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

Form 10-Q

[X] **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2019

[ ] **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ______________ to ______________

Commission file number: 000-54600

PROLUNG, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-1922768**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
757 East South Temple, Suite 150 Salt Lake City, Utah	**84102**
(Address of principal executive offices)	(Zip Code)

(801) 736–0729
(Registrant's telephone number, including area code)

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. [ ]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of June 19, 2019, the issuer had 3,861,849 shares of common stock, $0.001 par value, outstanding.

PROLUNG, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ProLung, Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current Assets		
Cash	$ 35,923	$ 249,286
Prepaid expenses	22,903	24,253
Total Current Assets	58,826	273,539
Property and equipment, net of accumulated depreciation	39,718	46,699
Intangible assets, net of accumulated amortization	144,224	146,614
Total Assets	$ 242,768	$ 466,852
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 247,104	$ 263,620
Accrued liabilities	339,163	243,733
Convertible notes payable - current, net	104,595	-
Total Current Liabilities	690,862	507,353
Long-Term Liabilities		
Convertible notes payable, long-term, related party	150,000	-
Convertible notes payable, long-term, net	4,069,681	3,536,868
Total Long-Term Liabilities	4,219,681	3,536,868
Total Liabilities	4,910,543	4,044,221
Stockholders' Deficit:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, $0.001 par value; 120,000,000 shares authorized; 3,861,849 shares issued and outstanding	3,862	3,862
Additional paid-in capital	25,630,730	25,582,996
Accumulated deficit	(30,302,367)	(29,164,227)
Total Stockholders' Deficit	(4,667,775)	(3,577,369)
Total Liabilities and Stockholders' Deficit	$ 242,768	$ 466,852

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

ProLung, Inc. and Subsidiary
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 2019	2018
Revenues:		
Revenue	$ -	$ -
Total revenue	-	-
Cost of revenue:	-	-
Gross margin	-	-
Operating expenses:		
Research and development expense	197,151	425,845
Selling, general and administrative expense	208,602	1,084,130
Total operating expenses	405,753	1,509,975
Loss from operations	(405,753)	(1,509,975)
Other income (expense):		
Loss on debt estinguisment	(633,628)	-
Interest expense	(98,759)	(46,453)
Total other expense	(732,387)	(46,453)
Net loss	$ (1,138,140)	$ (1,556,428)
Basic and diluted loss per share	$ (0.29)	$ (0.40)
Weighted-average common shares outstanding, basic and diluted	3,861,849	3,861,848

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

ProLung, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (1,138,140)	$ (1,556,428)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	9,371	10,344
Stock-based compensation	47,734	420,185
Loss on debt extinguishment	633,628	-
Amortization of loan discount	3,780	13,273
Change in assets and liabilities:		
Inventory	-	(10,765)
Prepaid expenses	1,350	(8,308)
Accounts payable	(16,516)	27,085
Accrued liabilities	95,430	51,678
Net cash flows from operating activities	(363,363)	(1,052,936)
Cash flows from investing activities:		
Net cash flows from investing activities	-	-
Cash flows from financing activities:		
Payment for placement of convertible notes payable	-	(149,900)
Proceeds from notes payable	150,000	2,667,750
Net cash flows from financing activities	150,000	2,517,850
Net increase (decrease) in cash	(213,363)	1,464,914
Cash at beginning of period	249,286	636,639
Cash at end of period	$ 35,923	$ 2,101,553
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ 24,139
Supplemental disclosure of non-cash investing and financing activities:		
Beneficial conversion feature	$ -	$ 414,983
Warrants issued to convertible debt placement agent	$ -	$ 247,055
Accrual of loan costs and commissions	$ -	$ 116,875

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

ProLung, Inc. and Subsidiary
Condensed Consolidated Statement of Stockholders' Deficit
For the Three Months Ended March 31, 2018 and 2019
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance, December 31, 2017	3,861,848	3,862	21,387,907	(21,454,945)	(63,176)
Stock-based compensation	-	-	420,185	-	420,185
Warrants issued to convertible debt placement agent	-	-	247,055	-	247,055
Beneficial conversion feature	-	-	414,983	-	414,983
Net loss	-	-	-	(1,556,428)	(1,556,428)
Balance, March 31, 2018	3,861,848	$ 3,862	$ 22,470,130	$ (23,011,373)	$ (537,381)
Balance, December 31, 2018	3,861,849	3,862	25,582,996	(29,164,227)	(3,577,369)
Stock-based compensation	-	-	47,734	-	47,734
Net loss	-	-	-	(1,138,140)	(1,138,140)
Balance, March 31, 2019	3,861,849	$ 3,862	$ 25,630,730	$ (30,302,367)	$ (4,667,775)

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

ProLung, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

ProLung, Inc. (the "Company"), is a Delaware corporation that was incorporated on November 22, 2004 and is doing business as "ProLung." The Company's headquarters are located in Salt Lake City, Utah. The Company's business is the development, marketing and sales of precision predictive analytical medical devices specializing in lung cancer. The Company's principal activities are primarily developing and testing of products, seeking FDA clearance for its products, developing markets and securing strategic alliances and obtaining financing.

Principles of Consolidation

During the year ended December 31, 2012, the Company formed a wholly-owned subsidiary, Hilltop Acquisition Corporation, Inc., which has had no activity since its inception and is included in the accompanying condensed consolidated financial statements from the date of its formation.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by management in accordance with rules and regulations promulgated by the U.S. Securities and Exchange Commission and therefore certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for them to be presented fairly, with those adjustments consisting only of normal recurring adjustments. These interim financial statements should be read in conjunction with the Company's annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The results of operations for the three months ended March 31, 2019 may not be indicative of the results to be expected for the year ending December 31, 2019.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has generated minimal revenues thus far from its operations. Until the Company receives FDA approval, the Company will not achieve its planned level of operations in the United States. The Company does have a CE mark for Europe and has licensed a portion of its technology to an entity located in China. The Company has incurred substantial and recurring losses to date from operations, continues to have a stockholders' deficit and is currently dependent on debt and equity financing. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this risk and uncertainty.

The ability of the Company to continue as a going concern is dependent on the Company successfully obtaining additional funding, developing products that can be sold profitably, and generating cash through operating activities. Management's plans include issuing equity or debt securities to fund capital requirements and developing ongoing operations.

Basic and Diluted Loss Per Share

The Company computes basic loss per share by dividing net loss by the weighted-average number of common shares outstanding during the period. The Company computes diluted loss per share by dividing net loss by the sum of the weighted-average number of common shares outstanding and the weighted-average dilutive common share equivalents outstanding. The computation of diluted loss per share does not assume exercise or conversion of securities that would have an anti-dilutive effect. As of March 31, 2019, and 2018, the following items were excluded from the computation of diluted net loss per common share as their effect is anti-dilutive:

	For the Three Months Ended March 31,	
	2019	2018
Warrants to purchase shares	1,225,934	1,227,809
Stock options	310,635	310,635
Convertible notes	853,044	698,919

Convertible Debt

The Company records a beneficial conversion feature ("BCF") related to the issuance of convertible debt that has conversion features at fixed or adjustable rates that are in-the-money when issued. The BCF for the convertible instruments is recognized equal to the intrinsic value of the conversion features which is credited to additional paid-in capital.

Adoption of New Accounting Policies

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was amended with ASU No. 2015-14, ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, ASU No. 2016-12 and ASU No. 2016-20. These new standards supersede all existing revenue recognition requirements, including most industry specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. The Company currently has no revenue and the implementation of this standard has no current effect.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02: *Leases* ASU 2016-02 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. ASU 2016-02 will be effective for the Company's fiscal year beginning January 1, 2020 on a modified retrospective basis and earlier adoption is permitted. Management is currently evaluating the impact of the pending adoption of ASU 2016-02 on the Company's consolidated financial statements and based on the Company's one month-to-month lease agreement does not anticipate a material impact.

The Company has reviewed other recent accounting pronouncements and has determined that they will not significantly impact the Company's results of operations or financial position.

Note 2 – Accrued Liabilities

Accrued liabilities consisted of the following at March 31, 2019 and December 31, 2017:

	March 31, 2019	December 31, 2018
Accrued interest	$ 282,758	$ 187,779
Accrued royalties	17,873	17,873
Accrued payroll and payroll taxes	38,532	38,081
Accrued liabilities	$ 339,163	$ 243,733

Note 3 –Notes Payable

2019 Transactions

The Company received $150,000 in convertible notes from certain Board Members in March 2019. These notes are unsecured, bear interest at 8% and are convertible at $5.20 per share. The notes are due March 2022.

2018 Transactions

In March 2018, the Company began issuing 8% convertible promissory notes (the "convertible notes"). The convertible notes are unsecured. Principal and accrued interest were originally due two years from the date of issuance. The original terms of the convertible entitled the holder, at its option, to convert all, or any portion of the outstanding principal and interest, into shares of the Company's common stock at a conversion price of $6.30 per share. In January 2019, the Board proposed, and a majority of the note holders agreed, to a modification to the convertible notes by extending the maturity date to March 2022 and decreasing the conversion price to $5.20 per share which was deemed to be the fair value of the common stock on the date of the modification. Due to the significance of the change in conversion price $2,862,750 of notes payable were considered extinguished and reissued. The Company recognized a loss of $633,628 as a result of this deemed extinguishment.

At March 31, 2019, the Company has issued $4,339,681 in convertible promissory notes and had accrued interest totaling $282,758 which would be convertible into 853,044 shares of common stock (803,616 shares for principal and 49,428 for interest).

Notes payable are summarized as follows:

	March 31, 2019	December 31, 2018
Convertible notes payable net of $15,405 in discount and loan costs; unsecured; interest at 8.00%; due March 2020	$ 104,595	$ 2,329,937
Convertible notes payable; unsecured; interest at 8%; due March 2022	3,012,750	-
Convertible notes payable; unsecured; interest at 8.00%; due November 2020	1,206,931	1,206,931
Notes payable, net	$ 4,324,276	$ 3,536,868
Less: current portion, net	(104,595)	-
Convertible notes payable - long term, net	$ 4,219,681	$ 3,536,868

Note 4 – Common Stock

Common Stock Issued for Services

Total stock-based compensation expense from all sources for the three months ended March 31, 2019 and 2018, including stock-based compensation for the options and warrants discussed in Note 5 and Note 6, has been included in the condensed consolidated statements of operations as follows:

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Research and development expense	$ 36,339	$ 184,231
Selling, general and administrative expense	11,395	235,954
Total share-based compensation	$ 47,734	$ 420,185

Note 5 – Common Stock Options

A summary of option activity for the three months ended March 31, 2019 is presented below:

	Shares Under Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value of Vested Options
Outstanding at December 31, 2018	310,635	$ 7.41	9.16 years	
Issued	-	$ -		
Adjustment	-	$ -		
Forfeited/Expired	-	$ -		
Outstanding at March 31, 2019	310,635	$ 7.41	8.91 years	$ -
Vested at March 31, 2019	276,823	$ 7.34	8.95 years	$ -

The Company recorded an expense of $47,734 and $420,185 for the three months ended March 31, 2019 and 2018 related to the amortization of options issued under the plan. The remaining unrecognized expense of $43,277 will be recognized through September 30, 2019 with a weighted average term of 0.50 years.

Note 6 – Common Stock Warrants

A summary of warrant activity for the three months ended March 31, 2019 is presented below:

	Shares Under Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value of Vested Warrants
Outstanding at December 31, 2018	1,227,809	$ 5.21	3.4 years	
Issued	-			
Exercised	-			
Expired/Forfeited	(1,875)	$ 4.00		
Outstanding at March 31, 2019	1,225,934	$ 5.21	3.2 years	$ 172,332

The intrinsic value at March 31, 2019 is calculated at $5.20 per share less the exercise price, based on management's latest estimate of the fair value of the shares of common stock, which is the latest price the Board valued the convertible debt.

Note 7 – Subsequent Events

On April 15, 2019, the Board agreed to decrease the conversion rate of all convertible notes to $3.20 per share.

On April 23, 2019, the Utah Division of Securities (the "Division") filed a Notice of Agency Action and an Order to Show Cause against the Company and certain current and former officers and board members. The Order to Show Cause makes numerous factual allegations against the Company and the former officers and board members. The Company has been accused of violating the Utah Securities Act by: 1) making improper comments relating to the Company's fundraising efforts, 2) misrepresenting to investors the viability of the Company's continuing operations considering the results of the PL-208 study, 3) by failing to disclose to investors the material consequences of the Division's investigation into ProLung, 4) between 2012 to 2014 employed agents lacking required licensure in the securities industry in the State of Utah. The Division is seeking the following remedies from the Company: 1) cease and desist from engaging in any further conduct in violation of the Utah Securities Act, 2) being barred from associating with any broker-dealer or investment adviser licensed in Utah, and 3) pay the Division a fine, in an amount to be determined by the Utah Securities Commission after a hearing and 4) as applicable, pay restitution, disgorgement, and/or offer rescission directly to the investors, and other sanctions as determined by the Commission. The Company disputes the factual allegations and determinations of the Division and believe they have a good basis for contesting those allegations and determinations, and are preparing formal responses. The Company cannot estimate the eventual outcome of this situation.

In May 2019 the Company entered into a new lease agreement for its office space. The lease amount is $3,600 per month and expires in April 2022.

The Company evaluated all subsequent events that occurred after the balance sheet date through June 18, 2019, the date its financial statements were available to be issued and concluded there were no additional events and transactions occurring during this period that required recognition or disclosure in the financial statements.

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

The following discussion and analysis should be read in conjunction with the financial statements and related notes that appear elsewhere in this Quarterly Report on Form 10-Q (this "Report") and the Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") of ProLung, Inc. (the "Company").

The statements contained in this Report that are not purely historical are forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions, or strategies regarding the future. In addition, any statements that refer to projections, forecasts, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipates," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should" and "would," as well as similar expressions, may identify forward-looking statements, but the absence of these words does not mean a statement is not forward looking. The forward-looking statements contained in this Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties, or assumptions, many of which are beyond our control that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Important factors that could cause these differences include the following:

- We are a development stage company with limited revenue and no assurance of earning significant revenue over the long term.
- We will need significant capital to execute our business plan, particularly as we continue to seek clearance from the FDA to market our ProLung Test.
- We are dependent upon financings to fund our operations and may be unable to continue as a going concern.
- We have issued indebtedness and, if we are unable to repay or refinance it, our creditors could foreclose on our assets and force us into bankruptcy.
- We are in the early stages of commercialization, and our ProLung Test may never receive marketing approval from the FDA or achieve commercial market acceptance.
- Our future growth depends, in part, on our ability to penetrate foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.
- We are reliant on a single product and if we are not successful in commercializing the ProLung Test and are unable to develop additional products, our business will not succeed.
- We are subject to litigation risk for product liability if our ProLung Test is not effective.
- We may incur substantial product liability expenses due to manufacturing or design defects, or the use or misuse of our products.
- We are subject to the risk of product recalls if our products are defective.
- We may not obtain any, or adequate, third-party coverage and reimbursement for our prospective customers.
- The absence of, or limits on, reimbursements may affect our revenues and our ability to achieve profitability.
- If the ProLung Test is not accepted by physicians and patients, we will be unable to achieve market acceptance.
- We are a small company and may be unable to compete with competitive technologies.
- We are dependent upon our suppliers to safely and timely manufacture our products.

- We are dependent upon third parties for marketing and other aspects of our business.
- Any clinical trials that we conduct, including our ongoing trial, may not be completed on schedule, or at all, or may be more expensive than we expect, which could prevent or delay regulatory authorization(s) of our products or impair our financial position.
- We engage in related party transactions, which result in a conflict of interest involving our management.
- ProLung tests may produce false positive and false negative results.
- Our clinical studies, including our ongoing clinical study, may produce unfavorable results.
- Our success depends upon our ability to effectively market our products.
- We are dependent on key personnel, whose employment may be terminated by the Company or the employee at any time, which could cause significant disruption in our business and lead to significant expenses.
- We must obtain regulatory clearance or approval in the US and other non-European Union markets to be able to commence marketing and sales in those markets.
- Even if we receive regulatory clearance or approval for the ProLung Test, we still may not be able to successfully commercialize it and the revenue that we generate from its sales, if any, may be limited.
- If we obtain FDA clearance or approval, we will be subject to Medical Device Reporting.
- Recently proposed healthcare reform measures could hinder or prevent the commercial success of our products.
- We will be subject to healthcare fraud and abuse law regulations.
- Our business is subject to complex and evolving U.S. and international laws and regulation regarding privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation and could result in claims, changes to our business practices, penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.
- ProLung clinical study designs have not been reviewed by the FDA, and there is a risk that the FDA will not agree with our study designs or results.
- We may be unable to protect our intellectual property rights, which are important to the potential value of our products and company.
- We rely on an exclusive license maintained by the licensor, and if the licensor does not adequately defend the license our business may be harmed.
- We may incur significant costs and liability if we infringe, or are accused of infringing on, the intellectual property rights of others.
- We may need to market the ProLung Test under a different name in the EU to avoid the risk of infringement.
- If outstanding warrants are exercised, or Convertible Debentures are converted, stockholders will be diluted.
- Our officers and directors have significant voting power and may take actions that may not be in the best interests of other stockholders.
- Our common stock is not quoted or traded in any market, limiting liquidity opportunities for investors.
- Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

- We are subject to various regulatory regimes, and may be adversely affected by inquiries, investigations and allegations that we have not complied with governing rules and laws.

- If a market develops for our common stock, we expect the market price to be volatile and trading in our common stock to be of limited volume.

- We have never paid, and do not intend to pay in the future, dividends on our common stock.

- We are uncertain when or if full clinical results will be complete and when they will be submitted to the FDA.

- Although we are capable of internally manufacturing to meet foreseeable demand, we may at some time be dependent upon contract manufacturers to safely and timely manufacture our products.

- There is no guarantee that FDA approval will lead to the ProLung Test being approved by payors for reimbursement.

In addition, please review the other, and more detailed, risk factors discussed in our 2017 Form 10-K.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements.

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview

We are a medical technology company specializing in predictive analytic, early stage lung cancer risk testing, which we refer to as the "ProLung Test." Our noninvasive, rapid and radiation-free ProLung Test was developed to assess the risk of malignancy in lung nodules found in the chest by a Computed Tomography ("CT") scan, which is currently the primary method used for the early detection of lung cancer. As lung cancer is the leading cause of cancer death, early detection makes a substantial improvement in survival in a large population group. Timely identification of malignancy is essential for patients and their families. Currently, patients often wait from three months to three and one-half years to have the risk of malignancy assessed through periodic CT scan surveillance. Until malignancy is determined to be likely, invasive biopsy and treatment are significantly delayed. Current statistics reflect a 17% survival rate at five years for those diagnosed with lung cancer.

We believe the ProLung Test, in conjunction with the discovery of a nodule by CT scan, provides a more rapid assessment of the risk of malignancy, which must be determined prior to biopsy. Since a lung biopsy is invasive and may require life threatening thoracic surgery, physicians, patients, and insurance companies typically delay biopsy and therapy until the risk of malignancy outweighs the risk of further diagnostic procedures. For these patients, the delay reduces the treatment opportunity window and may cause sustained emotional trauma.

We are an "emerging growth company" and a "smaller reporting company" under the federal securities laws and will be subject to reduced public company reporting requirements.

Results of Operations

The following discussion is included to describe our consolidated financial position and results of operations. The consolidated financial statements and notes thereto contain detailed information that should be referred to in conjunction with this discussion.

Revenues and Cost of Revenue. During the three months ended March 31, 2019 and March 31, 2018 we had no revenues or cost of revenues.

Operating Expenses. Total operating expense for the three months ended March 31, 2019 was $405,753 compared to the total operating expenses for the three months ended March 31, 2018 of $1,509,975, representing a decrease of $1104222. Operating expenses have been classified by management as either research and development or selling, general and administrative based on an assignment of certain expenses directly to these classifications or based on management's allocation of certain expenses between these classifications.

The overall decrease in operating expense is primarily due to us having a cash shortage and eliminating all unnecessary expenses. During the same period of 2018 we incurred significant costs related to fundraising, business development and administrative costs. Due to various resignations and reductions in force our amortization of stock based compensation was much higher in 2018 to 2019.

Research and Development Expense. Research and development expense for the three months ended March 31, 2019, was $197,151, compared to research and development expense of $425,845 for the three months ended March 31, 2018; representing a decrease of $228,694. This decrease was mostly due to our elimination of non-essential labor and other costs. Due to the decrease in employees we also experienced a decrease our amortization of stock-based compensation. We would expect our research and development costs to remain relatively constant for the remainder of 2019 unless we receive additional funding.

Selling, General and Administrative Expense. Selling, general and administrative expense for the three months ended March 31, 2019 was $208,602 compared to selling, general and administrative of $1,084,130 for the three months ended March 31, 2018; representing a decrease of $875,528. This significant decrease was due to allocating our limited cash resources to essential activities and eliminating all non-essential administrative activities. During the quarter ended March 31, 2018 we incurred significant travel, legal, professional and consulting expense related to investor relations, public relations, company awareness and indirect costs incurred as we concluded the public offering process. However, in February 2018, we elected to terminate our relationship with our underwriters and cancelled the offering.

Other Expense. Other expense for the three months ended March 31, 2019 was $732,387 as compared to $46,453 for the three months ended March 31, 2018 representing an increase of $685,934. This increase was primarily due to our loss on debt extinguishment. In January 2019, the holders of certain convertible debt were given the opportunity to extend the maturity date of their notes and receive a lower conversion rate. Since the adjustment was so significant we considered the notes extinguished and subsequently reissued. As a result, we recognized a $633,628 loss on the extinguishment. The convertible promissory notes issued outstanding will have accrued interest throughout 2019.

Liquidity and Capital Resources

The following is a summary of our key liquidity measures at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
Cash	$ 35,923	$ 249,286
Current assets	58,826	273,539
Current liabilities	(690,862)	(507,353)
Working (deficit) capital	$ (632,036)	$ (233,814)

We need additional capital to continue our operations. We issued $150,000 in convertible notes during the three months ended March 31, 2019. In order for us to continue operations we will need additional capital which will require us to issue equity securities, debt securities and rights to acquire equity securities. We have no existing commitment to provide capital, and given our early stage of development, we may be unable to raise sufficient capital when needed and, in any case, will likely be required to pay a high price for capital.

Our future capital requirements and adequacy of available funds will depend on many factors including:

Cash provided by (used in) operating, investing and financing activities

Cash provided by (used in) operating, investing and financing activities for the three months ended March 31, 2019 and 2018 is as follows:

	Year Ended March 31,			
	2019		2018	
Operating activities	$	(363,363)	$	(1,052,936)
Investing activities		-		-
Financing activities		150,000		2,517,850
Net increase (decrease) in cash	$	(213,363)	$	1,464,914

Operating Activities

For the three months ended March 31, 2019, the differences between our net loss and net cash used in operating activities were due to net non-cash charges totaling $694,513 for loss on debt extinguishment, stock-based compensation, amortization of debt discount and depreciation.

For the three months ended March 31, 2018, the differences between our net loss and net cash used in operating activities were due to net non-cash charges totaling $443,802 for stock-based compensation, amortization of debt discount and depreciation.

Investing Activities

During the three months ended March 31, 2019 and 2018, the Company had no activities classified as investing activities.

Financing Activities

During the three months ended March 31, 2019, cash flows from financing activities totaled $150,000. The cash flows were related to proceeds received from the issuance of convertible notes to current Board Members.

During the three months ended March 31, 2018, cash flows from financing activities totaled $2,517,850. The cash flows were related to proceeds received from the issuance of convertible notes net of loan costs paid.

Critical Accounting Policies and Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. We evaluate our estimates on an on-going basis. We base our estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances. However, future events may cause us to change our assumptions and estimates, which may require adjustment. Actual results could differ from these estimates. We have determined that for the periods reported in this Quarterly Annual Report on Form 10-Q the following accounting policies and estimates are critical in understanding our financial condition and results of operations.

Long-lived Assets – Long-lived assets, including property and equipment, and intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events occur, we compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. If this comparison indicates that there is an impairment, the amount of the impairment is calculated based on fair value.

Convertible Debt – The Company records a beneficial conversion feature ("BCF") related to the issuance of convertible debt that has conversion features at fixed or adjustable rates that are in-the-money when issued. The BCF for the convertible instruments is recognized as a discount equal to the intrinsic value of the conversion features, which is also recorded as an increase to additional paid-in capital.

Stock-based Compensation – The Company measures the cost of employee and consulting services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The awards issued are valued using a fair value-based measurement method. The resulting cost is recognized over the period during which an employee or consultant is required to provide services in exchange for the award, usually the vesting period.

Emerging Growth Company – We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements. In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Although we have not delayed the adoption of any accounting standards, we may choose to take advantage of the extended transition period for complying with new or revised accounting standards in the future.

Off Balance Sheet Arrangements

The Company has not had any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This item is not applicable to the Company because the Company is a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2019. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our interim chief executive officer concluded as of March 31, 2019 that our disclosure controls and procedures were not effective to ensure that the information required to be disclosed in the reports filed or submitted by us under the Exchange Act was recorded, processed, summarized and reported within the requisite time periods and that such information was accumulated and communicated to our interim chief executive officer, as appropriate to allow for timely decisions regarding required disclosure.

The Company did not maintain effective disclosure controls and procedures as defined by the framework issued by COSO. Specifically, the Company did not effectively segregate certain accounting duties due to the small size of the Company's accounting staff. In order to mitigate these material weaknesses regular meetings are held with the audit committee and the audit committee approves all audit functions. If at any time, we determine a new control can be implemented to mitigate these risks at a reasonable cost, it is implemented as soon as possible.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred in the three months ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On April 23, 2019, the Utah Division of Securities (the "Division") filed a Notice of Agency Action and an Order to Show Cause before the Division of Securities of the Department of Commerce of the State of Utah against the Company, Jared Bauer, Clark Campbell, Tim Treu, Todd Morgan and Robert Raybould (the "Respondents"). The Order to Show Cause makes numerous factual allegations against the Respondents, including but not limited to the following topics:

- The Company and Mr. Bauer violated the Utah Securities Act by making improper comments relating to ProLung's fundraising efforts.
- The Company and Mr. Bauer violated the Utah Securities Act by misrepresenting to investors the viability of ProLung's continuing operations considering the results of the PL-208 study.
- The Company and Mr. Bauer violated the Utah Securities Act by failing to disclose to investors the material consequences of the Division's investigation into ProLung.
- The Company between 2012 to 2014 violated the Utah Securities Act by improperly employing agents lacking required licensure in the securities industry in the State of Utah.
- Mr. Campbell, Mr. Treu, Mr. Morgan and Mr. Raybould between 2012 to 2014 violated the Utah Securities Act by receiving compensation in connection with fundraising efforts while lacking required licensure in the securities industry in the State of Utah.

The Division is seeking the following remedies:

- Respondents should be ordered to cease and desist from engaging in any further conduct in violation of the Utah Securities Act.
- Respondents should be barred from associating with any broker-dealer or investment adviser licensed in Utah.
- Respondents should be ordered to pay to the Division a fine, in an amount to be determined by the Utah Securities Commission after a hearing.
- Respondents should be ordered to pay restitution, disgorgement, and/or offer rescission directly to the investors, and other sanctions as determined by the Commission.

The Respondents dispute the factual allegations and determinations of the Division, believe that they have a good basis for contesting those allegations and determinations, and are preparing formal responses. These formal responses will be filed in accordance with the scheduling dictates of the administrative action, the records of which are publicly available at: https://securities.utah.gov/database/

ITEM 1A. RISK FACTORS

We are a smaller reporting company and, as a result, are not required to provide the information under this item.

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

The offer and sale of the Notes, and shares of common stock issuable upon conversion of the Note (the "Conversion Shares") have been effected in reliance upon the exemptions for sales of securities set forth in Rule 506(c) under the Securities Act, based upon the following: (a) we have confirmed in a manner consistent with the requirements of Rule 506(c) that each investor is an "accredited investor," as defined in Rule 501 promulgated under the Securities Act, (b) each investor has represented to us that the investor has such background, education and experience in financial and business matters as to be able to evaluate the merits and risks of an investment in the securities; (c) the investors have been provided with certain disclosure materials and all other information requested with respect to our company; (d) the investors have acknowledge that all Notes and Conversion Shares being purchased are "restricted securities" for purposes of the Securities Act, and agreed to transfer such securities only in a transaction registered under the Securities Act or exempt from registration under the Securities Act; (e) there are restrictions on transfer on the Notes, and any Conversion Shares are subject to restrictions and a legend, providing that the respective security can be transferred only if subsequently registered under the Securities Act or in a transaction exempt from registration under the Securities Act; and (f) a Form D has been filed with respect to the offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Third Amended and Restated Certificate of Incorporation, as amended by Certificate of Amendment dated October 10, 2017[(1)]
3.2	Amended and Restated By-Laws[(1)]
31.1	Certification Pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Amended*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101 INS	XBRL Instance Document*
101 SCH	XBRL Schema Document*
101 CAL	XBRL Calculation Linkbase Document*
101 LAB	XBRL Labels Linkbase Document*
101 PRE	XBRL Presentation Linkbase Document*
101 DEF	XBRL Definition Linkbase Document*

* Filed herewith
(1) Incorporated by reference from our Current Report on Form 8-K filed with the SEC on July 19, 2017.

SIGNATURES

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

	PROLUNG, Inc.
June 19, 2019	By: */s/ Jared Bauer*
Date	Jared Bauer,

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jared Bauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ProLung, 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(s) 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(s) 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.

Dated: June 19, 2019

/s/ Jared Bauer
Jared Bauer, Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of ProLung, Inc. (the "Company") for the quarter ended March 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Jared Bauer, Interim Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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: June 19, 2019

/s/ Jared Bauer
Jared Bauer
Interim Chief Executive Officer
(Principal Executive Officer and Financial Officer)