

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

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

Commission File Number: 000-54918

MCORPCX, INC.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

26-0030631
(I.R.S. Employer
Identification No.)

201 Spear Street, Suite 1100
San Francisco, CA 94105

(Address of principal executive offices, including zip code)

(415) 526-2655

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
None	N/A	N/A

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

COMMON STOCK, NO PAR VALUE PER SHARE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: YES ☐ NO ☒

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☒	Smaller Reporting Company	☒
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 12(a) of the Exchange Act. ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 28, 2019 the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the registrant's common stock on the OTCQB Venture Marketplace on such date, was approximately \$657,768.

At March 26, 2020, 20,426,158 shares of the registrant's common stock were outstanding.

TABLE OF CONTENTS

	Page
PART I	3
Item 1. Business.	3
Item 1A. Risk Factors.	7
Item 1B. Unresolved Staff Comments.	12
Item 2. Properties.	12
Item 3. Legal Proceedings.	12
Item 4. Mine Safety Disclosure.	12
PART II	13
Item 5. Market for Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	13
Item 6. Selected Financial Data.	15
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.	15
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	24
Item 8. Financial Statements and Supplementary Data.	24
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	25
Item 9A. Controls and Procedures.	25
Item 9B. Other Information.	26
PART III	26
Item 10. Directors, Executive Officers and Corporate Governance.	26
Item 11. Executive Compensation.	32
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	37
Item 13. Certain Relationships and Related Transactions, and Director Independence.	39
Item 14. Principal Accountant Fees and Services.	40
PART IV	41
Item 15. Exhibits and Financial Statement Schedules.	41
<i>Signatures</i>	43
<i>Exhibit Index</i>	41

PART I

ITEM 1. BUSINESS.

General

McorpCX, Inc. (“we,” “us,” “our,” or the “Company”) was incorporated in the State of California on December 14, 2001. We are a customer experience (CX) management solutions company dedicated to helping organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue. The Company operated as The Innes Group, Inc., d/b/a MCorp Consulting until filing a Certificate of Amendment to the Articles of Incorporation renaming the Company Touchpoint Metrics, Inc., effective October 18, 2011. During the first quarter of 2015, the Company filed a d/b/a (doing business as) with the State of California Secretary of State to begin doing business as McorpCX. On June 11, 2015, at our Annual General Meeting, shareholders passed a resolution to change the name of the Company to McorpCX, Inc.

We are a customer experience services company, delivering consulting and technology solutions to customer-centric organizations. Our professional and related services include a range of customer experience management services such as research, training, strategy consulting and process optimization. Currently we are engaged in the business of delivering consulting and professional services that are designed to help corporations improve their customer listening and customer experience management capabilities. Going forward we will focus on developing and/or acquiring new technology solutions as part of our overall strategy. This supports our vision as a technology and service provider.

On August 16, 2018, the Company entered into a contribution agreement with its wholly owned subsidiary McorpCX, LLC, (“McorpCX LLC”) pursuant to which the Company transferred to McorpCX LLC all of the Company’s assets and liabilities related to the Company’s customer experience consulting business, excluding the underlying technology and databases related thereto which remained with the Company. In connection with this internal reorganization, Michael Hinshaw, resigned as the Company’s President and Chief Executive and was appointed President of McorpCX LLC in order to be able to focus the majority of his time and energies towards building the Company’s consulting business, which is now operated through McorpCX LLC.

We maintain our primary business address at 201 Spear Street, Suite 1100, San Francisco, CA 94105. Our telephone number is (415) 526-2655. Our registered agent for service of process is Northwest Registered Agents, Inc. Our web address is <http://www.mcorp.cx>. The inclusion of our internet address in this report does not include or incorporate by reference into this report any information contained on, or accessible through, our website. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, amendments to those reports and other Securities and Exchange Commission, or “SEC”, filings are available free of charge through our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Additionally, copies of materials filed by us with the SEC may be accessed at www.sec.gov.

Our common stock trades on the TSX Venture Exchange in Canada under the symbol “MCX” and on the OTCQB Venture Marketplace in the United States under the symbol “MCCX”.

Customer experience (CX)

CX is defined as the sum of all experiences a customer has with a company, its goods and its services, across various touchpoints and over the duration of their relationship with that company. Customer experience management (CXM) is a series of disciplines, methodologies and processes used to comprehensively understand, plan, measure and manage a customer’s experiences, with the goal of improving customer perceptions.

We are engaged in the business of helping corporations improve their CX and CXM capabilities and serve a wide variety of industries and customer sizes.

Products and Services

Our primary revenue source comes from consulting and professional services including research, training, strategy consulting and process optimization. To add value to our customers, we have developed technology products that support customer insight and understanding for our consulting clients. We will focus on developing and/or acquiring new technology solutions as part of our overall strategy. This focus supports our vision as a technology and service provider. Together, our services and products are designed to help organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue. We serve a wide variety of industries and customer sizes.

Professional Services

We provide professional and related consulting services including customer experience management consulting in the areas of research, strategy development, planning, education, training and best practices, and includes the articulation of customer-centric strategies and implementation roadmaps in support of these strategies.

These services are intended to help primarily large and medium sized organizations systematically and predictably plan, design and deliver better customer experiences, maximize their return on investment, improve their operational efficiency, and increase customers’ adoption of their products and services.

Software

We have developed two SaaS-based software solutions, Touchpoint Mapping On Demand, referred to as “Touchpoint Mapping” and McorpCX | Persona, which are each designed to be delivered through a cloud-based platform. The Touchpoint Mapping platform can provide access to survey deployment, the ability to manage customer data, and access to customer-driven business intelligence (BI) by displaying data in a series of online dashboards. The McorpCX | Persona platform is intended to provide the ability to create, manage, access and share customer persona, with the intention of helping to digitize and automate the persona development process. In addition, we utilize licensed third party software with many of our clients to provide analytics and execute our client engagements. During the second half of 2017, we stopped further development of our exiting CX software products in order to re-assess the product roadmap to better define the future direction of our software platform, and in 2018 we suspended future sales of both Touchpoint Mapping and McorpCX | Persona. We intend to continue to focus on developing and/or acquiring technology solutions as part of our overall offerings to our customers. This focus supports our vision as a technology and service provider.

Our Strategy

Since our founding, we have been focused on customer experience improvement. The methodologies we have developed and deliver as a professional services firm have formed the foundation for our CX consulting, advisory and analytic expertise. We will focus on developing and/or acquiring new technology solutions. This focus supports our vision as a technology and service provider.

We used our CX consulting experience to create the foundation for a cloud-based software platform. Though we released the first version of Touchpoint Mapping in 2013 and released the first version of McorpCX | Persona in 2016, there are many potential unforeseen and significant market and competitive risks associated with the market penetration of our software products and related services, and we cannot predict the timing or probability of generating material sales revenue from them.

As of the date of this report, we have yet to engage the necessary development and client support or sales staff required to identify, develop, and close material product sales opportunities which we believe is required to achieve our product sales and revenue growth objectives. In addition, we believe that our current software capabilities are more limited in scope than our desired final software platform and as such, we will require significant further software development expenditures. Consequently, revenues from our consulting services provided to our clients continued to represent a majority of our revenue in 2019. To support our vision as a provider of technology and services to our customers, management plans to focus on developing and/or acquiring new technology solutions.

The Company is in the process of determining the optimal path forward for our software products based on current market dynamics, the competitive environment and customer feedback. We continue to evaluate various potential strategies with the goal of improving our ability to achieve additional revenue and profit growth for our software products. These possible strategies, which are generally focused on ways to create a more complete slate of customer experience solutions for our clients, may include further software or technology development expenditures, pursuit of merger, acquisitions or joint ventures with companies that provide complimentary products and services, software licensing arrangements, and investment in additional infrastructure within our Company. Each of these possible strategies will be thoroughly vetted by our board of directors to assess the expected level of enterprise value creation for each strategy compared to the various risks associated with each possible scenario. In addition, we may require financing to pursue these strategies that is beyond our current financial resources. Accordingly, there is no assurance that we will be able to pursue any strategies that are identified by our board of director.

Competition

The market for customer experience management solutions is highly competitive and increasingly fragmented. It is subject to rapidly changing technology, shifting organizational priorities and requirements, frequent introductions of new products and services, and increased marketing and sales activities of other industry participants.

Multiple competitors exist in the overlapping areas of on-demand and traditional marketing research, customer relationship management (CRM), Enterprise Feedback Management (EFM), Customer Journey Management and analytics and Digital Experience Management (DXM) software, services, management consulting and customer experience management consulting. For example, many CRM software companies include customer experience-specific insights as adjunct capabilities to their existing platforms, and others have rebranded their existing CRM software or customer satisfaction research software as customer experience software, which has the potential to create unforeseen competitive barriers and market confusion.

Many of our current and potential competitors have a significantly larger market presence, greater name recognition, access to more potential customers and substantially greater financial, technical, sales and marketing, management, support and other resources than we have. As a result, many of our competitors are able to respond more quickly than we can to new or changing opportunities and technologies, and may devote greater resources to the marketing, promotion and sale of their products than we can.

Given the growth of customer experience management as a business discipline and on-demand software as a way for companies to better understand and manage customer experiences across their business, there are likely many competitors we have not identified. Additionally, we expect that new competitors will continue to enter the customer experience management and on-demand customer experience software markets with competing products and services as the market continues to rapidly develop and mature.

We believe it is highly likely that existing and new competitors will rapidly acquire significant market share, which would negatively impact our ability to effectively market, compete and sell our products and services into the markets in which such competitors operate.

Dependence on Major Customers

The Company sells its products and services under various terms to a broad range of companies across multiple industries ranging from start-ups to Fortune 500 companies, with sales concentrated among a few large clients. For the twelve months ended December 31, 2019 and 2018, the percentage of the Company's total sales to its largest customer was 28% and 35%, respectively, while sales to the Company's second largest customer accounted for 18% and 29%, respectively of the Company's total sales over those same time periods. See "Note 7 Concentrations" in the Notes to Consolidated Financial Statements in this report.

Intellectual Property

We rely on our trademark and other intellectual property laws, contractual arrangements, such as assignment, confidentiality and non-disclosure agreements, and confidentiality procedures and technical measures to gain rights to and protect the technology and intellectual property used in our business. We actively pursue registration of our trademarks and service marks in the United States.

As of December 31, 2019, we own, through McorpCX LLC, four issued U.S. trademarks. The issued U.S. trademarks that we own are expected to expire between August 2020 and February 2027. Our trademarks include Touchpoint Mapping, MCORP., Loyalty Mapping and Touchpoint Metrics.

Our applications use a combination of "open source" software and technology we license from third parties. Open source software is made available to the general public in source code form for use, modification and redistribution on an "as-is" basis under the terms of a non-negotiable license. Though the third-party technology we rely upon may not continue to be available to us on commercially reasonable terms, we believe that alternative technology would likely be available to us in such circumstances.

Our policy is to require employees and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, and other technology and intellectual property created by them on our behalf and agreeing to protect our confidential information, and all of our key employees and contractors have done so. In addition, we generally enter into confidentiality agreements with our vendors and customers. We also control and monitor access to our software, source code and other proprietary information.

Insurance

We maintain health, dental, workmen's compensation, general liability, commercial auto, and professional liability/E&O insurance policies and director and officer insurance.

Employees

At the end of 2019 we had six full-time employees and fourteen independent contractors. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have never experienced any employment-related work stoppages and consider relations with our employees to be good. We intend to hire more employees and independent contractors on an as-needed basis.

Offices

We have two business addresses. Our headquarters is located at 201 Spear Street, Suite 1100, San Francisco, CA 94105. We also have a business office in San Anselmo, California located at 251 Sir Francis Drake Boulevard, 94960.

Costs and Effects of Compliance with Local, State and Federal Environmental Laws

Given the nature of the Company's business operations, local, state and federal environmental laws do not impose any material costs or have any material effect on the Company.

Government Regulation

We are not currently subject to direct federal, state or local regulation other than regulations applicable to businesses.

RISK FACTORS

The statements in this “Risk Factors” section describe material risks to our business and should be considered carefully. You should review carefully the risk factors listed below, as well as those factors listed in other documents we file with the SEC. Our disclosure and analysis in this annual report on Form 10-K and in our annual report to shareholders contain some forward-looking statements that set forth anticipated results based on management’s current plans and assumptions.

We have incurred losses from our operations and may continue to incur losses from our operations into the future. There is no assurance our future operations will result in profitable revenues. If we cannot generate sufficient revenues to operate profitably, we will cease operations and any investment will be lost.

During the years ended December 31, 2019 and 2018, we incurred net operating losses of approximately \$0.8 million and \$0.4 million, respectively. Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to retain and expand our existing customer base and our ability to increase our revenues through the sale of our services and products.

There are many potential unforeseen and significant market and competitive risks associated our current products and services. Although we released the first version of Touchpoint Mapping in 2013, and we released the first version of McorpCX | Persona in 2016, we cannot predict the timing or probability of generating material sales revenue from either of them. As of the date of this report, we have yet to engage the necessary sales and marketing staff or the capabilities required to identify, develop, and close material product sales opportunities, and currently lack sufficient resources to market and sell our products in the manner which we believe is required to achieve our product sales and revenue growth objectives. In addition, we believe that our current CX software capabilities are more limited in scope than our desired final software platform and as such, we will focus on developing and/or acquiring new technology solutions. This focus supports our vision as a technology and service provider. Further, during the second half of 2017, we stopped further development of our CX software products in order to re-assess the product roadmap to better define the future direction of our software platform, and in 2018 we suspended future sales of both Touchpoint Mapping and McorpCX | Persona until we further assess the platform and the commercial viability of our software products in their current state. We can give no assurance that we will resume development or sales of either of our software products. Our consulting services business is project based, and as such there is no guarantee that past or current success in this area will lead to future revenue. It is our expectation that numerous unforeseen challenges will be encountered as we work to develop, market, distribute and sell our services and products. We cannot assure you that that we will be able to compete successfully against current or potential competitors, or that competition will not have a material adverse effect on our business, financial condition and operations.

Our ability to achieve our objectives will stem in large part from our ability to develop and/or acquire new technology solutions., the licensing and adoption of our systems and methodologies, the development of direct and indirect sales and distribution channels through which we can distribute our products and services, and/or the definition and execution of other strategic plans. Based upon current plans, we expect to incur operating losses in future periods because we will be incurring expenses required to achieve our objectives and not generating revenues sufficient to generate profits. We cannot guarantee that we will be successful in generating sufficient revenues in the future. Failure to generate profits from operations may cause our business to fail.

Business or economic disruptions or global health concerns beyond our control could seriously harm our business and results of operations.

Broad-based business or economic disruptions could adversely affect our ongoing or planned business activities. For example, beginning in December 2019 an outbreak of a novel strain of coronavirus originated in Wuhan, China, and has since spread to a number of other countries, including the United States. The outbreak has prompted precautionary government-imposed closures of certain travel and businesses. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted.

We are dependent on Michael Hinshaw, the President of McorpCX LLC to guide our consulting operations and we may be faced with interruptions and challenges to continuing our business if we were to lose the services of Mr. Hinshaw.

Our continuing consulting operations depend on the efforts, abilities and resources of Michael Hinshaw, the President of McorpCX LLC. Mr. Hinshaw plays an integral role in among other things:

- acquiring new clients for our consulting services;
- managing the relationships with our current clients and overseeing the consulting and product services provided to such clients; and
- providing thought leadership content for the Company and its clients.

Since we believe there is currently no other employee of the Company who has both the ability and the resources to perform the services to the Company that Mr. Hinshaw is currently performing, if we lose the services of Mr. Hinshaw, we may have to cease operations.

If we do not attract new customers, we will not make a profit, which ultimately will result in a cessation of operations.

Our ability to maintain operations is predicated upon being retained to provide technology enabled products and services that improve customer experience management capabilities for corporations. As of December 31, 2019, we had approximately 6 customers active and 17 customers total for the year ended December 31, 2019. If we are unable to attract and maintain an adequate customer base to generate revenues, we will have to suspend or cease operations.

If the Company cannot protect its intellectual property rights, its operating results will suffer

Our intellectual property rights are important to our business. We rely on a combination of patent, copyright, trademark, service mark, trade secret and other rights in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our proprietary technology, processes and other intellectual property. We protect our intellectual property rights in a number of ways including entering into confidentiality and other written agreements with our employees, customers, consultants and partners in an attempt to control access to and distribution of our software, documentation and other proprietary technology and other information. Despite our efforts to protect our proprietary rights, third parties may, in an unauthorized manner, attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop software or services with the same functionality as our software and services. Litigation may be necessary to enforce the Company's intellectual property rights and to determine the validity and scope of the proprietary rights of others. Any litigation could result in substantial costs and diversion of management and other resources with no assurance of success and could seriously harm the Company's business and operating results.

If we infringe on any patents of our competitors, we will be liable for damages and may be enjoined from conducting our proposed business. Further, because our patents do not cover the entirety of our product, someone could use the information and compete with us and we will have no recourse against him.

The market for our products and services is evolving rapidly

We are engaged in a new and rapidly evolving business, and consequently we may experience rapid shifts in demands for our products and services. These changes in demand may result from a number of factors, including, without limitation, changes in the perceived benefits of or need for our services and the introduction of technology-based solutions that supplant the need for professional consulting-based services. These changes in demand may adversely impact on our ability to earn revenues and achieve profitability.

We face intense competition for our products and services

The market for customer experience management solutions is highly competitive, increasingly fragmented, and subject to rapidly changing technology, shifting organizational priorities and requirements, frequent introductions of new products and services, and increased marketing activities of other industry participants. Many of our current competitors have a larger market presence, greater name recognition, access to more potential customers and substantially greater financial, technical, sales and marketing, management, support and other resources than we have, which allows such competitors to respond more quickly than we can to new or changing opportunities and technologies, and to devote greater resources to the marketing, promotion and sale of their products than we can.

Additionally, many CRM software companies include customer experience-specific insights as adjunct capabilities to their existing platforms, and others have rebranded their existing CRM software or customer satisfaction research software as customer experience software, which has the potential to create unforeseen competitive barriers and market confusion, which could negatively affect our operations.

Given the growth of customer experience management as a business discipline, we expect that new competitors will continue to enter the customer experience management and on-demand customer experience software markets with competing products and services as the market continues to rapidly develop and mature. We believe it is highly likely that existing and new competitors will rapidly acquire significant market share, which could negatively impact our ability to effectively market, compete and sell our products and services into the markets in which such competitors operate.

We have limited access to financing and capital to fund our operations

We primarily generate cash to fund our business operations from our business operations and from the proceeds from a private placement completed in 2016. However, since we have incurred net losses in each of 2016 through 2019, there is no assurance that our cash from operations will be sufficient to fund our business operations on an ongoing basis. Accordingly, we may require additional financing to continue our operations. We do not have any arrangements in place for any future debt or equity financing and there is no assurance that any financing would be available to us if required.

Our inability to generate sufficient cash flows may result in our Company not being able to continue as a going concern.

For the year ended December 31, 2019, the Company had a net loss of \$760,955. In addition, the Company had a net loss of \$411,216 for the year ended December 31, 2018. These circumstances result in substantial doubt as to the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to continue to generate sufficient revenues to operate profitably or raise additional capital through debt financing and/or through sales of common shares.

The failure to achieve the necessary levels of profitability or obtain the additional funding would be detrimental to the Company. The Company's consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Because we have only five officers and five directors who are responsible for our managerial and organizational structure, there may not be effective disclosure and accounting controls to comply with applicable laws and regulations which could result in fines, penalties and assessments against us.

We have only five officers and five directors. These persons are responsible for our managerial and organizational structure, which include preparation of disclosure and accounting controls under the Sarbanes Oxley Act of 2002. As such, they are responsible for the administration of the Company's internal controls. Should they not properly administer the Company's internal controls, we may be subject to sanctions and fines by the SEC.

As of December 31, 2019, management assessed the effectiveness of our internal control over financial reporting and concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of U.S. generally accepted accounting principles. Management determined that this was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses. See Item 9A Controls and Procedures – Internal Control Over Financial Reporting for more information. Although management has taken steps in 2019 to address the deficiencies in our internal controls, the Company currently does not have sufficient internal controls over financial reporting which could limit investment in the Company's securities and expose the Company to SEC fines or administrative sanctions.

There is no assurance that we will be able to update our Touchpoint Mapping software or our McorpCX | Persona solution to incorporate features that our customers and potential customers require

Our Touchpoint Mapping software and our McorpCX | Persona solution have not been upgraded and ceased to be a functioning technology and any enhancements will be based on our understanding of the features that potential customers will require. However, there is no assurance that any enhancements we incorporate into updated Touchpoint Mapping or McorpCX | Persona software will provide our customers and potential customers with the features and functionality that they require. Accordingly, there is no assurance that we will be able to achieve material sales of our Touchpoint Mapping or McorpCX | Persona software on a stand-alone basis once further development is completed.

There are legal restrictions on the resale of our shares of common stock, including penny stock regulations under the United States federal securities laws. These restrictions may adversely affect the ability to resell our shares of common stock.

We anticipate that our common shares will continue to be subject to the penny stock rules under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These rules regulate broker/dealer practices for transactions in “penny stocks.” Penny stocks are generally equity securities with a price of less than \$5.00. The penny stock rules require broker/dealers to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson and monthly account statements showing the market value of each penny stock held in the customer’s account. The bid and offer quotations and the broker/dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the transaction and must be given to the customer in writing before or with the customer’s confirmation. In addition, the penny stock rules require that prior to a transaction, the broker and/or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. The transaction costs associated with penny stocks are high, reducing the number of broker-dealers who may be willing to engage in the trading of our shares. These additional penny stock disclosure requirements are burdensome and may reduce all of the trading activity in the market for our common stock. As long as the common stock is subject to the penny stock rules, our shareholders may find it more difficult to sell their shares.

Our future sales of our common stock could cause our share price to decline.

There is no contractual restriction on our ability to issue additional shares of our common stock. We cannot predict the effect, if any, that market sales of our common stock or the availability of shares for sale will have on the market price prevailing from time to time. Sales by us of our common stock in the public market, or the perception that such sales may occur, could cause the trading price of our common stock to decrease or to be lower than it might be in the absence of those sales or perceptions.

The market price of our common stock may be volatile.

The trading price of our shares of common stock may be highly volatile and could be subject to wide fluctuations in response to various factors. Some of the factors that may cause the market price of our shares of common stock to fluctuate include:

- Fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- Changes in estimates of our financial results or recommendations by securities analysts;
- Failure of any of our products to achieve or maintain market acceptance;
- Changes in market valuations of similar companies;
- Significant products, contracts, acquisitions or strategic alliances of our competitors;
- Success of competing products or services;
- Changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- Regulatory developments;
- Litigation involving our Company, our general industry or both;
- Additions or departures of key personnel;
- Investors’ general perception of us; and
- Changes in general economic, industry and market conditions.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

We use information technologies to securely manage our operations and various business functions. We rely on various technologies to process, store and report on our business and to communicate electronically between our employees, consultants and customers. We also use information technologies to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. Despite our security design and controls, and those of our third party providers, our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases or components thereof, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security issues or may be breached due to employee error, malfeasance or other disruptions. Any such interruption or breach could result in operational disruptions or the misappropriation of sensitive data that could subject us to civil and criminal penalties, litigation or have a negative impact on our reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact our cash flows and materially affect our results of operations or financial condition.

In addition, many of our information technology systems, such as those we use for administrative functions, including human resources, payroll, accounting and internal and external communications, as well as the information technology systems of our third-party business partners and service providers, whether cloud-based or hosted in proprietary servers, contain personal, financial or other information that is entrusted to us by our customers and personnel. Many of our information technology systems also contain proprietary and other confidential information related to our business, such as business plans and research and development initiatives. To the extent we or a third party were to experience a material breach of our or such third party's information technology systems that results in the unauthorized access, theft, use, destruction or other compromises of our customers' or personnel's data or confidential information stored in such systems, including through cyber-attacks or other external or internal methods, it could result in a violation of applicable privacy and other laws, and subject us to litigation and governmental investigations and proceedings, any of which could result in our exposure to material liability.

We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions and could lead to operational difficulties (including travel limitations) that could impair our ability to manage or operate our business and adversely affect our results of operations.

A small number of our shareholders could significantly influence our business.

There are a few significant shareholders of our common stock who own a substantial percentage of the outstanding shares of our common stock. These few significant shareholders, either individually or acting together, may be able to exercise significant influence over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of the Company or our assets. This concentration of ownership may make it more difficult for other shareholders to effect substantial changes in the Company, may have the effect of delaying, preventing or expediting, as the case may be, a change in control of the Company and may adversely affect the market price of our common stock. Further, the possibility that one or more of these significant shareholders may sell all or a large portion of their common stock in a short period of time could adversely affect the trading price of our common stock. Also, the interests of these few shareholders may not be in the best interests of all shareholders.

Limited liability of the Company's executive officers and directors may discourage stockholders from bringing a lawsuit against them.

The Company's Articles of Incorporation and Bylaws contain provisions that limit the liability of directors for monetary damages and provide for indemnification of officers and directors. These provisions may discourage stockholders from bringing a lawsuit against officers and directors for breaches of fiduciary duty and may also reduce the likelihood of derivative litigation against officers and directors even though such action, if successful, might otherwise have benefited the stockholders. In addition, a stockholder's investment in the Company may be adversely affected to the extent that costs of settlement and damage awards against officers or directors are paid by the Company under the indemnification provisions of the Company's Articles of Incorporation and Bylaws.

Under the Articles of Incorporation and Bylaws of the Company, we may indemnify an officer or director who is made a party to any proceeding, including a lawsuit, because of his or her position, if he or she acted in good faith and in a manner he or she reasonably believed to be in our best interest. We may also advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he or she is to be indemnified, we must indemnify him or her against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the State of California.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our corporate headquarters, located at 201 Spear Street, Suite 1100, San Francisco, CA 94105 is a leased space, which we lease on a month-to-month basis for \$129 a month.

ITEM 3. LEGAL PROCEEDINGS.

Although the Company from time to time may be involved with disputes, claims and litigation related to the conduct of its business, there are no material legal proceedings pending to which the Company is a party or to which any of its property is subject, and the Company's management does not know of any such action being contemplated.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is traded in the United States on the OTCQB Venture Marketplace, operated by the OTC Markets Group under the symbol “MCCX.” and on the TSX Venture Exchange in Canada under the symbol “MCX”.

Holders

There are 44 holders of record for our common stock as of March 27, 2020 and there are a total of 20,426,158 shares of common stock outstanding as of such date. As some of our shares of common stock are held in “street name” by brokers on behalf of shareholders, we are unable to estimate the total number of beneficial holders of our common stock represented by these record holders.

Dividends

We have not declared any cash dividends, nor do we currently intend to do so. We are not subject to any legal restrictions respecting the payment of dividends, except that they may not be paid to render us insolvent. Dividend policy will be based on our cash resources and capital business requirements. It is anticipated that all available cash will be needed for our operations in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information as of December 31, 2019 with respect to compensation plans under which shares of our common stock may be issued.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)) (c)
Equity compensation plans approved by security holders	1,140,000	\$0.35	[1] 902,616
Equity compensation plans not approved by securities holders	None	None	None
Total	1,140,000	\$0.35	902,616

[1] The aggregate number of shares of common stock reserved for issuance under the Company's Amended and Restated Stock Option Plan (the "Plan") is fixed at 10% of the total number of issued and outstanding shares from time to time, such that the shares of common stock reserved for issuance under the Plan will increase automatically with increases in the total number of Shares issued and outstanding.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

During the three months ended December 31, 2019, there were no purchases of shares of common stock made by, or on behalf of, the Company or any "affiliated purchaser," as defined by Rule 10b-18 of the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA.

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Cautionary Statement

This Management's Discussion and Analysis includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: "believe," "expect," "plan," "estimate," "anticipate," "intend," "project," "will," "predicts," "seeks," "may," "would," "could," "potential," "continue," "ongoing," "should" and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this Form 10-K. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or from our predictions. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Overview

We are a customer experience (CX) management solutions company dedicated to helping organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue. We believe that delivering better customer experiences is a powerful, sustainable way for any organization to differentiate themselves from their competition. As such, we are engaged in the business of providing customer experience focused consulting services and where applicable, delivering technology-enabled services that are designed to help corporations improve their customer listening and customer experience management capabilities with the goal of helping them design and deliver better experiences for their customers.

Our primary source of revenue is derived from our consulting services which are intended to help primarily large and medium sized organizations plan, design and deliver better customer experiences in order to maximize their return on investment, improve efficiency, and increase the adoption of our products and services. Our services offered include a range of customer experience management consulting services in the areas of research, strategy development, planning, education, training and best practices, as well as providing customer-centric strategies and implementation roadmaps in support of these strategies.

We have developed on-demand "cloud based" customer experience management software such as Touchpoint Mapping® On-Demand (also marketed as McorpCX | Insights), referred to as "Touchpoint Mapping", and McorpCX | Persona.

Touchpoint Mapping is a research-based online Software-as-a-Service ("SaaS") solution designed to provide insights to organizations that can help them improve customer and employee experience, brand, and loyalty. It is designed to be a solution for customer-centric organizations to measure and gather customer data across all their touchpoints, channels and interactions with their customers.

McorpCX | Persona, another online SaaS solution, is designed for developing and managing customer persona, as well as automating the currently manual process of developing, managing and sharing persona across corporations. It is designed to help customer-centric businesses and the agencies and consultancies that serve them to better understand, connect with and serve their customers.

There are many potential unforeseen and significant market and competitive risks associated with our current products and services. Though we released the first version of Touchpoint Mapping in 2013, and we released the first version of McorpCX | Persona in 2016, neither product has generated significant sales revenue to date, and we cannot predict the timing or probability of generating material sales revenue from either of them. Further, as of the date of this report, we have yet to engage the necessary development, client support, and sales staff required to identify, develop, and close material product sales opportunities that we believe are required to achieve our product sales and revenue growth objectives. We also believe that our current software capabilities are more limited in scope than our desired final software platform and as such, significant further software development expenditures will be required. Consequently, during the second half of 2017 we stopped further development of our software products, and in 2018 we suspended actively selling Touchpoint Mapping and McorpCX | Persona until we more fully assess the roadmap to make these products more marketable to clients. As a result, revenues from our consulting services provided to our clients represented a majority of our revenue in 2018 and for the twelve months ended December 31, 2019, and management believes that consulting services would remain our most significant revenue source for the foreseeable future unless fundamental strategic changes are initiated.

The Company is in the process of determining the optimal path forward for our software products based on current market dynamics, the competitive environment and customer feedback. We continue to evaluate various potential strategies with the goal of improving our ability to achieve additional revenue and profit growth for our software products. These possible strategies, which are generally focused on ways to create a more complete slate of customer experience solutions for potential clients, include further software or technology development expenditures, pursuit of merger, acquisitions or joint ventures with companies that provide complimentary products and services, software licensing arrangements, and investment in additional infrastructure within our Company. Each of these possible strategies will be thoroughly vetted by our board of directors to assess the expected level of enterprise value creation for each strategy compared to the various risks associated with each possible scenario. In addition, we may require financing to pursue these strategies that is beyond our current financial resources. Accordingly, there is no assurance that we will be able to pursue any strategies that are identified by our board of directors. .

We cannot assure you that we will be able to compete successfully against current or potential competitors, or that competition will not have a material adverse effect on our business, financial condition and operations.

Sources of Revenue

Our revenue consists primarily of fees from professional and consulting services and other revenue primarily related to the reimbursement of expenses mostly through the operations of McopCX LLC. Through May 31 of this year, revenue was also derived from the Company's software-enabled product sales. Consulting services include customer experience management consulting in the areas of strategy development, planning, education, training and program design, and includes the articulation of customer-centric strategies and implementation roadmaps in support of these strategies, while other revenue includes reimbursement of related travel costs and out-of-pocket expenses. Product revenue was from productized and software-enabled service sales not elsewhere classified.

The consulting services are contracted under master terms and conditions with statements of work ("SOW") defined for each project. A typical consulting SOW will span a period of 60-180 days and will usually be billed to the client based on certain milestones being achieved throughout the SOW. The Company recognizes revenue based upon a percentage of completion of each SOW during each project. In addition, we typically incur travel and other miscellaneous expenses during work on each SOW which we bill to our clients for reimbursement. The travel and miscellaneous expenses are recognized in revenue on a percentage of work complete basis.

During the second half of 2017, we stopped further development of our software products and in 2018 we suspended actively selling Touchpoint Mapping and McorpCX | Persona in order to re-assess the product roadmap to better define the future direction of our software platform. On May 31, 2019, the last remaining contract for Touchpoint Mapping was closed, and we believe no further revenue will be recognized from this date, unless we decide further develop, upgrade and provide support to resume actively selling our software products and obtain material stand-alone sales commitments for them.

Subscription agreements for our software solutions have been offered as monthly term agreements which contain a minimum commitment period of at least 12 months, and which have included related setup, upgrades, hosting and support. Professional services have included consulting fees related to implementation, customization, configuration, training and other services.

When we were actively selling the products, we found that the implementation stage of on-demand software and software-enabled services engagements (the time between a client placing an order to the live deployment of our product ordered) averaged between 30 and 45 days. We typically invoiced clients upon inception of subscription agreements for setup and total subscription fees contracted over the term of the agreements, with payment due within 30 days. We then recognized the subscription fee revenue, including any associated professional services or separate set-up fee revenue, on a straight-line basis over the life of the agreement.

Professional services related to the subscription agreements are invoiced at the inception of the professional services agreement at a negotiated percentage of total fees, often but not exclusively one-third or one-half of the total estimated professional services fees, with the balance of payments due over the duration of the contract as project milestones are met. Amounts invoiced are recorded in accounts receivable and deferred revenue or revenue, depending on whether revenue recognition criteria have been met.

Operating Expenses

Cost of Goods Sold

Cost of goods sold has historically consisted primarily of expenses directly related to providing professional and consulting services. Those expenses include contract labor, third-party services, and materials and travel expenses related to providing professional services to our clients. Costs of goods also includes, but is not limited to, product-related hosting and monitoring costs, the cost of licenses for products embedded in the application, amortization of capitalized software development costs, service support costs, and costs related to account and subscription management, as applicable.

General and Administrative Expenses

General and administrative expenses consist primarily of salary and related expenses for management, client delivery, finance and accounting, and sales and marketing. These expenses also include contract services, as well as marketing and promotion costs, professional fees, software license fee expenses, administrative costs, insurance, rent and a portion of travel expenses and other overhead, which are categorized as “other general and administrative expenses” in our consolidated financial statements. In addition, the other general and administrative expenses include the professional fees, filing, and registration costs necessary to meet the requirements associated with having to file reports with the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as well as having our stock listed on the TSX Venture Exchange in Canada and quoted on the OTCQB Venture Marketplace in the United States.

Sales and marketing expenses are currently reflected in salaries and wages, commissions, contract labor, sales, marketing and promotion, and other related overhead expense categories. Since we currently recognize revenue over the term of the consulting and professional services engagements or any software subscriptions, we expect to experience a delay between increases in selling and marketing expenses and the recognition of revenue.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis.

Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe that the assumptions and estimates associated with revenue recognition, income taxes, stock-based compensation, research and development costs and impairment of long-lived assets have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

The Company’s revenue consists primarily of professional and consulting services, as well as reimbursable expenses billed to clients, software-enabled product sales and other revenues. Consulting services include customer experience management consulting in the areas of strategy development, planning, education, training and program design, and includes the articulation of customer-centric strategies and implementation roadmaps in support of these strategies. Product revenue is from productized and software-enabled service sales not elsewhere classified, while other revenue includes reimbursement of related travel costs and out-of-pocket expenses.

The consulting services are contracted under master terms and conditions with SOW defined for each project. A typical consulting SOW will span a period of 60-180 days and will usually be billed to the client based on certain milestones being achieved throughout the SOW. The Company recognizes revenue based upon a percentage of completion of each SOW during each project, which are typically 60-180 days in duration. In addition, we typically incur travel other miscellaneous expenses during work on each SOW which we bill to our clients for reimbursement. The travel and miscellaneous expenses are recognized in revenue on a percentage of work complete basis.

Contract costs, such as commissions, are typically incurred contemporaneously with the pattern of revenue recognition and, as such, are expensed as incurred. See Note 3 Revenue Recognition for further information.

Income Taxes

No provision for income taxes at this time is being made due to the offset of cumulative net operating losses. A full valuation allowance has been established for deferred tax assets based on a “more likely than not” threshold. The ability to realize deferred tax assets depends on our ability to generate sufficient taxable income within the carry forward periods provided under the United States Internal Revenue Code of 1986, as amended and the rules promulgated thereunder. While the Company’s statutory tax rate can vary depending on taxable income level, the effective tax rate is currently 0% mostly because of the valuation allowance described above. The Company does not have any material uncertainties with respect to its provisions for income taxes.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date using a Black-Scholes valuation model and is recognized as expense over the requisite service period. Determining the fair value of stock-based awards at the grant date requires judgment and assumptions, including expected volatility. In addition, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be impacted.

Research and Development Costs

Costs previously incurred to develop Software as a Service (SaaS) products and technology enabled services consisted of external direct costs of materials and services and payroll and payroll-related costs for employees who directly devoted time to the project. Research and development costs incurred during the preliminary project stage were expensed as incurred. Capitalization begins when technological feasibility is established. Costs incurred during the operating stage of the software application relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product. All other costs are expensed as incurred. Amortization of software development costs commences when the product is available for general release to customers. The capitalized costs are amortized on a straight line basis over the three year expected useful life of the software.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. If such circumstances are present, we assess the recoverability of the long-lived assets by comparing the carrying value to the undiscounted future cash flows associated with the related assets. If the future net undiscounted cash flows are less than the carrying value of the assets, the assets are considered impaired and an expense, equal to the amount required to reduce the carrying value of the assets to the estimated fair value, is recorded in the statements of operations. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. Impairment charges could materially decrease our future net income and result in lower asset values on our balance sheet.

Results of Operations

	Year Ended		Change from Prior Year	Percent Change from Prior Year
	2019	2018		
Revenue	\$ 3,240,009	\$ 3,987,199	\$ (747,190)	(19%)

Overall, the 19% decrease in year over year revenue was attributed to a 14% decrease in consulting services revenue and a 56% decrease in products and other revenue in 2019 compared to the prior year. The decrease in consulting services revenue from \$3,545,199 in 2018 to \$3,045,591 in 2019 was primarily the result of the loss of a major client account. Product and other revenue largely consisted of reimbursable expense income, which decreased to \$181,264 in 2019 from \$412,612 in 2018, as well as product revenue, which decreased to \$13,154 in 2019 from \$29,388 in 2018. Overall, the decrease in product and other revenue from \$442,000 for the year ended December 31, 2018 to \$194,418 for 2019 was primarily the result of our decision to suspend selling each of our software products in 2018 combined with a decrease in reimbursable expense mostly resulting from less travel required to execute the projects in 2019 compared to the same period in 2018.

	Year Ended		Change from Prior Year	Percent Change from Prior Year
	2019	2018		
Cost of Goods Sold	\$ 1,501,372	\$ 2,164,240	\$ (662,868)	(31%)

Cost of goods sold decreased by \$662,868, for the year ended December 31, 2019, compared to 2018 primarily as a result of 23% decrease in professional fees and 53% decrease in reimbursable expenses during 2019 compared to 2018. The decrease in professional fees from \$1,495,464 in 2018 to \$1,150,280 for 2019 was primarily the result of a decrease in billings from our contract consultants mostly due to less consulting revenue volume described above. The decrease in reimbursable expenses from \$391,570 in 2018 to \$185,092 for 2019 was primarily the result of reduction in reimbursable research costs required under the specific contracts. The remainder of the decrease in cost of goods sold in 2019 compared to 2018 were mostly attributable to a decrease in amortization of capitalized software development costs as well as a reduction in vendor and non-reimbursable expenses in 2019 compared to the prior year.

	Year Ended		Change from Prior Year	Percent Change from Prior Year
	2019	2018		
Net Operating Income (Loss)	\$ (755,487)	\$ (404,215)	\$ (351,272)	87%

For the year ended December 31, 2019 we had a net operating loss of \$755,487 compared to a net operating loss of \$404,215 for the year ended December 31, 2018. The increase in net operating loss for the current year compared to prior year was primarily a result of decreased total revenues, and an increase in general and administrative costs being partially offset by decrease in costs of goods sold in 2019 when compared to 2018. EBITDA decreased by \$437,416 to a loss of \$646,536 for the year ended December 31, 2019 compared to a loss of \$209,120 for the year ended December 31, 2018.

We consider EBITDA to be a meaningful supplement to net income (loss) as a performance measure primarily because depreciation and amortization expenses are not an actual cash costs, and interest and tax expenses are not related to our direct operating activities. In addition, we believe EBITDA is commonly used by investors and other interested parties to evaluate our financial performance. EBITDA does not reflect the impact of a number of items that affect our net income (loss), including financing costs. EBITDA should not be considered as an alternative to net income (loss) or income (loss) from operations as a measure of performance, or as an alternative to net cash from operating activities as a measure of liquidity. EBITDA is an internal measure and therefore may not be comparable to other companies. EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; and (iii) the interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt (if any). Because of these limitations, EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate EBITDA in the same manner, EBITDA as calculated by us may differ from EBITDA as calculated by other companies. We compensate for these limitations by using EBITDA as a supplemental measure of our performance and by relying primarily on our GAAP consolidated financial statements.

The following table provides a reconciliation of net income (loss) to EBITDA for the periods indicated:

	Year Ended December 31,	
	2019	2018
Net Loss	\$ (760,955)	\$ (411,216)
Depreciation and Amortization	111,491	200,917
Interest expense	2,928	1,179
EBITDA	<u>\$ (646,536)</u>	<u>\$ (209,120)</u>

	Year Ended			Change from		Percent Change
	2019	2018		Prior Year		from Prior Year
Salaries and Wages	\$ 1,128,790	\$ 1,042,077	\$	86,713		8%

Expenses attributable to salaries and wages increased by \$86,713 during the year ended December 31, 2019 compared to 2018 mostly due to an increase in executive salaries in 2019 mainly resulting from an increase in the number of executive officers in 2019 in connection with our corporate restructuring in August 2018. The Company also experienced an increase of \$37,300 in stock based compensation expenses in 2019 compared to 2018 primarily due to a portion of the stock options granted in 2018 becoming exercisable in 2019.

	Year Ended			Change from		Percent Change
	2019	2018		Prior Year		from Prior Year
Contract Services	\$ 182,259	\$ 210,848	\$	(28,589)		(14%)

Contract services expenses decreased during the year ended December 31, 2019 compared to 2018 primarily due to finance and administration services provided by contractors in 2018, which were not required in 2019.

	Year Ended			Change from		Percent Change
	2019	2018		Prior Year		from Prior Year
Other General and Administrative	\$ 1,183,075	\$ 974,249	\$	208,826		21%

Other general and administrative costs increased for the year ended December 31, 2019 compared to 2018 primarily due to an increase in sales and marketing expenses of \$118,191 mostly related to attendance at industry trade conferences and increases in content marketing to attract new clients, and a focus on account management to expand sales to existing clients. Other increases included computer and software, insurance and tax expenses, travel, and dues and subscriptions which increased by \$33,281, \$12,024, \$29,183, and \$23,796, respectively. These increases were primarily due to additional software licenses supporting consulting delivery services and a new partnership fee incurred in connection with the pursuit of joint sales opportunities. These were partially offset by a decrease in professional fees and legal fees of \$7,621 mostly due to restructuring costs incurred in the prior year.

	Year Ended			Change from		Percent Change
	2019	2018		Prior Year		from Prior Year
Other Expense	\$ (2,540)	\$ (5,822)	\$	3,282		(56%)

Other expense decreased in 2019 compared to 2018 primarily due to a decrease in state use tax expenses.

Liquidity and Capital Resources

We measure our liquidity in a variety of ways, including the following:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 588,848	\$ 1,350,014
Working capital	\$ 779,762	\$ 1,348,700

Anticipated Uses of Cash

As of December 31, 2019, our cash and cash equivalents and working capital had decreased to \$588,848 and \$779,762, respectively, from \$1,350,014 and \$1,348,700 as of December 31, 2018. Decreases in cash were primarily driven by an increase in accounts receivable and decrease in accounts payable at year end in addition to an increase in our net loss for the year of \$349,739.

For the twelve months ended December 31, 2019 and the year ended December 31, 2018, we were able to finance our operations with cash generated through operating activities, and cash on hand. The accompanying consolidated financial statements have been prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

During the year ended December 31, 2019, our primary uses of cash included cash paid to professional staff to support our consulting services, general and administrative support and new business development activities.

We currently plan to fund our expenditures with cash flows generated from ongoing operations, or new revenue sources, and/or if needed, the possibility may exist to raise additional capital through debt financing and/or through sales of common stock. We do not intend to pay dividends in the foreseeable future. Based upon the current level of our pipeline of signed contracts and pipeline of potential new projects plus our current expectations for future periods in light of the current economic environment, we believe that cash flow from operations and available cash will be adequate to finance the capital requirements for our business during the next 12 months.

We continue to seek ways to expand upon our business and as such, in the future we may make acquisitions of businesses or assets or commitments to additional capital projects. To achieve the long-term goals of expanding our assets and earnings, including through acquisitions, capital resources may be required. Depending on the size of a transaction, the capital resources that may be required can be substantial. The necessary resources may be generated from cash flow from operations, cash on hand, borrowing against our assets or the issuance of securities, and there is no assurance these capital resources will be available to us when required.

Cash Flow for the Years Ended December 31, 2019 and 2018

Operating Activities. Net cash used in operating activities increased to \$761,166 for the year ended December 31, 2019 compared to \$252,309 for the year ended December 31, 2018. This increase in cash used in 2019 compared to 2018 was primarily the result of cash used in connection with a decrease in deferred revenue and increased accounts receivables, combined with an increase in net loss of \$349,739 in the current year compared to the previous year as well as a decrease in cash provided in connection with depreciation expense in 2019 compared to the prior year.

Days Sales Outstanding (“DSO”), which the Company defines as the average number of days it takes to collect revenue once a sale has been made, increased in 2019 compared to the prior year. During the year ended December 31, 2019, DSO was approximately 55 days, up from approximately 31 days during the year ended December 31, 2018. This increase was largely attributed to the increase in accounts receivable and decrease in sales during the current period. DSO can fluctuate due to the timing and nature of contracts that lead to up-front billings related to deferred revenue on services not yet performed.

Investing Activities. There was no cash provided by, or used in, investing activities for the year ended December 31, 2019. There was \$5,584 cash used in investing activities for the year ended December 31, 2018.

Financing Activities. There was no cash provided by, or used in, financing activities for the year ended December 31, 2019. Net cash used in financing activities for year ended December 31, 2018 amounted to \$8,169 which related to the repayment of a note during the period.

Off Balance Sheet Arrangements

We did not have any off balance sheet arrangements as of December 31, 2019.

Contractual Obligations

We lease two facilities in northern California, under operating leases one expiring in 2020 and the other which we lease on a month-to-month basis. We do not have any debt capital lease obligations. As of December 31, 2019, the estimated future payments under this operating lease (including rent escalation clauses) for 2020 is \$7,692 less imputed interest of \$153. There are no estimated future payments after 2020.

The operating lease obligations presented reflect future minimum lease payments due under the non-cancelable portions of our operating lease.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

MCORPCX, INC.

INDEX TO THE FINANCIALS

	Index
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-1
FINANCIAL STATEMENTS	
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Changes in Shareholders' Equity	F-4
Consolidated Statements of Cash Flows	F-5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	F-6

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
McorpCX, Inc.
San Francisco, CA

Opinion on the Financial Statements

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

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 11 to the financial statements, the Company has suffered recurring losses from operations and negative operating cash flows that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ MaloneBailey, LLP
www.malonebailey.com

We have served as the Company's auditor since 2016.
Houston, Texas
March 27, 2020

McorpCX, Inc.
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 588,848	\$ 1,350,014
Accounts receivable	486,317	343,036
Total current assets	1,075,165	1,693,050
Long term assets:		
Property and equipment, net	87,551	90,074
Capitalized software development costs, net	-	108,968
Other assets	55,444	72,876
Total assets	<u>\$ 1,218,160</u>	<u>\$ 1,964,968</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 253,824	\$ 220,576
Deferred revenue	32,358	122,238
Lease payable	7,539	-
Other current liabilities	1,682	1,536
Total current liabilities	295,403	344,350
Total liabilities	295,403	344,350
Shareholders' equity:		
Common stock, no par value, 500,000,000 shares authorized, 20,426,158 shares issued and outstanding at December 31, 2019 and December 31, 2018	-	-
Additional paid-in capital	6,517,885	6,454,791
Accumulated deficit	(5,595,128)	(4,834,173)
Total shareholders' equity	922,757	1,620,618
Total liabilities and shareholders' equity	<u>\$ 1,218,160</u>	<u>\$ 1,964,968</u>

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

McorpCX, Inc.
Consolidated Statements of Operations

	Year Ended December 31,	
	2019	2018
Revenue, net		
Consulting services	\$ 3,045,591	\$ 3,545,199
Products and other	194,418	442,000
Total revenue, net	<u>3,240,009</u>	<u>3,987,199</u>
Cost of goods sold		
Labor	1,150,279	1,495,464
Products and other	351,093	668,776
Total cost of goods sold	<u>1,501,372</u>	<u>2,164,240</u>
Gross profit	1,738,637	1,822,959
Expenses		
Salaries and wages	1,128,790	1,042,077
Contract services	182,259	210,848
Other general and administrative	1,183,075	974,249
Total expenses	<u>2,494,124</u>	<u>2,227,174</u>
Net operating loss	(755,487)	(404,215)
Interest expense	(2,928)	(1,179)
Other expense	(2,540)	(5,822)
Net loss	<u>\$ (760,955)</u>	<u>\$ (411,216)</u>
Net loss per share-basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
Weighted average common shares outstanding-basic and diluted	<u>20,426,158</u>	<u>20,426,158</u>

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

McorpCX, Inc.
Consolidated Statements of Changes in Shareholders' Equity

	Common Stock		Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount			
Balance at December 31, 2017	<u>20,426,158</u>	<u>\$ -</u>	<u>\$ 6,428,997</u>	<u>\$ (4,422,957)</u>	<u>\$ 2,006,040</u>
Stock based compensation - stock options	-	-	25,794	-	25,794
Net loss	-	-	-	(411,216)	(411,216)
Balance at December 31, 2018	<u>20,426,158</u>	<u>\$ -</u>	<u>\$ 6,454,791</u>	<u>\$ (4,834,173)</u>	<u>\$ 1,620,618</u>
Stock based compensation - stock options	-	-	63,094	-	63,094
Net loss	-	-	-	(760,955)	(760,955)
Balance at December 31, 2019	<u>20,426,158</u>	<u>\$ -</u>	<u>\$ 6,517,885</u>	<u>\$ (5,595,128)</u>	<u>\$ 922,757</u>

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

McorpCX, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (760,955)	\$ (411,216)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	111,491	200,917
Operating lease ROU asset amortization	28,203	-
Stock compensation expense	63,094	25,794
Changes in operating assets and liabilities:		
Accounts receivable	(143,281)	(68,251)
Other assets	25,061	(45,739)
Accounts payable and accrued liabilities	33,248	2,469
Lease liability	(28,293)	-
Other current liabilities	146	1,536
Deferred revenue	(89,880)	42,181
Net cash used in operating activities	(761,166)	(252,309)
INVESTING ACTIVITIES		
Equipment purchases	-	(5,584)
Net cash used in investing activities	-	(5,584)
FINANCING ACTIVITIES		
Repayment of notes payable	-	(8,169)
Net cash used in financing activities	-	(8,169)
Decrease in cash and cash equivalents	(761,166)	(266,062)
Cash and cash equivalents, beginning of period	1,350,014	1,616,076
Cash and cash equivalents, end of period	<u>\$ 588,848</u>	<u>\$ 1,350,014</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 2,928	\$ 1,179
Non-cash transactions:		
ROU asset and operating lease obligation recognized upon adoption of ASU 2016-02	\$ 34,164	\$ -

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

MCORPCX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 & 2018

Note 1: Organization and Basis of Presentation

McorpCX, Inc. (“we,” “us,” “our,” or the “Company”) was incorporated in the State of California on December 14, 2001. We are a customer experience (CX) management solutions company dedicated to helping organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue. The Company operated as The Innes Group, Inc., d/b/a MCorp Consulting until filing a Certificate of Amendment to the Articles of Incorporation renaming the Company Touchpoint Metrics, Inc., effective October 18, 2011. During Q1 2015, the Company filed a d/b/a (doing business as) with the State of California Secretary of State to begin doing business as McorpCX. On June 11, 2015, at our Annual General Meeting, shareholders passed a resolution to change the name of the Company to McorpCX, Inc.

The Company formed a wholly owned subsidiary, McorpCX, LLC (“McorpCX LLC”) as a limited liability company in the state of Delaware on December 14, 2017. On August 16, 2018, the Company entered into a contribution agreement with its wholly owned subsidiary McorpCX LLC, pursuant to which the Company transferred to McorpCX LLC all of the Company’s assets and liabilities related to the Company’s customer experience consulting business, excluding the underlying technology and databases related thereto which remained with the Company.

We are a customer experience services company, delivering consulting and technology solutions to customer-centric organizations. We are engaged in the business of delivering consulting and professional services that are designed to help corporations improve their customer listening and customer experience management capabilities. To augment our consultative solutions, we have developed technology products that include on-demand “cloud based” customer experience management software. Our professional and related services include a range of customer experience management services such as research, training, strategy consulting and process optimization.

Note 2: Summary of Significant Accounting Policies

The consolidated financial statements of the Company are presented on the accrual basis. All intercompany accounts and transactions have been eliminated in consolidation. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Use of Estimates

The preparation of the consolidated financial statements is in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid investments with original maturity dates of less than three months that are not reported as investments. While the Company may maintain cash and cash equivalents in bank deposit accounts, which at times exceed Federal Deposit Insurance Corporation insured limits, we have not experienced any losses in such accounts.

Portions of the bank deposit accounts are held in Canadian banks on a Canadian and US Dollar basis. The balances in these accounts at times exceed Canada Deposit Insurance Corporation insured limits. We have not experienced any losses in these accounts.

Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount, do not require collateral, and do not bear interest. The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the Company’s customers may have an inability to meet financial obligations, such as bankruptcy and significantly aged receivables outstanding. No allowance for doubtful accounts is required to be recognized as of December 31, 2019 and 2018.

Fair Value of Financial Instruments

Effective July 1, 2009, the Company adopted Accounting Standards Codification Topic 820, *Fair Value Measurements* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair market hierarchy, which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels based on the reliability of the inputs to determine the fair value:

- Level 1, defined as inputs such as unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's consolidated financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. The carrying amount of cash, accounts receivable and accounts payable approximates fair value because of the short-term nature of these items. The Company does not have any financial instruments that are required to be fair valued on a recurring basis as of December 31, 2019 and 2018.

Advertising Expense

Advertising is expensed as incurred. During the twelve months ended December 31, 2019 there was advertising expense of \$340. There was no advertising expense during the twelve months ended December 31, 2018.

Property, Equipment, and Depreciation

Property and equipment are stated at cost less accumulated depreciation. Betterments, renewals, and extraordinary repairs over \$1,000 that extend the life of the assets are capitalized; other repairs and maintenance are expensed. We measure property, plant and equipment, at fair value on a nonrecurring basis. The cost and accumulated depreciation applicable to assets retired are removed from the accounts, and the gain or loss on disposition is recognized as other income or expense. Depreciation and amortization is computed on the straight line method over the applicable estimated depreciable life as follows:

Depreciable Asset Class	Depreciable Life
Real Property Improvements (Years)	15
Computer Equipment (Years)	5
Furniture and Fixtures (Years)	7
Leasehold Improvements (Years)	Shorter of useful life or term of the lease
Machinery and Equipment (Years)	7

Software Development Costs

Costs for the development and delivery of the SaaS technology are capitalized once planning is completed and technological feasibility is established. Costs incurred during the operating stage of the software application relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product. All other costs are expensed as incurred. Capitalized costs include only direct external costs of materials and services as well as compensation and benefits for employees directly associated with the software project. Such amounts are included in the accompanying consolidated balance sheets under the caption "Capitalized software development costs". As of December 31, 2019 capitalized software development costs were fully amortized.

Intangibles

Intangible assets are periodically reviewed for impairment indicators and tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss, if any, would be measured as the excess of the carrying value over the fair value determined by discounted future cash flows. As of December 31, 2019 and 2018 intangible assets were fully amortized.

Stock-Based Compensation

We account for share based payments by recognizing compensation expense based upon the estimated fair value of the awards on the date of grant. We determine the estimated grant-date fair value of restricted shares using quoted market prices and the grant-date fair value of stock options using the Black-Scholes option pricing model. In order to calculate the fair value of the options, certain assumptions are made regarding the components of the model, including the estimated fair value of underlying common stock, risk-free interest rate, volatility, expected dividend yield and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. We recognize compensation costs ratably over the period of service using the straight-line method.

Leases

As further discussed below, the Company adopted the provisions of Accounting Standards Update 2016-02, Leases, effective January 1, 2019. We determine if an arrangement is a lease at inception. Operating lease right-of-use ("ROU") assets are recorded in other assets and operating lease liabilities are recorded in current liabilities in the accompanying consolidated balance sheet. Finance leases, none of which existed as of the adoption of Accounting Standards Codification ("ASC") 842 or as of December 31, 2019, would be reflected in property and equipment and other liabilities in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Under the available practical expedient, we account for the lease and non-lease components as a single lease component for all classes of underlying assets. Further, we elected a short-term lease exception policy on all classes of underlying assets, permitting us to not apply the recognition requirements of this standard to short-term leases (i.e. leases with terms of 12 months or less).

Revenue Recognition

The Company's revenue consists primarily of professional and consulting services, as well as reimbursable expenses billed to clients, software-enabled product sales and other revenues. Consulting services include customer experience management consulting in the areas of strategy development, planning, education, training and program design, and includes the articulation of customer-centric strategies and implementation roadmaps in support of these strategies. Product revenue is from productized and software-enabled service sales not elsewhere classified, while other revenue includes reimbursement of related travel costs and out-of-pocket expenses.

The consulting services are contracted under master terms and conditions with statements of work ("SOW") defined for each project. A typical consulting SOW will span a period of 60-180 days and will usually be billed to the client based on certain milestones being achieved throughout the SOW. The Company recognizes revenue based upon a percentage of completion of each SOW during each project, which are typically 60-180 days in duration. In addition, we typically incur travel other miscellaneous expenses during work on each SOW which we bill to our clients for reimbursement. The travel and miscellaneous expenses are recognized in revenue on a percentage of work completed basis.

Contract costs, such as commissions, are typically incurred contemporaneously with the pattern of revenue recognition and, as such, are expensed as incurred.

See Note 3 Revenue Recognition for further information.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

No provision for income taxes at this time is being made due to the offset of cumulative net operating losses. A full valuation allowance has been established for deferred tax assets based on the "more likely than not" threshold. The ability to realize deferred tax assets depends on our ability to generate sufficient taxable income within the carry forward periods provided in the tax law.

While the Company's statutory tax rate approximates 21%, the effective tax rate is 0% due to the effects of the valuation allowance described above. The Company does not have any material uncertainties with respect to its provisions for income taxes.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02") to increase the transparency and comparability about leases among entities. Additional ASUs have been issued subsequent to ASU 2016-02 to provide supplementary clarification and implementation guidance for leases related to, among other things, the application of certain practical expedients, the rate implicit in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2016-02 and these additional ASUs are now codified as Accounting Standards Codification Standard 842 - "Leases" ("ASC 842"). ASC 842 supersedes the lease accounting guidance in Accounting Standards Codification 840 "Leases" ("ASC 840") and requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. The Company's consolidated financial statements for the periods prior to the adoption of ASC 842 are not adjusted and are reported in accordance with the Company's historical accounting policy. As of the date of implementation on January 1, 2019, the impact of the adoption of ASC 842 resulted in the recognition of a right of use asset, included in other assets, and lease payable obligation on the Company's consolidated balance sheets of approximately \$34,000. We elected the package of practical expedients permitted under the transition guidance.

As the right of use asset and the lease payable obligation were the same upon adoption of ASC 842, there was no cumulative effect impact on the Company's retained earnings.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income. The ASU amends ASC 220, Income Statement — Reporting Comprehensive Income, to "allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act." In addition, under the ASU, an entity will be required to provide certain disclosures regarding standard tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company adopted ASU 2018-02 effective January 1, 2019. The adoption of this standard did not have a material impact on the consolidated financial statements.

Note 3. Revenues

Consulting Service Revenues

The Company's consulting services are project based and include the articulation of customer-centric strategies and implementation roadmaps in support of these strategies. The performance obligation in these projects is the delivery of specific findings reports as it pertains to the analysis of a client customer's experience. These projects include milestone payments for completion of different phases of the project and are included in the transaction price. These milestone payments are deemed to be fixed because the milestones are within the control of the Company. The projects also include reimbursable expenses, which are part of the transaction price and deemed variable consideration. These reimbursable expenses are estimated at contract inception. Given the confidentiality provisions in the agreement and the nature of the services being performed, the Company has no alternative use for the specific findings report. Therefore, the Company recognizes the transaction price over time, based on percentage of completion of the milestones in the contract.

Product and other revenue

Product and other revenue during 2019 and 2018 has primarily been derived from reimbursable expenses charged to clients and to a lesser degree from product sales and related revenue. The product related portion of this revenue originates from the utilization of the Company's web-hosted Touchpoint Mapping On-Demand application ("Touchpoint Mapping"), which is designed to gather customer satisfaction data, track brand perceptions, and analyze results. Touchpoint Mapping is a SaaS (Software as a Service) subscription-based technology application, which derives revenue from the following sources: nonrefundable setup fees, subscription fees, professional service fees, and consulting fees related to implementation, customization, configuration, training, and other value-added services. Customer licenses for Touchpoint Mapping are not subject to the licensing guidance in Topic 606 because the customer can't take possession of the software at any time and the customer would not be able to operate the software on its own or with another third party. Fees charged to customers of Touchpoint Mapping may include implementation, setup, training and license fees for the application. Revenue generated from Touchpoint Mapping (either directly through licensing fees or fees received through support functions) is recognized on a straight-line basis because the Company's obligations under its contracts concerning Touchpoint Mapping are deemed to be stand-ready obligations due to the fact that the Company is contractually required to provide access to Touchpoint Mapping and customer support on a daily basis. Consequently, usage of Touchpoint Mapping by customers does not affect the ability of customers to access the application or our customer support functions. For these reasons, revenue is recognized on a straight-line basis over the contract period. If billings are front loaded, this will result in a deferral of revenue during the contract period. For recognition purposes, we do not unbundle such services into separate performance obligations as their pattern of transfer does not differ.

The aggregate amount of the fees received from customers that are allocated to each customer's respective performance obligation that is unsatisfied (or partially unsatisfied) as of December 31, 2019 is \$32,358, and included in deferred revenue on the accompanying consolidated balance sheets. The Company expects to recognize revenue of approximately \$32,358 in the next 12 months related to these unsatisfied (or partially unsatisfied) performance obligations. Deferred revenue is not expected to be recognized beyond fiscal year 2020.

Deferred Revenues (Contract Liabilities)

The Company records deferred revenues when cash payments are received, including amounts which are refundable.

Payment terms vary by customer and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, full or a partial payment of the entire contract is required before the products or services are delivered to the customer.

During the twelve months ended December 31, 2019, we recognized revenue of \$122,238, related to our contract liabilities included in deferred revenue at December 31, 2018. During the twelve months ended December 31, 2018 we recognized revenue of \$80,057, related to our contract liabilities included in deferred revenue at December 31, 2017.

Contract Assets

Given the nature of the Company's services and contracts, it has no contract assets.

Practical Expedients and Exemptions

Contract costs consist primarily of sales commissions. The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less and the commissions are only due and payable upon receipt of payment from the client. These costs are recorded within sales and marketing expenses.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Note 4: Property and Equipment

	December 31, 2019	December 31, 2018
Property and equipment consist of:		
Furniture	\$ 31,731	\$ 31,731
Computers and hardware	63,264	63,264
Software	38,646	38,646
Equipment	2,359	2,359
Leasehold Improvements	99,246	99,246
Land	85,000	85,000
Land Improvements	4,000	4,000
Total property and equipment	324,246	324,246
Less: accumulated depreciation	(236,695)	(234,172)
Property and equipment, net	\$ 87,551	\$ 90,074

Depreciation expense incurred during the twelve months ended December 31, 2019 and 2018 was \$2,523 and \$2,060, respectively.

Note 5: Capitalized Software Development Costs

Costs incurred to develop Software as a Service (SaaS) technology consist of external direct costs of materials and services and payroll and payroll-related costs for employees who directly devote time to the project. Research and development costs incurred during the preliminary project stage are expensed as incurred. Capitalization begins when technological feasibility is established. Costs incurred during the operating stage of the software application relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product. All other costs are expensed as incurred. There were no capitalizable costs during the twelve months ended December 31, 2019 and 2018.

Amortization of software development costs commenced when the product was available for general release to customers. The capitalized costs are amortized on a straight-line basis over the three-year expected useful life of the software. Capitalized software development costs, net of amortization were \$108,968 as of December 31, 2018. There were no capitalized software development costs as of December 31, 2019. Amortization expense incurred during the twelve months ended December 31, 2019 and 2018 was \$108,968 and \$192,606, respectively and is included in cost of goods sold. As of December 31, 2019 capitalized software development costs were fully amortized.

Note 6: Stock-Based Compensation

Our stock-based compensation plan was originally established in 2008. The shares of our common stock issuable pursuant to the terms of such plan (the “Plan Shares”) could not exceed 30% of any outstanding issue or 2,500,000 shares, whichever was the lower amount.

In December 2015, we adopted a revised share option plan in which Plan Shares cannot exceed 10% of the total issued and outstanding shares at any given time. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of the grant and all option grants have a 10-year term. This share option plan was initially approved by the Company’s shareholders at the annual meeting of shareholders on August 10, 2016 and has subsequently been re-approved at each subsequent annual meeting of the Company’s stock holders since that date, as required under applicable TSX-V rules.

To calculate the fair value of stock options at the date of grant, we use the Black-Scholes option pricing model. The volatility used is based on a blended historical volatility of our own stock and similar sized companies due to the limited historical data available for our own stock price. The expected term was determined based on the simplified method outlined in Staff Accounting Bulletin No. 110. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

At December 31, 2019, 680,000 stock options were exercisable and \$63,094 and \$25,794 of total compensation cost related to vested share-based compensation grants had been recognized for years ended December 31, 2019 and 2018, respectively. Unrecognized compensation expense from stock options was \$102,506 at December 31, 2019, which is expected to be recognized over a weighted-average vesting period of 1.62 years beginning January 1, 2020.

The following table summarizes our stock option activity for the twelve months ended December 31, 2019 and 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	1,350,000	\$ 0.60	6.07	-
Granted	690,000	0.23	9.63	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2018	2,040,000	\$ 0.47	6.63	-
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	(900,000)	0.63	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2019	1,140,000	\$ 0.35	6.25	-
Exercisable at December 31, 2019	680,000	\$ 0.43	4.64	\$ -

During the year ended December 31, 2018, the Company granted 690,000 options to certain employees of the Company with an incremental vesting schedule over 3 years and a weighted-average grant date fair value of \$0.27. Of the total options granted during the period 400,000 have a ten year term and 290,000 have a five year term. There were no options granted during the year ended December 31, 2019. The following assumptions were used to calculate weighted average fair values of the options granted in the year ended December 31, 2018.

	2018
Expected life (in years)	3.50 - 6.00
Risk-free interest rate	2.79%
Volatility	139.34% -162.16%
Dividend yield	-
Weighted average grant date fair value per option granted	\$ 0.27

A summary of the status of the Company's nonvested options as of December 31, 2019, is presented below:

	Number of Shares
Nonvested options at December 31, 2017	10,000
Granted	690,000
Exercised	-
Cancelled	-
Forfeited or expired	-
Vested	(10,000)
Nonvested options at December 31, 2018	690,000
Granted	-
Exercised	-
Cancelled	-
Forfeited or expired	-
Vested	(230,000)
Nonvested options at December 31, 2019	460,000

To the extent the actual forfeiture rate is different than what has been anticipated, share-based compensation expense related to these options will be different from expectations.

Note 7: Concentrations

We sell products and services under various terms to a broad range of companies across multiple industries ranging from start-ups to Fortune 500 companies, with sales historically concentrated among a few large clients. We continue to make efforts to mitigate risk from loss of a single client and shift sales concentration to a more even distribution among our clients. For the twelve months ended December 31, 2019 and 2018, the percentage of sales and the concentrations are:

	2019	2018
Largest client	28%	35%
Second largest client	18%	29%
Third largest client	11%	12%
Next three largest clients	25%	17%
All other clients	18%	7%
	100%	100%

Sales are made without collateral and the credit-related losses have been insignificant or non-existent. Accordingly, there is no provision made to include an allowance for doubtful accounts.

Note 8: Commitments and Contingencies

Leases

Our corporate headquarters, located at 201 Spear Street, Suite 1100, San Francisco, CA 94105 is a leased space, which we lease on a month-to-month basis for \$129 a month. The Company also leases office space in San Anselmo, California under an operating lease that was scheduled to expire March 31, 2020 and monthly rent of \$2,466. The original lease included an option to extend the lease term for up to two years to be exercised no later than August 31, 2019. This option was not included in the calculation of the ROU assets and lease liabilities recorded upon the adoption of ASC 842 on January 1, 2019 because it was not reasonably certain that the Company would exercise the option.

Lease expense was \$27,331 for the year ended December 31, 2019 which is included in general and administrative expenses in the accompanying consolidated statement of operations. Cash payments for the operating lease were \$29,586 for the year ended December 31, 2019.

Supplemental balance sheet information related to leases as of December 31, 2019 was as follows:

Operating lease right-of-use assets in other assets	6,833
Operating lease liabilities in lease payable	7,539
Weighted average remaining lease term	0.75
Discount rate	6%

As of December 31, 2019, the estimated future payments under this operating lease (including rent escalation clauses) for 2020 is \$7,692 less imputed interest of \$153. There are no estimated future payments after 2020.

Note 9: Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. At December 31, 2019 and 2018 net deferred tax assets were fully offset by a valuation allowance. The Company is no longer subject to U.S. federal tax examinations by tax authorities for years before 2015 and for state examinations by tax authorities for years before 2014.

As of December 31, 2019, the Company has net operating loss carry-forwards of approximately \$5,000,000 that will begin to expire in 2033. Pursuant to Sections 382 and 383 of the Internal Revenue Code, the utilization of NOLs and other tax attributes may be subject to substantial limitations if certain ownership changes occur during a three-year testing period (as defined by the Internal Revenue Code). A valuation allowance was established for all the net deferred tax assets because realization is not assured. The components of the deferred tax assets consist of the following:

	December 31,	
	2019	2018
Net operating losses	\$ 1,100,000	\$ 900,000
Less: valuation allowance	(1,100,000)	(900,000)
Net deferred tax assets	\$ -	\$ -

Note 10: Basic and Diluted Net Income / (Loss) per Share

Net income (loss) per share was computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. For the twelve months ended December 31, 2019 and 2018, the assumed exercise of share options is anti-dilutive and are excluded from the determination of net income (loss) per share – basic and diluted. The share options were anti-dilutive due to the Company's net loss or the Company's common stock average market price was less than the share options exercise price. Accordingly, net income / (loss) per share basic and diluted are equal in all periods presented. Securities that were not included in the diluted per share calculations because they would be anti-dilutive were options to purchase common stock of 1,140,000 and 1,350,000 for the twelve months ended December 31, 2019 and 2018, respectively.

The computations for basic and diluted net loss per share are as follows:

	Year Ended December 31,	
	2019	2018
Net loss	\$ (760,955)	\$ (411,216)
Basic and diluted weighted average common shares outstanding	20,426,158	20,426,158
Net loss per share, basic and diluted	\$ (0.04)	\$ (0.02)

Note 11: Going Concern

The accompanying consolidated financial statements and notes have been prepared assuming that the Company will continue as a going concern.

We have had material operating losses and have not yet created positive cash flows for a full fiscal year. These factors raise substantial doubt as to our ability to continue as a going concern. We continue to focus on our sales pipeline of new business and our cost reduction plans to improve upon our positive working capital of \$779,762 at December 31, 2019. These measures combined with our positive working capital position should enable us to meet our liquidity needs over the next 12 months. Notwithstanding the foregoing, our longer-term ability to continue as a going concern is entirely dependent upon our ability to achieve a level of profitability, and/or to raise additional capital through debt financing and/or through sales of common stock. We cannot provide any assurance that profits from operations, if any, will generate sufficient cash flow to meet our working capital needs and service our existing obligations, nor that sufficient capital can be raised through debt or equity financing. The consolidated financial statements do not include adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

Note 12: Subsequent Events

Effective January 1, 2020 the Company's leased office space in San Anselmo, California which was originally scheduled to expire on March 31, 2020 was renegotiated for an extended 6-month term and monthly rent of \$2,539 and will now expire September 30, 2020.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosures Control and Procedures

Pursuant to Rule 13a-15(b) and Rule 15d-15(b) under the Exchange Act, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based upon that evaluation, the Company's management concluded that, as of December 31, 2019, the Company's disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

It should be noted that any system of controls is based in part upon certain assumptions designed to obtain reasonable (and not absolute) assurance as to its effectiveness, and there can be no assurance that any design will succeed in achieving its stated goals.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of December 31, 2019, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, management concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that were considered to be material weaknesses.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were:

- (1) We do not have controls that are designed to provide adequate review and oversight of certain financial processes; and
- (2) We do not have adequate evidence to support that controls are functioning as designed including evidence of review and oversight of certain financial processes; and
- (3) We do not have adequate written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act which is applicable to us. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

The aforementioned material weaknesses were identified by our Chief Executive Officer and Chief Financial Officer in connection with the audit of our financial statements as of December 31, 2019.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Plan for Remediation of Material Weaknesses

We are in the process of developing and implementing remediation plans to address our material weaknesses.

Changes in internal controls over financial reporting

We experienced some changes in internal controls some of which resulted in the aforementioned material weaknesses. These changes were primarily due to significant turnover of our executive officers during the year ended December 31, 2019.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Officers and Directors

Our directors will serve until their successor is elected and qualified. Our officers serve at the pleasure of the board of directors (the "Board"). The Board has no nominating or compensation committees.

The names, addresses, ages and positions of our officers and directors are set forth below:

Name and Address	Age	Position(s)
Matthew Kruchko 201 Spear Street, Suite 1100 San Francisco, CA 94105	49	President, Chief Executive Officer and Director
Lynn Davison 201 Spear Street, Suite 1100 San Francisco, CA 94105	56	Chief Operating Officer
Stephen Shay 201 Spear St. Suite 1100 San Francisco, CA 94105	60	Vice President
Barry MacNeil 201 Spear Street, Suite 1100 San Francisco, CA 94105	56	Chief Financial Officer and Director
Gregg Budoï 201 Spear Street, Suite 1100 San Francisco, CA 94105	55	Director
Nii Quaye 201 Spear Street, Suite 1100 San Francisco, CA 94105	47	Director
Giuseppe (Pino) Perone 201 Spear Street, Suite 1100 San Francisco, CA 94105	40	Director
Michael Hinshaw 201 Spear Street, Suite 1100 San Francisco, CA 94105	58	President, McorpCX, LLC

The people named above are expected to hold their offices/positions until the next annual meeting of our stockholders.

There are no family relationships between any of our directors or executive officers.

Background of Officers and Directors

Matthew Kruchko – President, Chief Executive Officer and Director

On February 3, 2020, Matthew Kruchko was appointed as our President and Chief Executive Officer. Matthew Kruchko has been a member of the Company's board of directors since August 31, 2017. Since 2016 Mr. Kruchko has been a principal and the Chief Strategy Officer of Connect Brands, Inc., a San Francisco based marketing and advertising company. He has also been a member of the board of directors of that company since 2016. Previously, from 2007 to 2015 he was a Managing Director and a member of the board of directors of Applied Storytelling, a brand consultancy/strategy firm, and was previously Executive Vice President of Strategy and Global Marketing for the UK-based SaaS software company Kalibrate Technologies PLC from 2014 to 2015. Mr. Kruchko studied finance and marketing at the University of Southern Maine and is currently an advisory board member for the Detroit Creative Corridor Center (DC3).

Mr. Kruchko brings to the Board extensive knowledge of global marketing and marketing strategy, including in the SaaS software industry, which the Board believes will important as the Company continues to develop and market its customer experience services. Also, as the Company's President and Chief Executive Officer, Mr. Kruchko provides the Board with exposure to the Company's executive team and insight into our specific strategic and operational challenges and opportunities.

Barry MacNeil – Chief Financial Officer and Director

On February 3, 2020, Barry MacNeil was appointed as our Chief Financial Officer and as a member of the Board. . Mr. MacNeil previously served as the Company's Chief Financial Officer from November 20, 2015 through September 26, 2017. Mr. MacNeil has more than 20 years of accounting experience in public and private practice. Since April 2016, Mr. MacNeil has served as Chief Financial Officer for TAG Oil Ltd., an oil and gas exploration and production company headquartered in Vancouver British Columbia. Mr. MacNeil was previously the Controller of TAG Oil Ltd. from March 2015 through April 2016. Since August 2012, Mr. MacNeil has served as Chief Financial Officer of Interlapse Technologies Corp. (formerly Coronado Resources Ltd.), a Canadian-based fintech applications public company. From October 2004 through March 2008, Mr. MacNeil served as a member of the board of directors, CFO and Secretary for Trans-Orient Petroleum Ltd., a company that invests in early-stage resource and technology companies. Mr. MacNeil is a Chartered Public Accountant and earned a diploma in Financial Management from the British Columbia Institute of Technology.

Mr. MacNeil brings to the Board significant accounting and finance experience from a variety of public and private companies.

Michael Hinshaw – President, McorpCX, LLC

Since August 2018 Mr. Hinshaw has been the President of our wholly-owned operating subsidiary, McorpCX, LLC. From March 2006 through January 23, 2020 he served as a director on the Board and from March 2006 to August 2018, Mr. Hinshaw served our President and Chief Executive Officer and from December 2011 to August 2018 as our Treasurer and Principal Accounting Officer. From December 7, 2011 until November 20, 2015, Mr. Hinshaw was our Chief Financial Officer. Mr. Hinshaw founded the Company in 2001. From 1999 until 2002, Mr. Hinshaw served as President and Chief Executive Officer of Verida Internet Corp. Prior to its sale in 1999, Mr. Hinshaw served as President of Triad Inc., a brand strategy and management consulting firm. Mr. Hinshaw holds a MFA in Design and Communication and a BFA in Graphic Design from the Academy of Art University in San Francisco.

Lynn Davison – Chief Operating Officer

Since October 9, 2013, Ms. Davison has been our Chief Operating Officer, and has served as our Secretary from February 3, 2012 until November 20, 2015. Ms. Davison served as our Vice-President from February 7, 2011 to October 9, 2013. From April 2004 to February 2011, Ms. Davison worked as a management consultant to a range of start-up, mid-sized and Fortune 500 clients providing strategic business consulting services. From 1994 through April, 2004, Ms. Davison was a co-founder of C-Change, Inc., a management consulting firm working with Fortune 500 companies. Ms. Davison has a BA in economics from Whitman College in Walla Walla, Washington and is a certified Project Management Professional (PMP) by the Project Management Institute.

Stephen Shay – Vice President

On May 16, 2015, Stephen Shay was appointed as our Vice President. Prior to joining McorpCX, Mr. Shay enjoyed a nearly 21-year career with Microsoft Corporation, where he served as an executive leader in Sales, Operations, and IT. From November 2010 to September 2014, he was General Manager, Customer Experience, responsible for conceptualizing and driving initiatives designed to transform the customer centricity of the organization and delivering simplified, seamless, and successful interactions across the customer and partner lifecycle at Microsoft. From August 2005 to November 2010, Mr. Shay was General Manager, Strategy & Business Development, where he supported Microsoft's acquisition growth strategy. Mr. Shay earned a Bachelor of Science Degree in Management & Computer Information Systems, from Park University, Kansas City, Missouri and completed additional undergraduate studies in architecture at the University of Kansas.

Gregg Budoi – Director

Gregg Budoi has been a director since August 2018. Mr. Budoi also served as our interim President and Chief Executive Officer from August 2018 to February 2020. Mr. Budoi previously served as the Company's Interim President and Chief Executive Officer from August 16, 2018 to June 7, 2019, and the Company's Chief Financial Officer from September 26, 2017 to November 6, 2018. Prior to becoming the Company's Interim Chief Financial Officer, Mr. Budoi was from 2014 to 2017 the Chief Financial Officer and member of the Board of Directors of Kalibrate Technologies Plc, a London Stock Exchange (AIM) listed SaaS software and consulting company. Prior to that, from 2007 to 2014 he was a co-founder and former President and CEO of EZ Energy USA, Inc. an Israeli company that operated 69 gas & convenience stores. Mr. Budoi has also been Managing Director at Barnes Wendling Corporate Finance, LLC, a financial advisory firm where from 2006 to 2007 he established a corporate finance advisory services platform and completed several corporate restructurings as well as M&A and capital raising transactions. Prior to that, he was Chief Executive Officer of his own financial advisory firm, Budoi & Company, Inc. from 2003 to 2006 and was from 1999 to 2003 the Chief Financial Officer, Vice President Finance and Treasurer of Dairy Mart Convenience Stores, Inc., where he led the strategic evaluation and recapitalization process for this publicly traded chain of over 850 convenience stores. Mr. Budoi holds a BS in Business Administration/Finance from Ohio State University, and a Masters of Business Administration from Cleveland State University.

The Board believes Mr. Budoi brings to the Board extensive executive management experience from several public and private companies, as well as significant experience in the SaaS software industry.

Nii A. Quaye – Director

Nii A. Quaye has been a member of the Company's board of directors since August 31, 2017. From 2015 to 2016, Mr. Quaye was the Senior Vice President of Global Head of Service Quality for the Abu Dhabi based First Gulf Bank (FGB). Previously, from 2013 to 2014, Mr. Quaye was Vice President, Group Head of Customer Service for Ecobank Transnational Incorporated. Mr. Quaye also was General Manager and Head of Service and Quality for the Saudi Investment Bank from 2010 to 2012, and was a Senior Vice President at CitiGroup where he was responsible for administering that company's Global Contact Center. A GE-trained Six Sigma Black Belt, Mr. Quay holds a B.A. from Ottawa University, a J.D. from the University of Maryland Law School, and an MBA in Finance & Investments from The George Washington University in Washington, DC.

The Board believes Mr. Quay brings to the Board significant global finance and technology experience with several large global organizations.

Giuseppe (Pino) Perone – Director

Giuseppe (Pino) Perone has been a director since October 3, 2019. Mr. Perone is a Canadian lawyer serving as an executive and director for various public and private companies in the resource and technology sectors. He has served as a director and executive officer of Interlapse Technologies Corp., formerly Coronado Resources Ltd. since August 2012. Mr. Perone has also served as the Corporate Secretary and General Counsel of TAG Oil Ltd. since December 2010 and was a member of the board of directors from July 2007 to December 2009.

The Board believes that Mr. Perone brings to the Board experience practicing as a corporate lawyer, and his legal experience in a variety of corporate and commercial matters.

Involvement in Certain Legal Proceedings

During the past ten years, Mr. Hinshaw, Ms. Davison, Mr. Shay, Mr. Kruchko, Mr. MacNeil, Mr. Budoj, Mr. Perone and Mr. Quayle have not been the subject of the following events:

1. A petition under the Federal bankruptcy laws or any state insolvency law filed by or against, or a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he/she was a general partner at or within two years before the time of such filing, or any corporation or business association of which he/she was an executive officer at or within two years before the time of such filing;
2. Convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. The subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him/her from, or otherwise limiting, the following activities:
 - i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; or
 - ii) Engaging in any type of business practice; or
 - iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws.
4. The subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph 3.i in the preceding paragraph or to be associated with persons engaged in any such activity;
5. Found by a court of competent jurisdiction in a civil action or by the SEC to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
6. Found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

7. The subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
- i) Any Federal or State securities or commodities law or regulation; or
 - ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or
 - iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
8. Was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Audit Committee Financial Expert

Our Board has determined that Mr. Quaye is an independent director under the standards established by the NASDAQ Stock Market and qualifies as an "audit committee financial expert" as defined in applicable SEC rules.

The Committees of the Board

Due to the Company's current size, the only committee of the Company's board of directors is an audit committee. Our board of directors currently does not have a nominating or compensation committee and the functions normally performed by such committees are performed by the board of directors as a whole.

Audit Committee and Charter

We have a separately-designated audit committee of the Board that is currently comprised of the following directors: Gregg Budoj, Nii Quaye and Matthew Kruchko of which Mr. Quaye is determined to be an independent director under the standards established by the NASDAQ Stock Market.

According to our audit committee charter, which is available on our website at <http://investors.mcorp.cx>, our audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditors and any outside advisors engagement by the audit committee.

Code of Ethics

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code. Our code of ethics applies to each of our executive officers. A copy of our code of ethics is included as an exhibit to this Annual Report on Form 10-K.

Whistleblower Policy

We have adopted a whistleblower policy that provides for the protection of our employees from our retaliation where an employee believes that we are violating some law, rule or regulation and wants to disclose the same to proper authorities or to the public at large. This policy further provides a mechanism whereby the employee may disclose the information to us in a confidential manner and may possibly resolve the issue without the need of going to third parties outside of our organization.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) requires our executive officers and directors, and persons who beneficially own more than 10% of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based upon a review of information available to us and a review of the information filed with the SEC, with the exception of the following all officers, directors and owners of 10% or more of our Shares have filed all reports required by Section 16(a) of the Exchange Act for the year ended December 31, 2019: 1) A Form 3 was filed late by Rajesh Makhija, 2) one Form 4 was filed late by Michael Hinshaw to report five separate transactions, which were each reported late, 3) one Form 4 was filed late by Lynn Davison to report one transaction late, 4) one Form 4 was filed late by Stephen Shay to report one transaction late, and 5) one Form 4 was filed late by Rajesh Makhija to report two transactions late.

ITEM 11. EXECUTIVE COMPENSATION.

On February 1, 2011, we entered into an employment agreement with Lynn Davison, pursuant to which she agreed to serve as our Vice President. This initial agreement provided for an annual base salary of \$132,000 but was subsequently increased to \$162,000 effective August 22, 2014 and again increased to \$202,500 effective January 1, 2019. In addition, Ms. Davison is eligible for bonus compensation as established by us from time to time. On February 7, 2011, we granted Ms. Davison 10-year options to purchase 300,000 Shares at an exercise price of \$0.35 per Share. A Board resolution dated December 17, 2015 later reset the exercise price of these options to \$0.05 per Share. On September 3, 2013, we granted Ms. Davison an additional 10-year options to purchase 300,000 Shares at an exercise price of \$0.40 per Share. On May 15, 2015, we granted Ms. Davison an additional 10-year options to purchase 100,000 Shares at an exercise price of \$0.75 per Share.

All of the options granted to Ms. Davison have fully vested and are exercisable pursuant to their respective terms. In August 2019, the Board cancelled 300,000 stock options with an exercise price of \$0.40 per Share previously granted to Ms. Davison in connection with Ms. Davison entering into a private stock purchase agreement with Mr. Hinshaw to acquire shares currently owned by Mr. Hinshaw.

On May 15, 2016, the Company entered into an employment agreement with Stephen Shay pursuant to which he agreed to serve as our Vice President. This initial agreement provided for an annual base salary of \$240,000. In addition, Mr. Shay is eligible for bonus compensation as established by us from time to time.

On May 15, 2015, we granted Mr. Shay 10-year options to purchase 600,000 Shares with an exercise price of \$0.75 per Share. These stock options were subsequently cancelled by the Board in August of 2019 in connection with Mr. Shay entering into a private stock purchase agreement with Mr. Hinshaw to acquire shares currently owned by Mr. Hinshaw.

In connection with his original appointment as the Company’s Interim President and Chief Executive Officer in August 2018, the Company and Mr. Budoi entered into an executive employment agreement dated August 16, 2018 (the “Budoi Employment Agreement”), under which Mr. Budoi was to be paid a base salary of \$204,000 subject to an adjustment to \$300,000 upon the occurrence of any of the following events: (i) the Company raises an aggregate of at least \$5.0 million in connection with the new issuance of any form of equity securities, or (ii) the acquisition of another company with annual revenues that when combined with the Company’s revenues over that previous 12 calendar month period equals \$5.0 million or more on an annualized pro forma basis.

The Budoi Employment Agreement also provided that Mr. Budoi was entitled to receive a one-time signing bonus of \$100,000 contingent upon the achievement of certain milestone events, including (i) the completion of an equity financing in excess of \$5.0 million, (ii) the completion of an acquisition of a new business with annualized revenues (which when combined with the Company’s annual revenues over the previous 12 months) that are in excess of \$5.0 million per year, or (iii) the determination by the Board that Mr. Budoi has successfully executed a strategic plan developed by the Board that includes the acquisition and/or disposition of material assets or business operations in a transaction approved by the Board and the Company’s shareholders, if required, in each case to be achieved prior to the one year anniversary of the effective date of Mr. Budoi’s employment agreement.

In addition, Mr. Budoi was entitled to participate in the Company's employee benefit plans and receive stock options under the Company's Amended and Restated Stock Option Plan (the "Option Plan"). Mr. Budoi's employment as our Interim President and Chief Executive Officer was for an initial term expiring October 31, 2018 with automatic renewals (subject to right of the Company and Mr. Budoi to elect not to renew) for additional one month periods. Upon the initial expiration of the Budoi Employment Agreement on October 31, 2018, Mr. Budoi and the Company agreed to amend the employment agreement as follows:

- (a) For the months of November and December 2018 Mr. Budoi agreed to not receive any compensation and effective January 1, 2019, Mr. Budoi's base salary shall be reduced to \$60,000 subject to an adjustment by the Board in connection with the determination by the Board that Mr. Budoi has successfully executed a strategic plan developed by the Board that may include the acquisition, joint venture, licensing and/or merger of new business operations or technology in a transaction approved by the Board and the Company's shareholders, if required, in each case to be achieved prior to the one year anniversary of the effective date of Mr. Budoi's employment agreement.
- (b) Mr. Budoi's one-time signing bonus shall be increased to an amount of up to \$200,000 contingent upon the determination by the Board that Mr. Budoi has successfully executed a strategic plan developed by the Board that may include the acquisition, joint venture, licensing and/or merger of new business operations or technology in a transaction approved by the Board and the Company's shareholders, if required, in each case to be achieved prior to the one year anniversary of the effective date of Mr. Budoi's employment agreement.

The Board also granted Gregg Budoi 290,000 stock options with an exercise price of \$0.30(Canadian) per Share. The options vest incrementally in three roughly equal installments on August 16, 2019, August 16, 2020 and August 16, 2021, respectively. The stock options are subject to accelerated vesting in connection with a change in control of the Company, pursuant to the terms of the Option Plan.

The Budoi Employment Agreement, as amended, was terminated upon Mr. Budoi's resignation as our Interim President and Chief Executive Officer on June 7, 2019. Mr. Budoi did not enter a new employment agreement with the Company during his tenure as our Interim President and Chief Executive Officer from September 30, 2019 through February 3, 2020.

While he was serving as our President and Chief Executive Officer, Michael Hinshaw did not have a written employment agreement with the Company. However, pursuant to the terms of a verbal agreement between Mr. Hinshaw and the Company, Mr. Hinshaw received an annual base salary of \$300,000 for his executive services as the Company's President and Chief Executive Officer.

In connection with his appointment as President of McorpCX, LLC in August 2018, Michael Hinshaw has entered into an executive compensation agreement with McorpCX, LLC under which he will be paid a base salary of \$250,000 and will be entitled to receive the following additional incentive remuneration (collectively, "Variable Compensation"):

- Quarterly payments equal to (i) 2.5% of all gross revenues generated by McorpCX, LLC, plus (ii) an additional 2.5% (for a total of 5%) of all gross revenues generated by McorpCX, LLC in excess of \$5.0 million per year, and
- An amount up to 10% of the aggregate of all fees received by McorpCX, LLC from existing clients of McorpCX, LLC for projects that were not agreed to as of the effective date of Mr. Hinshaw's employment agreement ("New Projects"), and for all projects with clients of the McorpCX, LLC that were not clients of the McorpCX, LLC as of the effective date of Mr. Hinshaw's employment agreement ("New Clients"), where such New Projects or projects from New Clients were originated by Mr. Hinshaw, provided that the aggregate sales commission paid to both Mr. Hinshaw and to other persons related to the same New Project or project from a New Client will not exceed 15% of the total fees received by McorpCX, LLC on such New Project or project from a New Client.

In addition, Mr. Hinshaw will be entitled to participate in any deferred compensation plan that may be adopted by McorpCX, LLC reflecting Mr. Hinshaw's right to receive awards from a share of the deferred compensation pool that will be comprised of up to 50% of the annual cash flow of McorpCX, LLC, which will include net income (i) plus depreciation and amortization expense, (ii) less principal payments made on any indebtedness, and (iii) less any capital expenditures paid in cash during a fiscal year.

The initial term of Mr. Hinshaw's employment is six months from the date of his employment agreement, with automatic renewals (subject to right of McorpCX, LLC and Mr. Hinshaw to elect not to renew) for additional three month periods. McorpCX, LLC may terminate Mr. Hinshaw's employment without cause (or Mr. Hinshaw can terminate the agreement upon good reason) in which case Mr. Hinshaw is entitled to payment of six months' salary as severance plus all Variable Compensation earned by Mr. Hinshaw during the previous twelve months.

From June 7, 2019 until his resignation on September 30, 2019 Rajesh Makhija served as our President and Chief Executive Officer. Mr. Makhija executed an executive employment agreement (the "Makhija Employment Agreement") with the Company dated June 7, 2019, which provided Mr. Makhija was to be paid an initial base salary of \$120,000. Additionally, Mr. Makhija was entitled to receive a one-time performance bonus of \$150,000, if prior to the one year anniversary of the effective date of the Makhija Employment Agreement, any two of the following events occur: (i) the Company has "annualized revenue" (defined as recognized revenue plus monthly contracted recurring revenue (multi-year contracts with clients that have known amounts of annual net revenue) with a term greater than twelve months as of the 12th month after the effective date times 12) greater than \$7,000,000 as of the 12th calendar month following the effective date of the Makhija Employment Agreement plus (C) the annualized revenue of any completed acquisition, merger or similar arrangement with another company, and/or (ii) the Board determines that Mr. Makhija has successfully executed a strategic plan approved by the Board, and the shareholders if required, which may include the acquisition, merger, joint venture, or other transaction and/or (iii) has raised capital from new investors in an amount equaling \$1,500,000 or more that will enable the execution of a Board approved strategic plan, in each case to be achieved prior to the one year anniversary of the effective date of the Employment Agreement. If only one of the above events occur, Mr. Makhija would have been entitled to a performance bonus of \$50,000.

Mr. Makhija was also eligible to receive an annual bonus based on his achievement against specific criteria which was to be determined jointly by the Board and Mr. Makhija within 90 days of the effective date of the Makhija Employment Agreement. The amount of bonus earned due to the Company meeting any target EBIDTA and/or net revenue was capped at 75% of his base salary.

The Makhija Employment Agreement was terminated upon Mr. Makhija's resignation as our President and Chief Executive Officer on September 30, 2019.

The Company has yet to enter an employment agreement with Matthew Kruchko since his appointment as our President and Chief Executive Officer in February 2020.

The following table sets forth information with respect to compensation paid by us to our “named executive officers” (which includes our principle executive officer or “PEO” and our two highest compensated officers in 2019 outside of our PEO) for each of the last two years as well as all persons who served as our PEO during 2019, but were not serving in such position at the end of such year.

<i>Executive Officer Compensation Table</i>									
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
Michael Hinshaw	2019	344,192 [2]	0	0	0	0	0	183,941 [3]	528,133
President [1]	2018	348,314 [2]	0	0	0	0	0	23,442 [3]	371,756
Gregg Budoï	2019	25,923 [5]	0	0	0	0	0	0	25,923
President, CEO [4]	2018	42,500 [5]	0	0	77,699 [6]	0	0	58,578 [7]	178,777
Rajesh Makhija	2019	37,769	0	0	0	0	0	0	37,769
President, CEO [8]	2018	0	0	0	0	0	0	0	0
Stephen Shay	2019	240,000	7,133	0	0	0	0	6,000 [9]	253,133
Vice President	2018	240,000	0	0	0	0	0	6,000 [9]	246,000

- [1] Mr. Hinshaw resigned as the Company’s President and Chief Executive Officer in August 2018 and was appointed the President of the Company’s wholly owned subsidiary, McoprCX, LLC at such time.
- [2] In addition to Mr. Hinshaw’s salary of \$250,000, his compensation also includes variable compensation in the form of quarterly payments equal to (i) 2.5% of all gross revenues generated by McoprCX, LLC, plus (ii) an additional 2.5% (for a total of 5%) of all gross revenues generated by McoprCX, LLC in excess of \$5.0 million per year.
- [3] All other compensation for Michael Hinshaw for the year ended 2019 consisted of sales commissions of \$156,681, and for each of the years ended 2019 and 2018, payments for health insurance in the amount of \$25,260 and \$23,442, respectively.
- [4] Mr. Budoï served as our Interim Chief Executive Officer from August 16, 2018 until June 7, 2019 and again from September 30, 2019 until February 3, 2020.
- [5] In 2019, Mr. Budoï’s salary includes salary earned only for the periods he served as Interim President and Chief Executive Officer. In 2018, for the months of November and December, Budoï agreed to not receive any compensation.
- [6] On August 16, 2018, the Company granted 290,000 stock options to Mr. Budoï. These options had an exercise price of \$0.30 (Canadian) and are scheduled to vest incrementally in roughly equal amounts on August 16, 2019, 2020 and 2021.
- [7] All other compensation for Mr. Budoï consisted of consulting fees earned by Mr. Budoï pursuant to a consulting agreement dated September 26, 2017, which terminated on August 16, 2018 in connection with Mr. Budoï’s appointment as our Interim Chief Executive Officer.
- [8] Mr. Makhija was appointed our President and Chief Executive Officer on June 7, 2019 and resigned September 30, 2019. His salary includes salary earned only for the period of employment.
- [9] All other compensation for Stephen Shay for each of the years ended 2019 and 2018 consisted of cash payments to Mr. Shay intended to cover the cost of health insurance premiums.

The following table sets forth information with respect to compensation paid by us to our non-employee directors (all directors except for Mr. Hinshaw and Mr. Budoï) during the last completed fiscal year ended December 31, 2019.

Director Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Nii Quaye	0	0	0	0	0	0	0
Matthew Kruchko	0	0	0	0	0	0	0
Guiseppe Perone	0	0	0	0	0	0	0

(1) The table above does not include Barry MacNeil as he was appointed subsequent to year end on February 3, 2020.

Non-employee members of our board of directors may receive stock options granted under the Company's Amended and Restated Stock Option Plan (the "Plan") as consideration for their services on our board of directors. Should any director be awarded option grants the amount of those grants would be proportionate to their level of involvement with the activities of the board of directors (meeting attendance, service on committees, etc.). Additionally, in August 2017, the Company decided to pay a \$2,500 monthly fee to our non-employee directors in consideration for their service on our board of directors. As of January 1, 2019, Mr. Quaye and Mr. Kruchko agreed that they would no longer receive any monthly compensation to participate on the Board and no fees were paid to any of our non-employee directors during 2019.

There are no retirement, pension, or profit sharing plans for the benefit of our officers and directors other than the Plan. Securities offered under the Plan will consist exclusively of our shares of common stock. The aggregate number of shares of common stock reserved for issuance under the Plan is fixed at 10% of the total number of issued and outstanding shares of common stock from time to time, such that the shares of common stock reserved for issuance under the Plan will increase automatically with increases in the total number of shares of common stock issued and outstanding.

If an option awarded under the Plan expires, is surrendered in exchange for another option, or terminates for any reason during the term of the Plan prior to its exercise in full, the shares of common stock subject to but not delivered under such option will be available for issuance pursuant to the exercise of future options granted under the Plan.

The following table sets forth information with respect to outstanding equity awards held by our named executive officers at December 31, 2019.

Outstanding Equity Awards at December 31, 2019

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards:		Option Exercise Price	Option Expiration Date	Number of Shares Or Units of Stock that have not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units that have not vested
			Underlying Unexercised Options	Unearned Options				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Gregg Budo	96,667	193,333	0	\$ 0.23	8/16/2023	0	0	0

Compensation Committee Interlocks and Insider Participation

Since the Company currently does not have a compensation committee or other committee of the Board performing similar functions, executive officer compensation is determined by the entire Board. Mr. Kruchko, our current President and Chief Executive Officer, Mr. Budoi, our former Interim President and Chief Executive Officer, Mr. Makhija, our former President and Chief Executive Officer, and Mr. Hinshaw, our former President and Chief Executive Officer and the current President of the Company's wholly-owned subsidiary, McorpCX, LLC are the only officers or employees of the Company who participated in deliberations of the Board concerning executive officer compensation. However, each of Mr. Kruchko, Mr. Makhija, Mr. Hinshaw and Mr. Budoi excused themselves from our Board's discussions concerning the compensation of our President and Chief Executive Officer when such person was serving in that capacity. With the exception of each of Mr. Budoi, Mr. Makhija, and Mr. Hinshaw, no member of our Board was, during the year ended December 31, 2019, an officer, former officer or employee of the Company or any of its subsidiaries, or had any relationship requiring disclosure by the Company under the SEC rules requiring disclosure of certain relationships and related party transactions. No executive officer of the Company served as a member of (i) the compensation committee of another entity in which one of the executive officers of such entity served on our Board, (ii) the board of directors of another entity in which one of the executive officers of such entity served on our Board, or (iii) the compensation committee of another entity in which one of the executive officers of such entity served as a member of our board of directors, during the year ended December 31, 2019.

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

The following table sets forth, as of March 27, 2020, the total number of shares owned beneficially by each of our directors, director nominees and named executive officers, individually and directors and all executive officers as a group, and the present owners of 5% or more of our total outstanding shares of common stock. Shares of common stock subject to options and warrants exercisable within 60 days from the date of this table are deemed to be outstanding and beneficially owned for purposes of computing the number of shares held and the percentage ownership of such each individual but are not treated as outstanding for purposes of computing the percentage ownership of others.

The information in this table reflects "beneficial ownership" as defined in Rule 13d-3 of the Exchange Act. We have determined beneficial ownership in accordance with the rules of the SEC or other information we believe to be reliable. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares that they beneficially own, subject to applicable community property laws where applicable.

Applicable percentage ownership is based on 20,426,158 shares of common stock outstanding as of March 26, 2020.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	
	Number	%
Michael Hinshaw 201 Spear Street, Suite 1100 San Francisco, CA 94105	5,200,000	25.46%
Stephen Shay 201 Spear St. Suite 1100 San Francisco, CA 94105	0	*
Barry MacNeil 201 Spear Street, Suite 1100 San Francisco, CA 94105	50,000[2]	*
Guiseppe Perone 201 Spear Street, Suite 1100 San Francisco, CA 94105	25,000	*
Gregg Budoï 201 Spear Street, Suite 1100 San Francisco, CA 94105	96,667[3]	*
Matthew Kruchko 201 Spear Street, Suite 1100 San Francisco, CA 94105	66,667[4]	*
Nii-Ayikwei Quaye 201 Spear Street, Suite 1100 San Francisco, CA 94105	66,667[5]	*
All officers and directors as a group (8 individuals)	5,505,001	25.82%
Alex Guidi 2040 – 885 West Georgia Street Vancouver, British Columbia V6C 3E8	2,762,302[6]	13.77%
Eva Lundin 6 Rue de Rive 1204 Geneva, Switzerland	2,900,000[7]	14.20%
Peter Loretto 350-6165 HWY 17 Delta British Columbia V4K 5B8	1,443,262[8]	7.07%

*Represents beneficial ownership of less than 1%.

[1] Includes 700,000 shares issuable pursuant to presently exercisable stock options and options that become exercisable within 60 days of March 26, 2020.

[2] Includes 50,000 shares issuable pursuant to presently exercisable stock option and options that become exercisable within 60 days of March 26, 2020.

[3] Includes 96,667 shares issuable pursuant to presently exercisable stock option and options that become exercisable within 60 days of March 26, 2020.

[4] Includes 66,667 shares issuable pursuant to presently exercisable stock option and options that become exercisable within 60 days of March 26, 2020.

[5] Includes 66,667 shares issuable pursuant to presently exercisable stock option and options that become exercisable within 60 days of March 26, 2020.

[6] Based on Schedule 13D filed by the reporting person with the SEC on February 24, 2016.

[7] Based on Schedule 13G filed by the reporting person with the SEC on February 18, 2016.

[8] Based on Schedule 13G filed by the reporting person with the SEC on February 11, 2016. Mr. Loretto has sole voting and dispositive power over 1,425,000 shares of our common stock and has shared voting and dispositive power over the remaining 18,262 shares of our common stock he beneficially owns.

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

Related Party Transactions

The Company did not engage in any transactions with related parties requiring disclosure under Item 404 of Regulation S-K under the Securities Act since January 1, 2019 and there are currently no such transactions proposed.

Review and Approval of Related Party Transactions

Our Board recognizes that related party transactions can present a heightened risk of potential or actual conflicts of interest and may create the appearance that Company decisions are based on considerations other than the best interests of the Company and its shareholders. As a result, the Board refers to avoid related party transactions. However, the Board recognizes that there are situations where related party transactions may be in, but may not be inconsistent with, the best interests of the Company and its shareholders.

As a result, our Board is responsible for reviewing and approving the terms and conditions of all proposed transactions between us, any of our officers, directors or shareholders who beneficially own more than 5% of our outstanding shares of common stock, or relatives or affiliates of any such officers, directors or shareholders, to ensure that such related party transactions are fair and are in our overall best interest and that of our shareholders.

Our Board has not adopted any specific procedures for the conduct of reviews and considers each transaction in light of the specific facts and circumstances. In the course of its review and approval of a transaction, our board of directors the following factors, among other factors it deems appropriate:

- whether the transaction is fair and reasonable to us;
- the business reasons for the transaction; and
- whether the transaction is material, taking into account the significance of the transaction.

Any member of our Board who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the Board that considers the transaction.

Independence of Directors

Our shares of common stock are not listed on a national securities exchange or an inter-dealer quotation system that requires that a majority of our Board of Directors consist of independent directors. Under these circumstances, the rules of the SEC require that we identify which of our directors is independent using a definition for independence for directors of a national securities exchange or inter-dealer quotation system which has requirements that a majority of the board of directors be independent. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, with us, our senior management and our independent registered public accounting firm, our board of directors has determined that Messrs. Quaye and Perone are independent directors under standards established by the NASDAQ Stock Market.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**Audit Fees**

The following table presents fees for professional audit services for the audit of the Company's annual consolidated financial statements for fiscal year 2019 and 2018 and fees billed for other services rendered during 2019 and 2018.

	Fiscal 2019	Fiscal 2018
Type of Service/Fee	MaloneBailey	MaloneBailey
Audit Fees (1)	\$ 56,500	\$ 47,500
Audit Related Fees (2)	\$ -	\$ -
Tax Fees (3)	\$ -	\$ -
All Other Fees	\$ -	\$ -

(1) Audit Fees consist of fees for professional services rendered for the audit of the company's consolidated financial statements included in its Annual Report on Form 10-K, the review of the interim financial statements included in its Quarterly Reports on Form 10-Q, and for the services that are normally provided in connection with regulatory filings or engagements.

(2) Includes fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements. This category includes fees related to consultation regarding generally accepted accounting principles.

(3) Tax Fees consist of fees for tax compliance, tax advice and tax planning. The fee includes the preparation of the Company's income tax returns, franchise tax reports, and other tax filings.

Although our audit committee currently does not have a formal policy in place to pre-approve all audit and non-audit services provided by our independent auditor and the fees for such non-audit services, the Company's audit committee has adopted a policy to review on an annual basis the performance, objectivity and independence of our independent auditor.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit	Document Description	Incorporated by reference			Filed herewith
		Form	Date	Number	
3.1	Articles of Incorporation (12/14/2001)	S-1	04/25/12	3.1	
3.2	Amended Articles of Incorporation (4/08/2006)	S-1	04/25/12	3.2	
3.3	Amended Articles of Incorporation (10/17/2011)	S-1	04/25/12	3.3	
3.4	Amended Articles of Incorporation	8-K	07/13/15	3.5	
3.5	Amended Articles of Incorporation	10-Q	11/14/16	3.5	
3.6	Amended and Restated Bylaws	8-K	11/24/15	3.2.1	
4.1	Specimen Stock Certificate	S-1	04/25/12	4.1	
4.2	Description of Common Stock				X
10.3	Amended and Restated Stock Option Plan	8-K	02/12/16	10.1	
10.4	Employment Agreement – Lynn Davison	S-1/A-3	09/12/12	10.8	
10.5	Services Agreement with mfifty dated March 2, 2012	S-1/A-3	09/12/12	10.9	
10.6	Share Option Plan with Lynn Davison dated September 3, 2013	10-Q	11/14/13	10.38	

10.11	Employment Agreement – Stephen Shay	10-K	03/29/18	10.17	
10.13	Executive Compensation Agreement – Michael Hinshaw	8-K	08/23/18	10.2	
14.1	Code of Ethics	10-K	03/27/13	14.1	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension – Schema.				X
101.CAL	XBRL Taxonomy Extension – Calculations.				X
101.DEF	XBRL Taxonomy Extension – Definitions.				X
101.LAB	XBRL Taxonomy Extension – Labels.				X
101.PRE	XBRL Taxonomy Extension – Presentation.				X

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report has been signed on its behalf by the undersigned, thereunto duly authorized on this 27th day of March, 2020.

MCORPCX, INC.

BY: /s/ **MATTHEW KRUCHKO**

Matthew Kruchko
President and Chief Executive Officer

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

<i>Signature</i>	<i>Title</i>	<i>Date</i>
<u>/s/ MATTHEW KRUCHKO</u> Matthew Kruchko	President, Chief Executive Officer (Principal Executive Officer), and Director	March 27, 2020
<u>/s/ BARRY MACNEIL</u> Barry MacNeil	Chief Financial Officer (Principal Accounting and Financial Officer) and Director	March 27, 2020
<u>/s/ GUISEPPE PERONE</u> Guiseppe Perone	Director	March 27, 2020
<u>/s/ GREGG BUDOI</u> Gregg Budoi	Director	March 27, 2020
<u>/s/ NII QUAYE</u> Nii Quaye	Director	March 27, 2020

DESCRIPTION OF THE REGISTRANT'S COMMON STOCK

The common stock of McorpCX, Inc. (the “Company,” “we,” “us” or “our”) is traded in the United States on the OTCQB Venture Marketplace, operated by the OTC Markets Group under the symbol “MCCX.” and on the TSX Venture Exchange in Canada under the symbol “MCX”. All outstanding shares of common stock are validly issued, fully-paid and nonassessable.

The following is a summary of the terms of our common stock. This summary does not purport to be complete, and is subject to, and qualified in its entirety by the full text of our Articles of Incorporation, as amended (the “Articles”) and the Company’s Amended and Restated Bylaws (the “Bylaws”), each of which is incorporated by reference as an exhibit to our Annual Report on Form 10-K. We encourage you to read our Articles, our Bylaws and the applicable provisions of the California Corporations Code (the “Act”).

Voting Rights. Holders of our common stock are entitled to one vote for each share of common stock held of record on the applicable record date on all matters submitted to a vote of shareholders. A corporate action voted on by shareholders generally is approved, provided a quorum is present, if the action receives the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote on such action. Holders of our common stock are not entitled to cumulate their votes in the election of directors.

Dividend Rights. Holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Company’s board of directors out of funds legally available for that purpose.

Rights upon Liquidation. In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of our common stock are entitled to share ratably in all remaining assets available for distribution to shareholders after payment of, or provision for, our liabilities, subject to prior distribution rights of shares of the preferred stock, if any, then outstanding.

Preemptive Rights. Holders of our common stock do not have any preemptive rights to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other of our securities.

Authorized but Unissued Shares of Common Stock

We are authorized under our articles of incorporation, as amended, to issue up to 500,000,000 shares of common stock.

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Matthew Kruchko, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2019 of MCorpCX, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

/s/MATTHEW KRUCHKO

Matthew Kruchko
Chief Executive Officer

SARBANES-OXLEY SECTION 302(a) CERTIFICATION

I, Barry MacNeil, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2019 of MCorpCX, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2020

/s/BARRY MACNEIL

Barry MacNeil
Chief Financial Officer

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

In connection with the Annual Report of MCorpCX, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew Kruchko, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 27th day of March, 2020.

/s/MATTHEW KRUCHKO

Matthew Kruchko
Chief Executive Officer

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

In connection with the Annual Report of MCorpCX, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Barry MacNeil, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 27th of March, 2020.

/s/BARRY MACNEIL

Barry MacNeil
Chief Financial Officer