options granted by the Compensation Committee vest quarterly over two to three years or annually over five years of the 5-10-year option term. Vesting and exercise rights cease upon termination of employment and/or service, except in the case of death (subject to a one year limitation), disability or retirement. Stock options vest immediately upon termination of employment without cause or an involuntary termination following a change of control. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents.

The Named Executive Officers received stock grants and option awards during the year ended September 30, 2018.

Retirement and Other Benefits

We have no other retirement, savings, long-term stock award or other type of plans for the Named Executive Officers.

Perquisites and Other Personal Benefits

During the year ended September 30, 2018, we provided the Named Executive Officers with medical insurance. No other personal benefits were provided to these individuals. The committee expects to review the levels of perquisites and other personal benefits provided to Named Executive Officers annually.

Employment Agreement with Phillip A. Bosua, Chief Executive Officer

On April 10, 2018, we appointed Mr. Bosua as Chief Executive Officer of the Company, replacing Ronald P. Erickson, who remains Chairman of the Company. Mr. Erickson has been a director and officer of Know Labs since April 2003. He was appointed as our CEO

and President in November 2009 and as Chairman of the Board in February 2015. Previously, Mr. Erickson was our President and Chief Executive Officer from September 2003 through August 2003 and was Chairman of the Board from August 2004 until May 2011.

Phillip A. Bosua was appointed the Company's CEO on April 10, 2018. Previously, Mr. Bosua served as our Chief Product Officer since August 2017. We entered into a Consulting Agreement with Mr. Bosua's company, Blaze Clinical on July 7, 2017. From September 2012 to February 2015, Mr. Bosua was the founder and Chief Executive Officer of LIFX Inc. (where he developed and marketed an innovative "smart" light bulb) and from August 2015 until February 2016 was Vice President Consumer Products at Soraa (which markets specialty LED light bulbs). From February 2016 to July 2017, Mr. Bosua was the founder and CEO of RAAI, Inc. (where he continued the development of his smart lighting technology). From May 2008 to February 2013 he was the Founder and CEO of LimeMouse Apps, a leading developer of applications for the Apple App Store.

On April 10, 2018, we entered into an Employment Agreement with Mr. Bosua reflecting his appointment as Chief Executive Officer. The Employment Agreement is for an initial term of 12 months (subject to earlier termination) and will be automatically extended for additional 12-month terms unless either party notifies the other party of its intention to terminate the Employment Agreement. Mr. Bosua will be paid a base salary of $225,000 per year, received 500,000 shares of common stock valued at $0.33 per share and may be entitled to bonuses and equity awards at the discretion of the Board or a committee of the Board. The Employment Agreement provides for severance pay equal to 12 months of base salary if Mr. Bosua is terminated without "cause" or voluntarily terminates his employment for "good reason."

Employment Agreement with Ronald P. Erickson, Chairman of the Board and Interim Chief Financial Officer

On August 4, 2017, the Board of Directors approved an Employment Agreement with Ronald P. Erickson pursuant to which we engaged Mr. Erickson as our Chief Executive Officer through September 30, 2018.

Mr. Erickson's annual compensation is $180,000. Mr. Erickson is also entitled to receive an annual bonus and equity awards compensation as approved by the Board. The bonus should be paid no later than 30 days following earning of the bonus.

Mr. Erickson will be entitled to participate in all group employment benefits that are offered by us to our senior executives and management employees from time to time, subject to the terms and conditions of such benefit plans, including any eligibility requirements.

If we terminate Mr. Erickson's employment at any time prior to the expiration of the Term without Cause, as defined in the Employment Agreement, or if Mr. Erickson terminates his employment at any time for "Good Reason" or due to a "Disability", Mr. Erickson will be entitled to receive (i) his Base Salary amount for one year; and (ii) medical benefits for eighteen months.

On April 10, 2018, we entered into an Amended Employment Agreement for Ronald P. Erickson which amends the Employment Agreement dated July 1, 2017. The Amended Employment Agreement expires March 21, 2019.

Tax and Accounting Implications

Deductibility of Executive Compensation

Subject to certain exceptions, Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") generally denies a deduction to any publicly held corporation for compensation paid to its chief executive officer and its three other highest paid executive officers (other than the principal financial officer) to the extent that any such individual's compensation exceeds $1 million. "Performance-based compensation" (as defined for purposes of Section 162(m)) is not taken into account for purposes of calculating the $1 million compensation limit, provided certain disclosure, shareholder approval and other requirements are met. We periodically review the potential consequences of Section 162(m) and may structure the performance-based portion of our executive compensation to comply with certain exceptions to Section 162(m). However, we may authorize compensation payments that do not comply with the exceptions to Section 162(m) when we believe that such payments are appropriate and in the best interests of the stockholders, after taking into consideration changing business conditions or the officer's performance.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006, we began accounting for stock-based payments including its Stock Option Program in accordance with the requirements of ASC 718, "Compensation-Stock Compensation."

COMPENSATION COMMITTEE REPORT

The Compensation Committee, composed entirely of independent directors in accordance with the applicable laws and regulations, sets and administers policies that govern the Company's executive compensation programs, and incentive and stock programs. The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

Jon Pepper, Chairman

EXECUTIVE COMPENSATION

REMUNERATION OF EXECUTIVE OFFICERS

The following table provides information concerning remuneration of the chief executive officer, the chief financial officer and another named executive officer for the fiscal years ended September 30, 2018 and 2017:

Summary Compensation Table

Name	Principal Position		Salary ($)	Bonus ($)	Stock Awards ($) (4)	Option Awards ($)	All Other Compensation ($)	Total ($)
Salary-								
Ronald P. Erickson (1)	Chairman of the Board and Interim Chief Financial Officer	9/30/2018	$ 180,000	$ -	$ 21,000	$ -	$ -	$ 201,000
		9/30/2017	$ 180,000	$ -	$ 34,000	$ -	$ -	$ 214,000
Phillip A. Bosua (2)	Chief Executive Officer	9/30/2018	$ 106,095	$ -	$ 177,000	$ 640,000	$ 167,500	$ 1,090,595
		9/30/2017	$ -	$ -	$ 8,500	$ -	$ 17,500	$ 26,000
Todd Martin Sames (4)	Former Executive Vice President of Business Development	9/30/2018	$ 58,846	$ -	$ 21,000	$ -	$ -	$ 79,846
		9/30/2017	$ 120,000	$ -	$ 25,500	$ -	$ -	$ 145,500

(1) During the years ended September 30, 2018 and 2017, Mr. Erickson was compensated at a monthly salary of $15,000. As of September 30, 2017 and 2016, Mr. Erickson had accrued but unpaid salary of $120,000 and $7,500, respectively. This accrual was based on the tight cash flow of the Company and agreed to by Mr. Erickson, but there was no formal deferral agreement. There was no accrued interest paid on the unpaid salary. The 100,000 of restricted common stock was issued on January 16, 2018 to Mr. Erickson at the grant date market value of $0.21 per share. The 200,000 of restricted common stock was issued on September 7, 2017 to Mr. Erickson at the grant date market value of $0.17 per share.

(2) On April 10, 2018, we appointed Mr. Bosua as our Chief Executive Officer. During the period April 10. 2018 to September 30, 2018, Mr. Bosua was compensated at a monthly salary of $18,750. We entered into a Consulting Agreement with Mr. Bosua's company, Blaze Clinical on July 7, 2017. We paid $167,500 during the period October 1, 2017- April 9, 2018. We paid $17,500 during the period July 7, 2017 to September 30, 2017. The 50,000 of restricted common stock was issued on February 7, 2018 to Mr. Bosua at the grant date market value of $0.24 per share. The 500,000 of restricted common stock was issued on June 25, 2018 to Mr. Bosua at the grant date market value of $0.33 per share. The 50,000 of restricted common stock was issued on July 14, 2017 to Mr. Bosua at the grant date market value of $0.17 per share. On July 30, 2018, Mr. Bosua was awarded a stock option grant for 1,000,000 shares of our common stock that was awarded at $1.28 per share and was valued at the black scholes value of $0.64 per share.

(3) February 23, 2018 was Mr. Todd Sames's last date of employment as our Executive Vice President of Business Development. We paid $58,846 during the period October 1, 2017- February 23, 2018. During the year ended September 30, 2017, Mr. Sames was compensated at a monthly salary of $10,000. As of September 30, 2017, Mr. Sames had accrued but unpaid salary of $10,000. This accrual was based on the tight cash flow of the Company and agreed to by Mr. Sames, but there was no formal deferral agreement. There was no accrued interest paid on the unpaid salary. The 100,000 of restricted common stock was issued on January 11, 2018 to Mr. Sames at the grant date market value of $0.21 per share. The 150,000 of restricted common stock was issued on September 7, 2017 to Mr. Sames at the grant date market value of $0.17 per share.

(4) These amounts reflect the grant date market value as required by Regulation S-K Item 402(n)(2), computed in accordance with FASB ASC Topic 718.

Grants of Stock Based Awards in Fiscal Year Then Ended September 30, 2018

The Compensation Committee approved the following performance-based incentive compensation to the Named Executive Officers during the year ended September 30, 2018.

									All Other		
								All Other	Option Awards;		
		Estimated Future Payouts Under			Estimated Future Payouts Under			Stock Awards;	Number of		
		Non-Equity Incentive Plan			Equity Incentive Plan			Number of	Securities	Exercise or	Grant Date
		Awards			Awards			Shares of	Underlying	Base Price of	Fair Value of
	Grant	Threshold	Target	Maximum	Threshold	Target	Maximum	Stock or Units	Options	Option Awards	Stock and
Name	Date	($)	($)	($)	(#)	(#)	(#)	(#)	(#)	($/Sh) (4)	Option Awards
Ronald P. Erickson (1)		$ -	$ -	$ -	200,000	200,000	200,000	100,000	-	$ 0.170	$ 55,000
Phillip A. Bosua (2)		$ -	$ -	$ -	-	-	-	550,000	1,000,000	$ 0.640	$ 817,000
Todd Martin Sames (3)		$ -	$ -	$ -	-	-	-	100,000	-	$ 0.210	$ 21,000

(1) The restricted common stock was issued on September 7, 2017 to Mr. Erickson at the grant date market value of $0.17 per share. The estimated future payments include 100,000 shares to be issued on January 1, 2019 and 2020. The 100,000 of restricted common stock was issued on January 16, 2018 to Mr. Erickson at the grant date market value of $0.21 per share.

(2) On April 10, 2018, we appointed Mr. Bosua as our Chief Executive Officer. The 50,000 of restricted common stock was issued on February 7, 2018 to Mr. Bosua at the grant date market value of $0.24 per share. The 500,000 of restricted common stock was issued on June 25, 2018 to Mr. Bosua at the grant date market value of $0.33 per share. On July 30, 2018, Mr. Bosua was awarded a stock option grant for 1,000,000 shares of our common stock that was awarded at $1.28 per share and was valued at the black scholes value of $0.64 per share.

(3) February 23, 2018 was Mr. Todd Sames last date of employment as our Executive Vice President of Business Development. The 100,000 of restricted common stock was issued on January 11, 2018 to Mr. Sames at the grant date market value of $0.21 per share. The 150,000 of restricted common stock was issued on September 7, 2017 to Mr. Sames at the grant date market value of $0.17 per share.

(4) These amounts reflect the grant date market value as required by Regulation S-K Item 402(n)(2), computed in accordance with FASB ASC Topic 718.

Outstanding Equity Awards as of Fiscal Year Then Ended September 30, 2018

Our Named Executive Officers have the following outstanding equity awards as of September 30, 2018.

	Option Awards			
	Number of	Number of		
	Securities	Securities		
	Underlying	Underlying		
	Unexercised	Unexercised	Option	
	Options	Options	Exercise	Option
	Exercisable	Unexerciseable	Price	Expiration
Name	(#)	(#)	($) (4)	Date
Ronald P. Erickson (1)	-	-	$ -	
Phillip A. Bosua (2)	-	1,000,000	$ 1.28	7/23/2023
Todd Martin Sames (3)	-	-	$ -	

Option Exercises and Stock Vested

Our Named Executive Officers did not have any option exercises during the year ended September 30, 2018.

Pension Benefits

We do not provide any pension benefits.

Nonqualified Deferred Compensation

We do not have a nonqualified deferral program.

Employment Agreements

We have an employment agreement with Ronald P. Erickson and Phillip A. Bosua.

Potential Payments upon Termination or Change in Control

We have the following potential payments upon termination or change in control with Ronald P. Erickson:

Executive Payments Upon Separation	For Cause Termination on 9/30/18	Early or Normal Retirement on 9/30/18	Not For Good Cause Termination on 9/30/18	Change in Control Termination on 9/30/18	Disability or Death on 9/30/18
Compensation:					
Base salary (1)	$ -	$ -	$ 180,000	$ 180,000	$ -
Performance-based incentive compensation (2)	$ -	$ -	$ 34,000	$ 34,000	$ -
Stock options	$ -	$ -	$ -	$ -	$ -
Benefits and Perquisites:					
Health and welfare benefits (3)	$ -	$ -	$ 27,388	$ 27,388	$ -
Accrued vacation pay	$ -	$ -	$ 42,231	$ 42,231	$ -
Total	$ -	$ -	$ 283,619	$ 283,619	$ -

(1) Reflects a salary for twelve months.
(2) Reflects the vesting of estimated future payments includes 100,000 shares to be issued on January 1, 2019 and 2020 valued at $0.17 per share.
(3) Reflects the cost of medical benefits for eighteen months.

We have the following potential payments upon termination or change in control with Phillip A. Bosua:

Executive Payments Upon Separation	For Cause Termination on 9/30/18	Early or Normal Retirement on 9/30/18	Not For Good Cause Termination on 9/30/18	Change in Control Termination on 9/30/18	Disability or Death on 9/30/18
Compensation:					
Base salary (1)	$ -	$ -	$ 225,000	$ 225,000	$ -
Performance-based incentive compensation (2)	$ -	$ -	$ -	$ -	$ -
Stock options	$ -	$ -	$ 640,000	$ 640,000	$ -
Benefits and Perquisites:					
Health and welfare benefits (3)	$ -	$ -	$ 13,218	$ 13,218	$ -
Accrued vacation pay	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ 878,218	$ 878,218	$ -

(1) Reflects a salary for one year.
(2) Reflects the vesting of 1,000,000 shares to be issued upon a change in control valued at $0.64 per share.
(3) Reflects the cost of medical benefits for eighteen months

We do not have any potential payments upon termination or change in control with our other Named Executive Officers.

DIRECTOR COMPENSATION

We primarily use stock options grants to incentive compensation to attract and retain qualified candidates to serve on the Board. This compensation reflected the financial condition of the Company. In setting director compensation, we consider the significant amount of time that Directors expend in fulfilling their duties to the Company as well as the skill-level required by our members of the Board. During year then ended September 30, 2018, Ronald P. Erickson and Phillip A. Bosua did not receive any compensation for his service as a director. The compensation disclosed in the Summary Compensation Table on page represents the total compensation for Mr. Erickson and Mr. Bosua.

Compensation Paid to Board Members

Our independent non-employee directors are not compensated in cash. The only compensation generally has been in the form of stock awards. There is no formal stock compensation plan for independent non-employee directors. Our non-employee directors received the following compensation during the year ended September 30, 2018.

Name	Stock Awards (4)	Option Awards	Other Compensation	Total
Jon Pepper (1)	$ 18,750	$ -	$ -	$ 18,750
Ichiro Takesako (2)	12,500	-	-	12,500
William A. Owens (3)	15,500	-	-	15,500
Total	$ 46,750	$ -	$ -	$ 46,750

(1) The 75,000 shares of restricted common stock was issued on April 10, 2018 to Mr. Pepper at the grant date market value of $0.25 per share.

(2) The 50,000 shares of restricted common stock was issued on April 10, 2018 to Mr. Takesako at the grant date market value of $0.25 per share.

(3) The 50,000 of restricted common stock was issued on May 20, 2018 to Mr. Owens at the grant date market value of $0.31 per share.

(4) These amounts reflect the grant date market value as required by Regulation S-K Item 402(n)(2), computed in accordance with FASB ASC Topic 718.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the ownership of our common stock as of September 30, 2018 by:

- each director and nominee for director;
- each person known by us to own beneficially 5% or more of our common stock;
- each executive officer named in the summary compensation table elsewhere in this report; and
- all of our current directors and executive officers as a group.

The amounts and percentages of common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power," which includes the power to vote or to direct the voting of such security, or has or shares "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules more than one person may be deemed a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Unless otherwise indicated below, each beneficial owner named in the table has sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. The address for each person shown in the table is c/o Know Labs, Inc. 500 Union Street, Suite 810, Seattle Washington, unless otherwise indicated.

	Shares Beneficially Owned	
	Amount	Percentage
Directors and Officers-		
Ronald P. Erickson (1)	7,889,015	32.6%
Phillip A. Bosua (2)	2,917,500	16.6%
Jon Pepper (3)	238,000	1.4%
Ichiro Takesako (4)	150,000	0.9%
William A. Owens (5)	650,000	3.7%
Total Directors and Officers (5 in total)	11,844,515	67.6%

* Less than 1%.

(1) Reflects 1,258,085 shares of shares of common stock beneficially owned by Ronald P. Erickson or entities controlled by Mr. Erickson and warrants to purchase 1,894,666 shares of our common stock that are exercisable within 60 days, and also includes 4,736,264 shares of our common stock related to convertible debt that are exercisable within 60 days.

(2) Reflects 2,855,000 shares of shares of common stock beneficially owned by Phillip A. Bosua and vested stock option grants to purchase 62,500 shares of our common stock that are exercisable within 60 days.

(3) Reflects 238,000 shares of shares of common stock beneficially owned by Jon Pepper.

(4) Reflects 150,000 shares of shares of common stock beneficially owned Ichiro Takesako.

(5) Reflects 450,000 shares of shares of common stock beneficially owned by William A. Owens and warrants to purchase 1,894,666 shares of our common stock that are exercisable within 60 days.

	Shares Beneficially Owned	
	Amount	Percentage
Greater Than 5% Ownership		
Clayton A. Struve (1)	16,763,790	50.0%
	Blocker at 4.99%	
Ronald P. Erickson (2)	7,889,015	32.6%
Phillip A. Bosua (3)	2,917,500	16.6%
Dale Broadrick(4)	2,226,036	11.9%

(1) Reflects 800,000 shares beneficially owned by Clayton A. Struve. This total also includes 6,785,719 warrants to purchase shares of our common stock, 4,894,071 shares related to the conversion of preferred stock into our common stock and 4,284,000 shares related to the conversion of debt into our common stock. The warrants, preferred stock and convertible debt are currently priced at $0.25 per share, subject to adjustment. The address of Mr. Struve is 175 West Jackson Blvd., Suite 440, Chicago, IL 60604.

(2) Reflects 1,258,085 shares of shares of common stock beneficially owned by Ronald P. Erickson or entities controlled by Mr. Erickson and warrants to purchase 1,894,666 shares of our common stock that are exercisable within 60 days, and also includes 4,736,264 shares of our common stock related to convertible debt that are exercisable within 60 days. The address of Mr. Erickson is 500 Union Street, Suite 810, Seattle, WA 98101.

(3) Reflects 2,855,000 shares of shares of common stock beneficially owned by Phillip A. Bosua and vested stock option grants to purchase 62,500 shares of our common stock that are exercisable within 60 days. The address of Mr. Bosua is 500 Union Street, Suite 810, Seattle, WA 98101.

(4) Reflects the shares beneficially owned by Dale Broadrick. This total includes 1,113,018 shares and a total of 1,113,018 warrants to purchase shares of our common stock that are exercisable within 60 days. The address of Dale Broadrick is 3003 Brick Church Pike, Nashville, Tennessee.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

Related party transactions for the year ended September 30, 2018 are detailed below and in the Footnotes to this Annual Report on Form 10-K.

Review and Approval of Related Person Transactions

We have operated under a Code of Conduct for many years. Our Code of Conduct requires all employees, officers and directors, without exception, to avoid the engagement in activities or relationships that conflict, or would be perceived to conflict, with the Company's interests or adversely affect its reputation. It is understood, however, that certain relationships or transactions may arise that would be deemed acceptable and appropriate upon full disclosure of the transaction, following review and approval to ensure there is a legitimate business reason for the transaction and that the terms of the transaction are no less favorable to the Company than could be obtained from an unrelated person.

The Audit Committee is responsible for reviewing and approving all transactions with related persons. The Company has not adopted a written policy for reviewing related person transactions. The Company reviews all relationships and transactions in which the Company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. As required under SEC rules, transactions that are determined to be directly or indirectly material to the Company or a related person are disclosed.

Director Independence

The Board has affirmatively determined that Mr. Pepper, Mr. Takesako and Mr. Owens are each an independent director. For purposes of making that determination, the Board used NASDAQ's Listing Rules even though the Company is not currently listed on NASDAQ.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since October 1, 2016, we have engaged in the following reportable transactions with our directors, executive officers, holders of more than 5% of our voting securities and affiliates, or immediately family members of our directors, executive officers and holders of more than 5% of our voting securities.

Policies and Procedures for Related Person Transactions

We have operated under a Code of Conduct and Ethics since December 28, 2012. Our Code of Conduct and Ethics requires all employees, officers and directors, without exception, to avoid the engagement in activities or relationships that conflict, or would be perceived to conflict, with our interests.

Prior to the adoption of our related person transaction policy, there was a legitimate business reason for all the related person transactions described above and we believe that, where applicable, the terms of the transactions are no less favorable to us than could be obtained from an unrelated person.

Our Audit Committee reviews all relationships and transactions in which we and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest.

As required under SEC rules, transactions that are determined to be directly or indirectly material to us or a related person are disclosed.

Transactions with Clayton Struve

We have the following transactions with Clayton Struve:

Convertible Promissory Note dated September 30, 2016

On September 30, 2016, we entered into a $210,000 Convertible Promissory Note with Clayton A. Struve, an accredited investor of the Company, to fund short-term working capital. The Convertible Promissory Note accrued interest at a rate of 10% per annum and was due on March 30, 2017. The Note holder can convert the Note into common stock at $0.70 per share. This note was extended in the Securities Purchase Agreement, General Security Agreement and Subordination Agreement dated August 14, 2017 with a maturity date of August 13, 2018. Also, the conversion price of the Debenture was adjusted to $0.25 per share, subject to certain adjustments. The balance was increased $75,000 during the year ended September 30, 2018. On November 16, 2018, we signed Amendment 1 to Senior Secured Convertible Redeemable Notes dated September 30, 2016extending the due dates of the Note to February 27, 2019. On September 24, 2018, Mr. Struve converted $200,000 of the Note into 800,000 shares of our common stock.

Securities Purchase Agreement dated August 14, 2017

On August 14, 2017, we issued a senior convertible exchangeable debenture with a principal amount of $360,000 and a common stock purchase warrant to purchase 1,440,000 shares of common stock in a private placement to Clayton Struve for gross proceeds of $300,000 pursuant to a Securities Purchase Agreement dated August 14, 2017. The debenture accrues interest at 20% per annum and matures August 13, 2018.

On the same date, we entered into a General Security Agreement with the Mr. Struve, pursuant to which the Company has agreed to grant a security interest to the investor in substantially all of our assets, effective upon the filing of a UCC-3 termination statement to terminate the security interest held by Capital Source Business Finance Group in the assets of the Company. In addition, an entity affiliated with Ronald P. Erickson, out then Chief Executive Officer, entered into a Subordination Agreement with the investor pursuant to which all debt owed by us to such entity is subordinated to amounts owed by us to Mr. Struve under the Debenture (including amounts that become owing under any Debentures issued to the investor in the future).

The initial conversion price of the Debenture is $0.25 per share, subject to certain adjustments. The initial exercise price of the Warrant

is $0.25 per share, also subject to certain adjustments.

As part of the Purchase Agreement, we granted the investor "piggyback" registration rights to register the shares of common stock issuable upon the conversion of the Debenture and the exercise of the Warrant with the Securities and Exchange Commission for resale or other disposition.

The Debenture and the Warrant were issued in a transaction that was not registered under the Securities Act of 1933, as amended in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and Rule 506 of SEC Regulation D under the Act.

Under the terms of the Purchase Agreement, Mr. Struve may purchase up to an aggregate of $1,000,000 principal amount of Debentures (before a 20% original issue discount) (and Warrants to purchase up to an aggregate of 250,000 shares of common stock). These securities are being offered on a "best efforts" basis by the Placement Agent.

On December 12, 2017, we closed an additional $250,000 and issued a senior convertible exchangeable debenture with a principal amount of $300,000 and a common stock purchase warrant to purchase 1,200,000 shares of common stock in a private placement dated December 12, 2017 with Mr. Struve pursuant to a Securities Purchase Agreement dated August 14, 2017.

On March 2, 2018, we received gross proceeds of $280,000 in exchange for issuing a senior convertible redeemable debenture with a principal amount of $336,000 and a warrant to purchase 1,344,000 shares of common stock in a private placement dated February 28, 2018 with Mr. Struve pursuant to a Securities Purchase Agreement dated August 14, 2017.

On November 16, 2018, we signed Amendment 1 to Senior Secured Convertible Redeemable Notes dated August 14, 2017 and December 12, 2017, extending the due dates of the Notes to February 27, 2019.

Series C and D Preferred Stock and Warrants

See Part II, for a description of Series C and D Preferred Stock and Warrants with Mr. Struve.

Related Party Transactions with Ronald P. Erickson

On September 7, 2017 Mr. Erickson was issued 200,000 of restricted common stock to at the grant date market value of $0.17 per share.

On January 16, 2018 Mr. Erickson was issued 100,000 of restricted common stock on to at the grant date market value of $0.21 per share.

On January 25, 2018, we entered into amendments to two demand promissory notes, totaling $600,000 with Mr. Erickson, our Chief Executive Officer and/or entities in which Mr. Erickson has a beneficial interest. The amendments extend the due date from December 31, 2017 to September 30, 2018 and continue to provide for interest of 3% per annum and a third lien on company assets if not repaid by September 30, 2018 or converted into convertible debentures or equity on terms acceptable to the Holder. On March 16, 2018, the demand promissory notes and accrued interest were converted into convertible notes payable.

On March 16, 2018, we entered into a Note and Account Payable Conversion Agreement pursuant to which (a) all $664,233 currently owing under the J3E2A2Z Notes was converted to a Convertible Redeemable Promissory Note in the principal amount of $664,233, and (b) all $519,833 of the J3E2A2Z Account Payable was converted into a Convertible Redeemable Promissory Note in the principal amount of $519,833 together with a warrant to purchase up to 1,039,666 shares of our common stock for a period of five years. The initial exercise price of the warrants described above is $0.50 per share, also subject to certain adjustments.

On July 9, 2018, we repaid a $199,935 Business Loan Agreement with Umpqua Bank from funds previously provided by an entity affiliated with Ronald P. Erickson, our Chairman of the Board. The Company paid $27,041 and issued 800,000 shares of common stock in exchange for the conversion of this debt. Mr. Erickson is an accredited investor. These shares were issued in transactions that were not registered under the Act in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and/or Rule 506 of SEC Regulation D under the Act.

Mr. Erickson and/or entities with which he is affiliated also have accrued compensation, travel and interest of approximately $657,551 as of September 30, 2018.

Related Party Transaction with Phillip A. Bosua

On July 14, 2017, we issued 50,000 shares of our common stock to Phillip A. Bosua under the terms of a consulting agreement dated July 6, 2017.

On February 7, 2018, we issued 50,000 shares of our common stock to Phillip A. Bosua under the terms of a consulting agreement dated July 6, 2017. The fair value of the shares issued was $12,000.

On April 10, 2018, we issued 2,000,000 shares of our common stock to Phillip A. Bosua under the terms of the Merger Agreement with RAAI common stock. The fair value of the shares issued was $520,000.

On June 25, 2018, we issued 500,000 shares of our common stock to Phillip A. Bosua under the terms of an Employment agreement dated April 10, 2018. The fair value of the shares issued was $165,000.

On June 25, 2018, we closed a debt conversion with an entity controlled by Phillip A. Bosua and issued 255,000 shares of common stock in exchange for the conversion of $63,750 in preexisting debt owed by the Company to this entity.

On July 30, 2018, Mr. Bosua was awarded a stock option grant for 1,000,000 shares of our common stock that was awarded at $1.28 per share and was valued at the black scholes value of $1.22 per share.

Stock Issuances to Named Executive Officers and Directors

On September 7, 2017, we issued 400,000 shares of restricted common stock to one Named Executive Officer and two directors for services during 2015-2017. The shares were issued in accordance with the 2011 Stock Incentive Plan and were valued at $0.17 per share, the market price of our common stock.

During January to May 2018, we issued 275,000 shares of restricted common stock to one Named Executive Officer and two directors for services during 2018. The shares were issued in accordance with the 2011 Stock Incentive Plan and were valued at $0.246 per share, the market price of our common stock.

Stock Option Grant Cancellations

During the year ended September 30, 2017, two Named Executive Officers forfeited stock option grants for 35,366 shares of common stock at $19.53 per share.

Indemnification Agreements

We have entered into Indemnification Agreements with each of our current directors and executive officers. The Indemnification Agreements will provide for indemnification against expenses, judgments, fines and penalties actually and reasonably incurred by an indemnitee in connection with threatened, pending or completed actions, suits or other proceedings, subject to certain limitations. The Indemnification Agreements will also provide for the advancement of expenses in connection with a proceeding prior to a final, non-appealable judgment or other adjudication, provided that the indemnitee provides an undertaking to repay to us any amounts advanced if the indemnitee is ultimately found not to be entitled to indemnification by us. The Indemnification Agreements will set forth procedures for making and responding to a request for indemnification or advancement of expenses, as well as dispute resolution procedures that will apply to any dispute between us and an indemnitee arising under the Indemnification Agreements.

DESCRIPTION OF OUR CAPITAL STOCK

Our authorized capital stock consists of 100,000,000 shares of Common Stock, $0.0001 value per share, and 5,000,000 shares of preferred stock, $0.0001 par value per share.

Common Stock

We are authorized to issue up to 100,000,000 shares of common stock with a par value of $0.001. As of December 31, 2018, we had 17,811,451 shares of common stock issued and outstanding, held by 123 stockholders of record. The number of stockholders, including beneficial owners holding shares through nominee names, is approximately 2,300. Each share of common stock entitles its holder to one vote on each matter submitted to the stockholders for a vote, and no cumulative voting for directors is permitted. Stockholders do not have any preemptive rights to acquire additional securities issued by us. As of December 31, 2018, there were options outstanding for the purchase of 2,282,668 common shares, options outstanding for the purchase of 2,000,000 common shares (not earned), an unknown number of options for the purchase of common shares (not earned) related to a Kickstarter program, warrants for the purchase of 15,173,398 common shares, and 4,914,071 shares of our common stock issuable upon the conversion of Series A, Series C and Series D Convertible Preferred Stock. In addition, we have an unknown number of shares (9,020,264 common shares at the current conversion price of $0.25 per share) that are issuable upon conversion of convertible debentures of $2,255,066. The issuance of common shares pursuant to these options, warrants, and debentures would dilute future earnings per share.

American Stock Transfer and Trust Company is the transfer agent and registrar for our Common Stock.

Preferred Stock

Series A Preferred Stock

In July 2015, we sold Series A Preferred Stock to two investors for a total of $350,000. As of December 21, 2018, we had 20,000 Series A Preferred Stock issued and outstanding.

Each holder of outstanding shares of Series A Preferred is entitled to the number of votes equal to the number of whole shares of common stock into which the shares of Series A Preferred held by such holder are then convertible as of the applicable record date. The Series A Preferred may not be redeemed without the consent of the holder. The Company cannot amend, alter or repeal any preferences, rights, or other terms of the Series A Preferred so as to adversely affect the Series A Preferred, without the written consent or affirmative vote of the holders of at least 66% of the then outstanding shares of Series A Preferred, voting as a separate voting group, given by written consent or by vote at a meeting called for such purpose for which notice shall have been duly given to the holders of the Series A Preferred.

In connection with the issuance of the Series A Preferred, we also issued (i) a Series C five-year Warrant for 2 shares of common stock and (ii) a Series D five-year Warrant for 23,334 shares of common stock. The Series A Preferred Stock and Series C and D Warrants currently have no registration rights.

On August 14, 2017, the price of the Series A Preferred Stock and Series C and D Warrants were adjusted to $0.25 per share pursuant to the documents governing such instruments.

On September 23, 2018, a holder of Series A Preferred Stock converted 3,334 shares into 3,334 shares of common stock. In addition, the holder exercised Series C and D Warrants for 6,668 shares of common stock at $0.25 per share.

Series C and D Preferred Stock and Warrants

On August 5, 2016, we closed a Series C Preferred Stock and Warrant Purchase Agreement with Clayton A. Struve, an accredited investor for the purchase of $1,250,000 of preferred stock with a conversion price of $0.70 per share. The preferred stock has a yield of 8% and an ownership blocker of 4.99%. In addition, Mr. Struve received a five-year warrant to acquire 1,785,714 shares of common stock at $0.70 per share.

To determine the effective conversion price, a portion of the proceeds received by us upon issuance of the Series C Preferred Stock was first allocated to the freestanding warrants issued as part of this transaction. Given that the warrants will not subsequently be measured at fair value, we determined that the warrants should receive an allocation of the proceeds based on their relative fair value. This is based

on the understanding that the FASB staff and the SEC staff believe that a freestanding instrument issued in a basket transaction should be initially measured at fair value if it is required to be subsequently measured at fair value pursuant to US generally accepted accounting principles ("GAAP"), with the residual proceeds from the transaction allocated to any remaining instruments based on their relative fair values. As such, the warrants were allocated a fair value of approximately $514,706 upon issuance, with the remaining $735,294 of proceeds allocated to the Series C Preferred Stock.

Proportionately, this allocation resulted in approximately 59% of the face amount of the Series C Preferred Stock issuance remaining, which applied to the stated conversion price of $0.70 resulted in an effective conversion price of approximately $0.41.

Having determined the effective conversion price, we then compared this to the fair value of the underlying Common Stock as of the commitment date, which was approximately $1.06 per share, and concluded that the conversion feature did have an intrinsic value of $0.65 per share. As such, the Company concluded that the Series C Preferred Stock did contain a beneficial conversion feature and an accounting entry and additional financial statement disclosure was required.

Because our preferred stock is perpetual, with no stated maturity date, and the conversions may occur any time from inception, the dividend is recognized immediately when a beneficial conversion exists at issuance. During the year ending September 30, 2016, the Company. recognized preferred stock dividends of $1.16 million on Series C preferred stock related to the beneficial conversion feature arising from a common stock effective conversion rate of $0.41 versus a current market price of $1.06 per common share.

On November 14, 2016, we issued 187,500 shares of Series D Convertible Preferred Stock and a warrant to purchase 187,500 shares of common stock in a private placement to certain accredited investors for gross proceeds of $150,000 pursuant to a Series D Preferred Stock and Warrant Purchase Agreement dated November 10, 2016.

The warrants associated with the November 14, 2016 issuance were allocated a fair value of approximately $56,539 upon issuance, with the remaining $63,539 of net proceeds allocated to the Series D Preferred Stock. Proportionately, this allocation resulted in approximately 53% of the amount of the Series D Preferred Stock issuance remaining, which applied to the stated conversion price of $0.80 resulted in an effective conversion price of approximately $0.34. Having determined the effective conversion price, the Company then compared this to the fair value of the underlying Common Stock as of the commitment date, which was approximately $1.14 per share, and concluded that the conversion feature did have an intrinsic value of $0.80 per share. As such, we concluded that the Series D Preferred Stock did contain a beneficial conversion feature of $150,211 which was recorded as a beneficial conversion in stockholders' equity.

On December 19, 2016, we issued 187,500 shares of Series D Convertible Preferred Stock and a warrant to purchase 187,500 shares of common stock in a private placement to an accredited investor for gross proceeds of $150,000 pursuant to a Series D Preferred Stock and Warrant Purchase Agreement dated December 14, 2016.

The warrants associated with the December 19, 2016 issuance were allocated a fair value of approximately $60,357 upon issuance, with the remaining $69,643 of net proceeds allocated to the Series D Preferred Stock. Proportionately, this allocation resulted in approximately 54% of the amount of the Series D Preferred Stock issuance remaining, which applied to the stated conversion price of $0.80 resulted in an effective conversion price of approximately $0.37. Having determined the effective conversion price, the Company then compared this to the fair value of the underlying Common Stock as of the commitment date, which was approximately $0.81 per share, and concluded that the conversion feature did have an intrinsic value of $0.44 per share. As such, we concluded that the Series C Preferred Stock did contain a beneficial conversion feature of $82,232 which was recorded as a beneficial conversion in stockholders' equity.

Because our preferred stock is perpetual, with no stated maturity date, and the conversions may occur any time from inception, the dividend is recognized immediately when a beneficial conversion exists at issuance. During the year ending September 30, 2017, we recognized preferred stock dividends of $2.3 million on Series D preferred stock related to the beneficial conversion feature arising from a common stock effective conversion rate of $0.34 and $0.37 versus the original market price of $1.14 and $1.06 per common share, respectively.

On May 1, 2017, we issued 357,143 shares of Series D Convertible Preferred Stock and a warrant to purchase 357,143 shares of common stock in a private placement to an accredited investor for gross proceeds of $250,000 pursuant to a Series D Preferred Stock and Warrant Purchase Agreement dated May 1, 2016.

The initial conversion price of the Series D Shares is $0.70 per share, subject to certain adjustments. The initial exercise price of the warrant is $0.70 per share, also subject to certain adjustments. The Company also amended and restated the Certificate of Designations, resulting in an adjustment to the conversion price of all currently outstanding Series D Shares to $0.70 per share.

On August 14, 2017, the price of the Series C and D Preferred Stock were adjusted to $0.25 per share pursuant to the documents governing such instruments. After adjustment there were 3,108,356 shares of Series D preferred stock authorized.

On July 17, 2018, we filed with the State of Nevada a second Amended and Restated Certificate of Designation of Preferences, Powers, and Rights of the Series D Convertible Preferred Stock. The Amended Certificate restates the prior Certificate of Designation filed on May 8, 2017 to decrease the number of authorized Series D shares from 3,906,250 shares to 1,016,014 shares. No other amendments were made to the preferences and rights of the Series D Convertible Preferred Stock. The filing of the Amended Certificate was unanimously approved by the Board of Directors and the shareholders of Series D Convertible Preferred Stock.

Series F Preferred Stock

On August 1, 2018, we filed with the State of Nevada a Certificate of Designation establishing the Designations, Preferences, Limitations and Relative Rights of Series F Preferred Stock (the "Designation"). The Designation authorized 500 shares of Series F Preferred Stock. The Series F Preferred Stock shall only be issued to the current Board of Directors on the date of the Designation's filing and is not convertible into common stock. As set forth in the Designation, the Series F Preferred Stock has no rights to dividends or liquidation preference and carries rights to vote 100,000 shares of common stock per share of Series F upon a Trigger Event, as defined in the Designation. A Trigger Event includes certain unsolicited bids, tender offers, proxy contests, and significant share purchases, all as described in the Designation. Unless and until a Trigger Event, the Series F shall have no right to vote. The Series F Preferred Stock shall remain issued and outstanding until the date which is 731 days after the issuance of Series F Preferred Stock ("Explosion Date"), unless a Trigger Event occurs, in which case the Explosion Date shall be extended by 183 days.

Securities Subject to Price Adjustments

On August 14, 2017, a private placement triggered a provision in the documents governing 23,334 outstanding shares of Series A Preferred Stock, 1,785,715 outstanding shares of Series C Preferred Stock and 1,016,004 outstanding shares Series D preferred Stock, which adjusted the conversion price of such Preferred Stock to $0.25 per share. In addition, the conversion price of a Convertible Note Payables of $2,390,066 and the exercise price of outstanding warrants to purchase 9,548,741 shares of common stock were adjusted to $0.25 per share pursuant to the documents governing such instruments.

As of December 21, 2018, there were outstanding warrants for the purchase of 15,473,398 shares of common stock. In the future, if we sell our common stock at a price below $0.25 per share, the exercise price of 20,000 outstanding shares of Series A Preferred Stock, 1,785,715 outstanding shares of Series C Preferred Stock, 3,108,356 outstanding shares Series D Preferred Stock that adjust below $0.25 per share pursuant to the documents governing such instruments. In addition, the conversion price of a Convertible Note Payable of $2,255,066 (9,020,264 common shares at the current price of $0.25 per share) and the exercise price of additional outstanding warrants to purchase 13,865,286 shares of common stock would adjust below $0.25 per share pursuant to the documents governing such instruments.

Stock Incentive Plan

On March 21, 2013, an amendment to the Stock Option Plan was approved by the stockholders of the Company, increasing the number of shares reserved for issuance under the Plan to 93,333 shares. On April 10, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan from 93,333 to 1,200,000. On August 7, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan from 1,200,000 to 2,000,000 to common shares. On December 21, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan from 2,000,000 to 2,500,000 to common shares.

DESCRIPTION OF UNITS OFFERRED HEREBY

We are offering 8.0% Subordinated Convertible Notes that convert into, in the aggregate, up to 5,000,000 Shares and half as many Warrants to purchase Shares. Each Warrant may be exercised to purchase one-half (1/2) Share at an exercise price equal to

120% of the Purchase Price ($1.20 per Share). The Subordinated Convertible Notes and Warrants will be sold in units (the "Units"). Each Unit will be sold at a price of $1.00 per Unit (the "Purchase Price") and will consist of a note convertible in to one (1) Share and a separate one-half (1/2) Warrant. The Subordinated Convertible Note and Warrants will be issued separately but can only be purchased together in this Offering. Units will not be issued or certificated.

Subordinated Convertible Notes

The Subordinated Convertible Notes included in the Units have the following terms:

Term. All principal, together with accrued and unpaid interest payable on a payment-in-kind, or "PIK," basis, as described below, under each Subordinated Convertible Note is due and payable on the earlier of: (a) mandatory and automatic conversion of the Subordinated Convertible Note into a financing that yields gross proceeds of at least $10 million (a "Qualified Financing") or (b) on the one-year anniversary of the Subordinated Convertible Note (the "Maturity Date"). Prospective investors will not receive a cash return on the Convertible Subordinated Notes.

Interest. 8.0% annual interest, payment-in-kind ("PIK") in shares of Common Stock based upon a conversion price of $1.00 per share.

Mandatory Conversion. Each Holder will be required to convert a Subordinated Convertible Note into Common Stock in any Qualified Financing at a conversion price per share equal to the lower of (i) $1.00 per share or (ii) a 25% discount to the price per share paid by investors in such Qualified Financing. This mandatory conversion shall be automatic and the Company will provide notice to Holder at least seven days prior to the closing of a Qualified Financing as to the number of shares Holder would receive based on applying the discounted pricing described above for principal and PIK shares. In conjunction with any conversion, each Holder will become a party to and will execute appropriate subscription agreements for the Qualified Financing. If the Subordinated Convertible Notes have not been paid or converted prior to the Maturity Date, the outstanding principal amount of the Subordinated Convertible Note will be automatically converted into shares of Common Stock equal to the lesser of (i) $1.00 per share or (ii) any adjusted price resulting from the application of the "Most Favored Nations Provision" described below.

Most Favored Nations Provision. If at any time or from time to time prior to January 31, 2020 (the "Anti-Dilution Period") the Company issues any additional securities (a "New Issuance") (including, but not limited to, any class of shares, preferred stock, warrants, rights to subscribe for shares, convertible debt or other securities convertible into any share class for a consideration per share that is less, or which on conversion or exercise of the underlying security is less, than the conversion price of the Subordinated Convertible Note (as adjusted for changes resulting from any forward or reverse share splits, stock dividends and similar events) (a "Down Round Price"), the Company shall issue additional securities to Holder at no additional cost in an amount that it would have received at the Down Round Price, rounded up to the next whole share, on a full ratchet basis at no additional consideration ("Holder's Down Round Issuances"). In the event that a New Issuance is made at a Down Round Price and includes both equity securities and rights to acquire additional securities (whether in the form of warrants, options or other rights) (the "Rights"), then as part of any full ratchet adjustment the Company shall also include, within the Holder's Down Round Issuances, that number of Rights which the Holder would have acquired had it participated in the New Issuance.

Rights as a Stockholder. Except by virtue of a Holder's ownership of shares of our Common Stock, Holders do not have the rights or privileges of holders of our Common Stock, including any voting rights, until they convert their Subordinated Convertible Notes.

Warrants

The Warrants that are included in the Units have the following terms:

Exercise Price. The exercise price per share of Common Stock purchasable upon exercise of each Warrant is 120% of the Purchase Price ($1.20 per Share). If we, at any time while the Warrants are outstanding, pay a stock dividend on our Common Stock or otherwise make a distribution on any class of capital stock that is payable in shares of our Common Stock, subdivide outstanding shares of our Common Stock into a larger number of shares or combine the outstanding shares of our Common Stock into a smaller number of shares, then, the number, class and type of shares available under the Warrants and the exercise price will be correspondingly adjusted to give the holder of the Warrants, on exercise for the same aggregate exercise price, the total number, class, and type of shares or other property as the holder would have owned had the Warrants been exercised prior to the event and had the holder continued to hold such shares until the event requiring adjustment.

Exercisability. Holders may exercise the Warrants beginning on the date of original issuance and at any time up to the date that is five years from the date of original issuance.

Cashless Exercise. Beginning six months after the date of original issuance, if at any time during the Warrant exercisability period the fair market value of our Common Stock exceeds the exercise price of the Warrants and the issuance of shares of our Common Stock upon exercise of the Warrant is not covered by an effective registration statement, Holders will be permitted to effect a cashless exercise of the Warrants (in whole or in part) by surrendering the Warrants to us, together with delivery to us of a duly executed exercise notice, canceling a portion of the Warrant in payment of the purchase price payable in respect of the number of shares of our Common Stock purchased upon such exercise.

Transferability. The Warrants may be transferred at the option of the Warrant holder upon surrender of the Warrants with the appropriate instruments of transfer.

Rights as a Stockholder. Except by virtue of a Holder's ownership of shares of our Common Stock, Holders do not have the rights or privileges of holders of our Common Stock, including any voting rights, until they exercise their Warrants.

RESTRICTIONS ON THE TRANSFER OF SECURITIES

The Subordinated Convertible Notes, the Warrants, and the Shares underlying them (the "Securities") are subject to restrictions on transfer. The Securities have not been registered under the Securities Act or any state securities law. You must hold any Securities that you acquire indefinitely and may not transfer your Securities unless such transfer is permitted, as described in the following paragraph.

You may not transfer any Securities unless (a) a registration statement is in effect under the Securities Act covering your proposed transfer and you make such transfer in accordance with such registration statement or (b) you transfer the Securities in a transaction exempt from the registration requirements of the Securities Act and any related requirements imposed by applicable state securities laws. In the case of any transfer permitted under clause (b), you must notify us in writing of your proposed transfer and furnish us with an opinion of counsel, reasonably satisfactory to us, that your transfer will not require registration under the Securities Act or any applicable state securities laws. Units will not be issued or certificated. Each document or certificate representing the Subordinated Convertible Notes and the Warrants will bear a legend evidencing this restriction. See "Restrictions on the Transfer of Securities."

PLAN OF DISTRIBUTION

We have engaged Boustead Securities LLC, which we refer to as the Placement Agent, as our exclusive placement agent for this Offering for the sale of up to $5 million of Units. Each Unit consists of (1) an 8% subordinated convertible note in the principal amount of $25,000 that is convertible at a conversion price of $1.00 into 25,000 shares of our common stock and (2) a five-year warrant for the purchase of 12,500 shares of our common stock at an exercise price of $1.20. The Units are being offered only to accredited investors. Subscriptions are payable by wire transfer of immediately available U.S. funds. The minimum investment is $25,000 per subscription; however, we may, in our sole discretion, accept subscriptions for lesser amounts.

All funds received from subscribers will be held in a non-interest-bearing escrow account maintained by Fintech Clearing LLC, an affiliate of the Placement Agent. We are not required to raise any minimum amount in this Offering before we may utilize the funds received in this Offering. There is no assurance that any funds will be invested other than your own funds.

This Offering is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) and Regulation D promulgated thereunder. Specifically, we are relying on Rule 506(c) of Regulation D. The securities will be offered to accredited investors only as such term is defined in Rule 501(a) of Regulation D under the Securities Act.

We reserve the right to reject any subscription from a subscriber that we believe, in our sole discretion, does not meet the suitability standards for this Offering or for any other reason. In such an event, any funds received from such subscriber will be promptly returned without interest or deduction.

Prior to the closing, a Subscription Agreement and Securities Purchase Agreement in the form delivered along with this Memorandum and other definitive documents, which are also being provided along with this Memorandum, must be executed by each subscriber and delivered to us along with funds in the amount of the purchase price of Units being purchased.

Our executive officers, controlling persons and affiliates and the Placement Agent and its executive officers, controlling persons and affiliates may purchase Units in the Offering in any amount.

The Units will be offered through February 28, 2019, which period may be extended by the Placement Agent and the Company, in their joint discretion, to a date not later than April 15, 2019. We may hold an initial Closing at any time after the conditions to closing have been satisfied and upon agreement between us and the Placement Agent.

The Placement Agent is entitled to a cash commission in the amount of 8% of the gross proceeds received by the Company from investors in the Offering and a warrant to purchase Units of the Company identical to those being sold to investors in the Offering that are equal to 8% of the securities issued by the Company in the Offering. Notwithstanding the foregoing, for any investment by an investor introduced by Ronald Erickson or Philip Bosua that are listed in the engagement agreement, the Placement Agent will receive a reduced cash fee of 2% and receive reduced number of placement agent warrants equal to 2% of the securities issued by the Company in the Offering. Upon entering into the engagement agreement with the Placement Agent, we also paid the Placement Agent a $25,000 advisory fee which will be deducted from the success fees payable at closing. The Placement Agent is also entitled to the reimbursement of its expenses provided that any expense exceeding $1,500 must be preapproved in writing by the Company. Our engagement agreement with the Placement Agent also provides that we must indemnify the Placement Agent against certain liabilities, including liabilities under the Securities Act, or contribute to payments the underwriter may be required to make in respect thereof.

The engagement agreement also provides the Placement Agent with certain rights to participate in future offerings of the Company's securities.

The price of the Units has been determined following our discussions with the Placement Agent. Among the factors considered in the negotiations were our limited operating history, our history of losses, the nature and scope of our intellectual property, an assessment of our management and our proposed operations, our current financial condition, our outstanding indebtedness, if any, the prospects for the industry in which we operate, the prospects for the development of our business with the capital raised in this Offering and the general condition of the securities markets at the time of this Offering. The Purchase Price of the Units does not necessarily bear any relationship to our assets, book value or results of operations or any other generally accepted criterion of value. See "Risk Factors."

SUITABILITY AND INVESTOR QUALIFICATION

Investor Qualifications

Purchase of the Units involves a number of significant risks and is a suitable investment only for certain investors. See "Risk Factors."

Only persons of adequate financial means who have no need for present liquidity with respect to this investment should consider purchasing the Units offered hereby because: (i) an investment in the Units involves a number of significant risks (See "Risk Factors"); and (ii) no market for the Securities underlying the Units exists and none is likely to develop in the reasonably foreseeable future (See "Restrictions on the Transfer of Securities"). This Offering is intended to be a private offering that is exempt from registration under the Securities Act and applicable state securities laws.

This Offering is being made in the State of New York and such other states as determined by the Placement Agent and is limited solely to accredited investors (as defined below).

Accredited Investors

Accredited investors are defined in Regulation D under the Securities Act as only those persons or entities coming within any one or more of the following categories:

(i) Any bank, as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker-dealer registered pursuant to Section 15 of the Exchange Act; any insurance company, as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company, as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $5,000,000; and any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, that is either a bank, savings and loan association, insurance company or registered investment advisor, if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by person(s) that are accredited investor(s);

(ii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;

(iii) Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, any corporation, Massachusetts or similar business trust, or company, not formed for the specific purpose of acquiring the Common Stock, with total assets in excess of $5,000,000;

(iv) Any director or executive officer of our Company;

(v) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds $1,000,000 (for purposes of calculating net worth under this category, (i) the natural person's primary residence shall not be included as an asset, (ii) indebtedness that is secured by the undersigned's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability, (iii) to the extent that the indebtedness that is secured by the primary residence is in excess of the fair market value of the primary residence, the excess amount shall be included as a liability, and (iv) if the amount of outstanding indebtedness that is secured by the primary residence exceeds the amount outstanding 60 days prior to the investment, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability);

(vi) Any natural person who had an individual income in excess of $200,000, or joint income with that person's spouse in excess of $300,000, in each of the two most recent years and who reasonably expects to reach the same income level in the current year;

(vii) Any trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Common Stock, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D; or

(viii) Any entity all of whose equity owners are accredited investors.

Applicable to All Investors

You will be required to represent to us in writing that you are an accredited investor under Regulation D, as described above. In addition to the foregoing requirement, you must also represent in writing that you are acquiring the Securities underlying the Units for your own account and not for the account of others and not with a view to resell or distribute such Securities.

Only we may accept subscriptions, and we will have the sole discretion to reject any subscription (or any portion thereof) from you or any other person, in any order, and for any or no reason. We are entitled to rely upon the accuracy of your representations to us. We may, but under no circumstances shall we be obligated to, require additional evidence that a prospective investor meets the standards set forth above at any time prior to our acceptance of a prospective investor's subscription. You are not obligated to supply any information so requested by us, but we may reject a subscription from you or any person who fails to supply such information.

Subscription Procedure

The following discussion contains a summary of material features of the Securities Purchase Agreement to which all purchasers of the Units will be parties. This summary is not complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Securities Purchase Agreement.

General. In order to subscribe for the Units, you must submit to the Placement Agent one (1) executed signature page to the Subscription Agreement which accompanied this Memorandum. You will then receive a Securities Purchase Agreement. You must then properly complete one (1) original of the signature page for the Securities Purchase Agreement and the Subscription Agreement which is attached to the Securities Purchase Agreement. You must mail or deliver such original signature page to the Placement Agent at Boustead Securities LLC, 6 Venture, Suite 265, Irvine, CA 92618 or via email to Pete Conley, Managing Director, Boustead Securities LLC at pete@boustead128.com. The purchase price for the Units for which you are subscribing must be delivered by means of a wire transfer (unless you have made alternate arrangements with the Placement Agent). Wire transfer instructions are set forth in Exhibit B of the Securities Purchase Agreement.

All subscription funds will be deposited in a non-interest-bearing escrow account maintained at Fintech Clearing LLC, an affiliate of the Placement Agent (the "Escrow Agent"), until the earlier of the time at which the closing of the Offering is held, the rejection of your subscription or the termination (or expiration) of this Offering. A closing may occur at any time and from time to time after the conditions to closing specified in the Securities Purchase Agreement have been satisfied and the Company and the Placement Agent jointly determine to close. No interest will be paid to any potential investors on funds deposited in the escrow account. Accordingly, you will lose the use of your funds for up to the duration of this Offering period. Subscription funds will be held by the Escrow Agent pursuant to the terms of an escrow agreement entered into by and among us, the Placement Agent and the Escrow Agent. The Escrow Agent will not accept or reject any subscriptions or review the adequacy of any documents delivered to prospective investors.

Subject to applicable state securities laws, you may not revoke any subscription that you deliver to the Placement Agent. However, we may reject any subscription, in whole or in part, in our sole discretion. If a subscription is wholly or partially rejected, subscription funds in the amount rejected will be returned (via regular mail) to such subscriber, without interest, deduction or offset, within 15 business days thereafter. As soon as practicable after our receipt and acceptance of subscriptions and the holding of a closing, we will issue statements representing the Units subscribed for by all persons whose subscriptions have been accepted, together with their respective signature page for the Securities Purchase Agreement countersigned by us, and the funds underlying such subscriptions will then be released from the escrow account to us.

There will be a closing of this Offering only if the conditions to closing specified in the Securities Purchase Agreement have been satisfied and the Company and the Placement Agent mutually determine that a closing should occur. After the initial closing, we may hold one or more additional closings until we have raised the maximum amount being raised in this Offering or until February 21, 2018, unless extended until March 21, 2018 as determined by us and the Placement Agent. If that condition is not satisfied, any subscriptions received for Units will be canceled and all funds held by the Escrow Agent will be returned, without interest, deduction or offset. See "Plan of Distribution."

WHERE YOU CAN FIND MORE INFORMATION

This Memorandum does not contain all of the information that we file with the SEC. We file annual, quarterly and other reports, proxy statements and other information with the SEC on a voluntary basis. Our SEC filings are available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any document we file at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, including any amendments to those reports, and other information that we file with or furnish to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act can also be accessed free of charge through the Internet. These filings will be available as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Any documents or information concerning the Company which a prospective subscriber reasonably requests to inspect or have disclosed to him or her will be made available or disclosed, subject in appropriate circumstances to receipt by the Company of reasonable assurances that such documents or information will be maintained in confidence.

If you require additional information or have any questions, please contact us or the Placement Agent's Compliance Department at: Boustead Securities LLC, Attn: Keith Moore keith@boustead1828.com