

SEVEN ARTS ENTERTAINMENT INC.

(now known as Wireless Connect Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014 and 2013

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Seven Arts Entertainment, Inc.
(Formerly Seven Arts Pictures, Plc)
Consolidated Balance Sheets

	June 30, 2014	June 30, 2013
ASSETS	(unaudited)	
Cash and cash equivalents	$ 2,804	$ 4,884
Accounts receivable, net of allowance for doubtful accounts of $0 and $40,000	—	110,042
Due from related parties	—	205,787
Fee income receivable from related parties, net of allowance for doubtful accounts of $0 and $1,190,000	—	2,055,000
Other receivables and prepayments	-	455,019
Total Current Assets	2,804	2,830,732
Film costs, net of accumulated amortization of $13,877,172 and $11,832,900	6,500	8,368,686
Music assets, net of amortization of $0 and $408,205	—	296,795
Building Improvements, net of amortization of $165,526 and $0	3,934,199	4,102,525
Property and equipment, net of accumulated depreciation of $119,940 and $111,232	1,836	7,458
TOTAL ASSETS	$ 3,945,339	$ 15,606,196
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	627,628	1,824,142
Accrued liabilities	1,164,554	2,486,514
Due to related parties	1,868,276	1,681,701
Participation and residuals	96,819	96,819
Convertible debt	3,870,053	4,073,901
Mortgage and construction loans	5,518,961	3,743,286
Film & production loans	7,405,352	7,814,412
Deferred income	771,900	954,265
Total Current Liabilities	21,323,543	22,675,040
TOTAL LIABILITIES	$ 21,323,543	$ 22,675,040
STOCKHOLDERS' EQUITY		
Convertible redeemable Series A preferred stock at $10 stated value, 125,125 and 125,125 authorized and outstanding	$ 1,251,250	$ 1,251,250
Convertible redeemable Series B preferred stock at $100 stated value, 200,000 authorized, 43,850 and 43,850 outstanding	5,525,458	5,525,458
Common stock; $0.01 par value; 249,000,000 authorized, 111,905,662 and 23,892 issued and outstanding	9,240,049	2,578,521
Additional paid in capital	16,559,077	22,072,882
Shares held as collateral	(455,246)	(455,246)
Accumulated deficit	(48,840,692)	(38,168,550)
Warrants to be distributed	480,371	480,371
Total Seven Arts Entertainment Inc. equity(deficit)	(16,239,733)	(6,715,314)
Non-controlling interest	(1,138,471)	(353,530)
Total Shareholders' equity(deficit)	(17,378,204)	(7,068,844)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,945,339	$ 15,606,196

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

Seven Arts Entertainment, Inc.
(Formerly Seven Arts Pictures, Plc)
Consolidated Statements of Operations
(Unaudited)

	For The Years Ended June 30, 2014	2013
Revenue:		
Film revenue	$ 412,187	$ 841,956
Music revenue	83,541	574,435
Post production revenue	69,067	106,417
Total revenue	564,795	1,522,808
Cost of Revenue:		
Amortization of film costs and music assets	3,564,292	2,452,477
Impairment of film costs and music assets	12,991	6,772,376
Other cost of revenue	33,509	359,313
Development Costs abandoned	5,251,555	2,837,545
Cost of revenue	8,862,347	12,421,711
Net Margin	(8,297,552)	(10,898,903)
Operating expenses:		
General and administrative expenses	1,459,994	3,706,774
Bad debt expense	238,879	3,582,919
Total operating expenses	1,698,873	7,289,693
Loss from operations	(9,996,425)	(18,188,596)
Other income and (expense):		
Other income	1,988,428	—
Interest expense	(4,517,336)	(4,227,472)
Realization of Tax Credits	1,068,250	-
Total non-operating expense	(1,460,658)	(4,227,472)
Loss before taxes	(11,457,083)	(22,416,068)
Provision for income tax	—	—
Net loss	(11,457,083)	(22,416,068)
Less: Net loss attributable to non-controlling interests	784,941	353,530
Net loss attributable to Seven Arts Entertainment, Inc.	$ (10,672,142)	$ (22,062,538)
Weighted average shares of common stock outstanding:		
Basic	3,387,041	453,057
Basic (loss) per share	$ (6.51)	$ (24.62)

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

Seven Arts Entertainment
(Formerly Seven Arts Pictures, Plc)
Statement of Stockholders' Equity
June 30, 2014

	Preferred Stock Class A		Preferred Stock Class B				Common Stock			Shares held as Collateral		Accumulated	Non-Controlling	
	Shares	Amount	Shares	Amount	Preferred Stock Class B In Escrow		Shares	Amount	Additional Pain in Capital	Amount	Warrants to be Distributed	Deficit	Interest	Total
Balance at June 30, 2012	125,125	1,251,250	181,850	$9,163,640	(120,000)	(3,163,636)	17	$17,399	$ 18,214,840	-	$ -	$(15,625,641)	$ -	$ 9,857,852
Common shares issued in connection with debt agreement	-	-	-	-	-	-	1	857	179,143	(180,000)	-	-	-	-
Common Stock Issued to CEO in connection with debt agreement	-	-	-	-	-	-	70	70,000	(70,000)	-	-	-	-	-
Sales of Common Stock for Cash	-	-	-	-	-	-	-	86	299,914	-	-	-	-	300,000
Stock warrant dividend declared	-	-	-	-	-	-	-	-	-	-	480,371	(480,371)	-	-
Preferred stock converted to Common Stock	-	-	(38,000)	(1,001,819)	-	-	35	34,545	967,274	-	-	-	-	-
Preferred stock cancelled in connection with settlements	-	-	(100,000)	(2,636,363)	100,000	2,636,363	-	-	-	-	-	-	-	-
Escrowed Series B PS released	-	-	-	-	20,000	527,273	-	-	-	-	-	-	-	527,273
Common Stock Issued upon conversion of convertible	-	-	-	-	-	-	20,962	2,122,541	1,371,369	-	-	-	-	3,493,910

debt														
Common Stock Issued for Services	-	-	-	-	-	-	2,645	170,947	997,242	-	-	-	-	1,168,189
Common Stock held as collateral for legal settlement	-	-	-	-	-	-	162	162,146	113,100	(275,246)	-	-	-	-
Net loss for the year ended June 30, 2013	-	-	-	-	-	-	-	-	-	-	-	(22,062,538)	(353,530)	(22,416,068)
Balance at June 30, 2013	125,125	1,251,250	43,850	5,525,458	-	-	23,892	2,578,521	22,072,882	(455,246)	480,371	(38,168,550)	(353,530)	(7,068,844)
Common Stock Issued upon conversion of convertible debt (Unaudited)	-	-	-	-	-	-	108,510,952	6,280,512	(5,622,843)	-	-	-	-	657,668
Common Stock Issued for Services (Unaudited)	-	-	-	-	-	-	520,817	322,817	(280,102)	-	-	-	-	42,715
Common Stock issued in connection with Vallardita settlement (Unaudited)	-	-	-	-	-	-	2,850,000	58,200	186,140	-	-	-	-	244,340
Series B PS modification (Unaudited)	-	-	-	-	-	-	-	-	203,000	-	-	-	-	203,000
Net loss for the year ended June 30, 2014 (Unaudited)	-	-	-	-	-	-	-	-	-	-	-	(10,672,142)	(784,941)	(11,457,083)
Balance at June 30, 2014 (Unaudited)	125,125	1,251,250	43,850	$5,525,458	$ -	$ -	111,905,662	9,240,049	$ 16,559,077	$(455,246)	$480,371	$(48,840,692)	$ (1,138,471)	$(17,378,204)

Seven Arts Entertainment Inc.
(Formerly Seven Arts Pictures, Plc.)
Consolidated Statements of Cash Flows
(Unaudited)

	For The Years Ended June 30,	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (11,457,083)	$ (22,416,067)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	5,623	8,679
Amortization of Film Costs and Music Assets	3,599,082	2,452,477
Impairment of Film Costs	12,991	2,054,171
Impairment of Music costs	—	4,718,205
Amortization of Leasehold improvements	165,434	164,811
Common Stock Issued for Services	39,359	1,288,974
Stock Option Expense	—	—
Bad debt	238,879	3,538,580
Development costs abandoned	5,230,437	3,196,858
Forgiveness of Debt and Interest	—	—
Decrease in Accounts Receivable	57,170	359
Decrease in Due from Related Parties	20,504	42,204
(Increase)Decrease in Other Receivables and Prepayments	48,172	(13,573)
(Increase)Decrease in Film Costs	200,935	(1,051,378)
Increase in Bank Overdraft	126	—
(Increase) in Music Assets	—	(606,770)
Increase (Decrease) in Accounts Payable	(1,163,662)	1,546,377
Increase(Decrease) in Accrued Liabilities	(1,462,603)	460.274
Increase in Due to Related Parties	388,852	(30,433)
Increase in Accrued Interest included in notes payable	3,867,225	4,043,129
Increase in Deferred Income	(182,365)	105,185
Increase (Decrease) in Provision for Earn Out	—	(50,000)
Net Cash Used in Operating Activities	(390,924)	(547,939)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Building Improvements	—	(466,066)
Net Cash Used in Investing Activities	—	(466,066)
Proceeds from Borrowings	251,750	1,838,163
Cash Payments on Debt	—	(1,239,931)
Issuance of Common Stock for Cash	137,094	300,000
Net Cash Provided by Financing Activities	388,844	898,232
NET DECREASE IN CASH	(2,080)	(115,774)
CASH AT BEGINNING OF PERIOD	4,884	120,658
CASH AT END OF PERIOD	$ 2,804	$ 4,884

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

Seven Arts Entertainment, Inc.
(Formerly Seven Arts Pictures, Plc.)
Notes to Consolidated Financial Statements
June 30, 2014 and 2013
(Unaudited)

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization

Seven Arts Entertainment, Inc., now known as Wireless Connect Inc. (herein referred to as "the Company", "Seven Arts", "SAE," or "We"), a Wyoming Corporation, is the continuation of certain business of Seven Arts Pictures Plc. ("PLC"), which was founded in 2002 as an independent motion picture production and distribution company engaged in the development, acquisition, financing, production, and licensing of theatrical motion pictures for exhibition in domestic (*i.e.*, the United States and Canada) and foreign theatrical markets, and for subsequent worldwide release in other forms of media, including home video and pay and free television. The Company currently owns interests in 14 completed motion pictures, subject in certain instances to the prior financial interests of other parties.

Seven Arts Music Inc. ("SAM") became a wholly owned subsidiary of the Company on February 23, 2012, although transaction costs had been incurred as early as September 2011. The first of the DMX albums acquired from David Michery was released on September 11, 2012. The first of the Bones Thugs-N-Harmony albums is fully delivered to the Company as of June 30, 2013 and scheduled for release in November, 2013. Several other new artists are being considered by SAM. The agreements under which SAM acquired its music assets were effective as of September 29, 2011 (Big Jake Music, "BJM") and December 19, 2011 (Michery Assets, "Michery") publicly announced and commenced business activities commenced on those dates, but definitive agreements were not executed, nor control gained, until February 23, 2012.

On June 30, 2012 Seven Arts Filmed Entertainment Louisiana LLC ("SAFELA") was transferred to the Company. SAFELA, which is now 60% owned by the Company, has a 30 year lease to operate a film production and post-production facility at 807 Esplanade in New Orleans, Louisiana. The post production facility commenced operations on July 1, 2012.

On June 11, 2010, SAE, was formed and became a wholly owned subsidiary of PLC. As of June 11, 2010, the Company entered into an Asset Transfer Agreement, as amended on January 27, 2011 and again on August 31, 2011, to transfer assets (as now reflected on our balance sheet) from PLC to SAE, in exchange for assumption by SAE of all booked indebtedness (now reflected on our balance sheet) and for one share of common stock of SAE for each ordinary share of PLC which have been distributed to shareholders. Additionally, 6 shares (2,000,000 shares as adjusted for the 1:100, 1:70 and 1:50 reverse stock splits discussed herein) of SAE were issued to PLC as additional consideration to PLC. This transfer was approved by the PLC shareholders at an Extraordinary General Meeting on June 11, 2010. The purpose of this transfer was to eliminate our status as a foreign private issuer and to assume compliance with all obligations of a domestic issuer under all applicable state and Federal securities laws.

On August 31, 2011, NASDAQ Capital Market ("NASDAQ") approved the substitution of one share of SAE, Inc. stock for the Company's NASDAQ listing, effective at the opening of trading on September 1, 2011. On that date, each of the Company's ordinary shares were exchanged for one share of common stock of SAE, and commenced trading on NASDAQ as the successor to the Company's NASDAQ listing. This transaction was approved by the Company's stockholders at the Company's Extraordinary General Meeting on June 11, 2010. On August 31, 2012, the Company announced a 1- for-70 reverse stock split, which was effective immediately. All share references herein have been adjusted to reflect this split.

On November 8, 2011, the Company's listing predecessor, PLC, was placed into involuntary creditors' liquidation under English law. Certain indebtedness of PLC remained with PLC and will be subject to administration or payment in those administration proceedings.

On January 1, 2012, Seven Arts Film Entertainment Limited ("SAFE") sold all of its film assets to SAE for assumption of indebtedness. SAFE ceased operations on May 31, 2013 on closing of its office in London, England. The Company was placed into involuntary liquidation of SAFE in England on October 9, 2013. The asset transfer agreement had no impact on the Company's consolidated financial statements.

In connection with the acquisition of the music assets of Michery, the Company issued 100,000 shares of our Series B convertible preferred stock, par value $100 convertible at approximately $1.10 per share to Michery and his assigns. 50,000 of these shares of the Company's Series B convertible preferred stock were placed in escrow.

During the quarter ended December 31, 2012, Mr. Michery converted and sold 38,000 of the 50,000 shares of Series B that he and his assigns hold. The Company and Mr. Michery have agreed the remaining 50,000 shares of Series B in escrow will be disposed of by release of 20,000 shares of the Series B convertible preferred stock to Mr. Michery in full satisfaction of any claims he may have against the Company and the balance of the 30,000 shares of Series B will be cancelled. The release of the 20,000 shares has been recognized as services in the accompanying financial statements. As of June 30, 2013, Mr. Michery or his assigns hold 32,000 shares of Series B convertible preferred stock.

In connection with the acquisition of the stock of BJM, the Company issued 80,000 shares of the Company's Series B convertible preferred stock, stated value $100 convertible at approximately $1.10 per share to Jake Shapiro and his assigns. 70,000 shares of our Series B convertible preferred stock were placed in escrow. The Company entered into a settlement agreement with Mr. Shapiro on February 27, 2013 and all shares of Series B preferred stock held in escrow for him and persons associated with him have been cancelled, with Mr. Shapiro and his assigns still holding 10,000 shares of Series B convertible preferred stock as of June 30, 2013. The name and the website of Big Jake Music were also reassigned to Mr. Shapiro as part of the settlement agreement.

Seven Arts Pictures Louisiana LLC, ("SAPLA"), entered into a Credit Agreement with Advantage Capital Community Development Fund LLC dated October 11, 2007, for the acquisition and improvement of the production and post-production facility located at 807 Esplanade Avenue in New Orleans, Louisiana ("807 Esplanade") for aggregate principal advances of up to $3,700,000. This agreement was guaranteed by the Company's predecessor. Approximately $3,700,000 plus interest has been drawn under the terms of this Credit Agreement, as of June 30, 2012. The Company has now assumed the liability for $1,000,000 of this amount plus a contingent sum of $750,000 (contingent on receipt of at least $5,000,000 in cash proceeds from the tax credits to be earned by SAPLA) due to an agreement with the now mortgagor Palm Finance Corp. ("Palm"). A construction loan of $1,850,000 previously guaranteed by the Company has now also been assumed by the Company, through SAFELA. On August 28, 2014, the Company satisfied the obligations to Palm as discussed below.

On February 13, 2014, May 2, 2013 and August 31, 2012, the Company affected one-for-one hundred, one-for-fifty and one-for-seventy reverse stock splits, respectively, collectively referred to as the Stock Splits. Unless otherwise noted, all impacted amounts included in the consolidated financial statements and notes thereto have been retroactively adjusted for the Stock Splits. Unless otherwise noted, impacted amounts include shares of common stock authorized and outstanding, share issuances and cancellations, shares underlying preferred stock, convertible notes, warrants and stock options, shares reserved conversion prices of convertible securities, exercise prices of warrants and options, and loss per share.

Trading of our common stock on NASDAQ was suspended at the opening of business on September 14, 2012, due to our not meeting the $1 minimum bid price stock listing requirement of NASDAQ for ten trading days prior to September 20, 2012, the expiration date on the Company's six-month extension to meet this listing requirement.

On September 14, 2012 our common stock commenced trading on the OTC Market Group Inc.'s OTCQB tier under our historical symbol "SAPX." On February 25, 2014, our common stock was transferred by the OTC Market Group Inc. to the OTCPink tier under the same symbol.

The Company has closed the acquisition of all capital stock of iPTerra Technologies Inc. and all membership interests in Aeronetworks LLC (the "Closing") from Sanwire Corporation pursuant to the Stock Purchase Agreement dated July 17, 2014 ("Stock Purchase Agreement") (Item 9.01.1) by issuance of 30,000 shares of its Series D Preferred Stock $100 par value, or $3,000,000 convertible at a price equal to 100% of the volume weighted average price of the Company's Common Stock for the ten (10) trading days prior to conversion.

iPTerra Technologies, Inc. is a designer, developer, manufacturer, and marketer of a real-time 2-way wireless and/or wireline communications, and mine-safety solution for the global mining industry. iPMine, iPTerra's flagship solution, allows mine operators to communicate (voice, text, and video), track, locate, identify, and monitor with every miner and piece of equipment in a mine, right from an office computer desktop, or from anywhere in the world with an internet connection. iPMine utilizes iPTerra`s 802.11-based zone access points (iPMine-ZAPs) to establish an in-mine wireless data network that functions as the nervous system linking a mine's operation control center, miners, and equipment. iPTerra`s mobile communication devices (iPMine-M8 devices), which are carried by miners or attached to equipment, broadcast their secure location information and other messages as they roam between various mining zones. This information is intercepted by iPMine-ZAPs and relayed back to the dispatch office/operations control centre where it's displayed on monitoring and viewing station configured with iPTerra`s iPMine-VU enterprise software.

Aeronetworks provides wireless and wireline communications and broadband services to digital media, entertainment and sports venues, and underserved markets such as rural communities and Native American

tribes. Aeronetworks is a quad play service provider, which includes Internet access, voice over IP (VoIP), IPTV, and 4G/LTE communication services.

The Closing occurred on August 22, 2014 but was subject to a condition subsequent as set forth in the Stock Purchase Agreement, requiring the execution of a Loan Workout Agreement between inter alia Palm Finance Corp. ("Palm") and the Company, which was not executed until August 29, 2014.

At the Closing, all members of the Board of Directors of the Company except Anthony Hickox have resigned and Mr. Richard Bjorklund ("Chairman") and Mr. Robert Riggs were appointed to the Board. Mr. Riggs resigned effective November 7, 2014 and was replaced by Bradley Holmes. Mr. Bjorklund's and Mr. Holmes' experience and history are as follows:

Richard Bjorklund. Mr. Bjorklund is current Managing Partner of Aeronetworks LLC and iPTerra Technologies and has held this position since July 1, 2008. From July 2006 to July 2008, Mr. Bjorklund was President and CEO of the Tulsa County Public Facilities Authority. Mr. Bjorklund has represented clients such as Western Oil Partners LLC, Service King Manufacturing, Inc., Walt Disney Imagineering, as well as numerous Olympic and national sporting associations, including the NFL and NBA. Mr. Bjorklund's education includes Arizona State University, Bachelor of Science Degree; US Air Force Academy, Commandant's Commendation.

Bradley Holmes. Mr. Holmes is an entertainment industry finance and management consultant and founder of the Outsource Media Group. He formed OMG in 1996 to create opportunities for private banks and equity investment funds to participate safely and fairly in A-list Studio feature films, where he focuses on strategic planning and financing with heavy emphasis on international and financial structuring (private, on- and off-balance sheet, and high volume output agreements in film). Mr. Holmes received a Bachelor of Arts degree in Business with emphasis in Marketing & Communication, from Arizona State University in 1990.

Pursuant to the closing, Ms. Katrin Hoffman resigned as acting Chief Executive Officer and Mr. Richard Bjorklund was appointed as President and Chief Executive Officer of the Company. Ms. Candace Wernick resigned as Chief Financial Officer and Mr. Robert LaSalle was appointed as Chief Financial Officer. Mr. LaSalle resigned on October 21, 2014. The Company has appointed Rachel Boulds as Chief Financial Officer effective December 1, 2014

Pursuant to the Loan Workout Agreement, Palm relieved the Company of all indebtedness to it. The Company and certain companies controlled by Susan Hoffman, Peter Hoffman's wife, transferred to Palm all their interests in the real property located at 807 Esplanade Avenue in New Orleans, and all United States and Louisiana historic rehabilitation tax credits and Louisiana film infrastructure tax credits associated with that property. The Company waived any further claims for service fees or interest related to such tax credits. The Company also transferred all its interests in any and all completed motion picture and motion picture projects in development to Palm, subject to the grant of all distribution rights of Seven Arts Filmed Entertainment Louisiana LLC ("SAFELA"), a subsidiary of the Company, pursuant to a Multi-Picture Distribution Agreement between the Company and SAFELA dated October 1, 2013 (Item 9.01.5), amended to require that 60% of SAFELA's gross revenue from 13 motion pictures (Distribution Pictures") be payable to Palm on a monthly basis. Default by SAFELA in such payments will result in a termination of its distribution rights. Palm has permitted SAFELA to continue to develop one motion picture property for production. The Distribution Pictures are the only motion pictures in which SAFELA or the Company has any continuing interest and are described on Item 9.01.6. SAFELA may seek to acquire distribution rights in other motion pictures in the future if it has funds to do so, but has not acquired any such rights or the last twelve months. SAFELA will seek to produce television series and other programming, but has not produced any such programming.

The Company has changed its name to "Wireless Connect Inc." to reflect its expanded business plan, and has reincorporated in the state of Wyoming effective October 15, 2014.

As part of the Stock Purchase Agreement, Mr. Peter Hoffman and Ms. Katrin Hoffman relieved the Company of its obligation to (a) Mr. Hoffman for sums due to him under his employment agreement or advances to the Company prior to January 1, 2014 ($1,900,000) and (b) to Ms. Hoffman for sums due to her under her employment contract through June 30, 2014 ($172,890) in return for Convertible Notes (Items 9.01.11 and .12) obligating SAFELA to make such payment but permitting Mr. or Ms. Hoffman to convert such indebtedness into the Company's Common Stock at a price equal to the trading value on the date of conversion. Mr. Hoffman assigned 50% of his Convertible Note to Palm as part of the Loan Workout Agreement. The Company remains liable to Mr. Hoffman for his legal services since January 1, 2014 as general counsel to the Company ($300,000 through June 30, 2014) and SAFELA remains liable on Ms. Hoffman's continuing employment agreement as President and Chief Operating Officer of SAFELA.

Capital Structure

The Company's authorized capital was 500,000,000 shares of capital stock until October 15, 2014 when the Company reincorporated in the state of Wyoming and amended its Articles to allow an unlimited number of shares of capital stock. The Company has authorized the following classes of stock:

- 2,000,000,000 of common stock, $.0001 par value per share. As of June 30, 2014, there were 111,905,500 shares of common stock outstanding. Each outstanding share of common stock entitles the holder thereof to one vote per share on matters submitted to a vote of stockholders.
- 125,125 shares of Series A Preferred Stock with a $10.00 stated value per share (Palm Finance Corp.). All of such authorized shares of Series A Preferred Stock were issued to one stockholder in November 2011. That stockholder assigned 36,625 shares to Susan Hoffman, leaving it with 88,500 shares.
- 200,000 shares Series B Preferred Stock with a $100.00 stated value per share. As of June 30, 2014, there are 43,850 shares of Series B Preferred Stock outstanding but all have been cancelled pursuant to the terms of the agreement with Mr. Michery at the time of issuance. The per share conversion price for the Series B Preferred Stock is $1.10 per share.
- 7,500 shares of Series C Preferred Stock with a $100.00 stated value per share. No shares of Series C Preferred Stock are outstanding.
- 30,000 shares of Series D Preferred Stock with a $100.00 stated value per share. 30,000 shares of Series D Preferred Stock are now outstanding.

SAE became a United States issuer and commenced regular quarterly reporting from the first quarter ended September 30, 2011.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Seven Arts Entertainment, Inc. ("SAE"), and its subsidiaries:

Seven Arts Filmed Entertainment, Limited ("SAFE, Ltd.") (100% owned)
Seven Arts Music, Inc. ("SAM") (100% owned) and
Seven Arts Filmed Entertainment Louisiana LLC ("SAFELA") (As of June 30, 2012) (60% owned by SAE, 40% owned by Palm Finance Corp.)

The Company consolidates its subsidiaries in accordance with Accounting Standards Codification ("ASC") 810, "*Business Combinations*", and specifically ASC 810-10-15-8 which states, "The usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule, ownership by one reporting entity, directly or indirectly, or over 50% of the outstanding voting shares of another entity is a condition pointing toward consolidation." The Company does not have any variable interest or special purpose entities. The Company presents Palm Finance's 40% share of SAFELA's profit or loss as a non-controlling interest.

The Company prepares its financial statements on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles of the United States of America ("US GAAP"). All material intercompany balances and transactions are eliminated. Management believes that all adjustments necessary for a fair presentation of the results of the years ended June 30, 2032 and 2012 have been made.

Going Concern

The accompanying consolidated financial statements are prepared under a going concern basis in accordance with US generally accepted accounting principles ("GAAP") which contemplates the realization of assets and discharge of liabilities and commitments in the normal course of business. For the year ended June 30, 2014, the Company recorded a loss from operations of $9,996,425 and utilized cash in operations of $390,798. As of June 30, 2014, the Company had a working capital deficit of approximately $21,321,000.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to return to profitability or to develop additional sources of financing or capital. The Company's financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Historically, the Company's main source of cash was through the exploitation of its films, sales of equity and debt financing. However, the Company has not released or distributed a new film since July 2012. The Company's next film, Schism, is expected to be released in March, 2014, and the Company also intends to release the next DMX album in early 2014 and the Thugs Bones N Harmony album in December 2013. Additionally, management has begun to implement cost reductions including reducing the size of its staff and size of its UK office and expects to be able to continue to obtain additional financing. No assurance can be given that the financing will be available or, if available, that it will be on terms that are satisfactory to the Company.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant estimates made by management in the preparation of the financial statements relate to ultimate revenue and costs of its films which are used in the amortization and impairment of film costs, estimates for allowances and income taxes. Accordingly, actual results could differ from those estimates.

Emerging Growth Company Critical Accounting Policy Disclosure

The JOBS Act contains provisions that relax certain requirements for "emerging growth companies" for which we qualify. For as long as we are an emerging growth company, which may be for up to five years after the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act., unlike other public companies, we will not be required to: (i) comply with any new or revised financial accounting standards applicable to public companies until such standards are also applicable to private companies under Section 102 (b)(1) of the JOBS Act; (ii) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act; (iii) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; or (iv) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies. We currently intend to take advantage of such extended transition period. Since we are not required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with public company effective dates.

Significant Accounting Policies

The Company's management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense. It is also necessary for management to determine measure and allocate resources and obligations within the financial process according to those principles. The accounting policies used conform to generally accepted accounting principles which have been consistently applied in the preparation of these financial statements.

Revenue Recognition

FILMS

The Company recognizes revenue from the sale (minimum guarantee or non-refundable advances) or licensing arrangement (royalty agreements) of a film in accordance with ASC 605-15 "*Revenue Recognition.*" Revenue will be recognized only when all of the following criteria have been met:

a) Persuasive evidence of a sale or licensing arrangement with a customer exists.
b) The film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery (i.e. the "notice of delivery" ("NOD") has been sent and there is a master negative available for the customer).
c) The license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale.
d) The arrangement fee is fixed or determinable.

e) Collection of the arrangement fee is reasonably assured.

A written agreement with clients (purchase order, letter, contract, etc.), indicating the film name, territory and period is required for the recognition of revenue. Revenue is recognized when the performance criteria in the contracts have been met. The customer generally confirms agreement by their signature on the contract.

Minimum guarantee revenue (i.e., non-refundable advances) is recognized as and when the film is available for delivery to the respective territories. Cash deposits received on the signing of the contracts are recorded as deferred revenue until the film is available for delivery (as described above) at which point the deferred revenue is recognized as revenue. The Company does not recognize any revenues relating to minimum guarantee on any motion picture or related amortization expense on that picture until United States theatrical release if it has agreed with the licensees that delivery or payment of minimum guarantee will be delayed for any material period of time to permit such a theatrical release.

Royalty revenue, which equates to an agreed share of gross receipts of films, is recognized as income as and when the Company is notified of the amounts by the customers through their royalty reports. Revenue is recorded net of any sales or value added taxes charged to customers.

MUSIC

Revenue, which equates to an agreed share of gross receipts, is recognized as income when the Company is notified of the amounts by the distribution agent through their distribution reports. Revenue is recorded:

a) net of any sales or value added taxes charged to customers
b) net of discounts agreed with customers
c) net of returns provision agreed with the distributor and
d) grossed up for the distribution fee charged by the distribution agent.

Revenue from digital distribution will be reported by the various digital platforms such as iTunes in their periodic reports and posted as received.

FILM TAX CREDITS

Many countries make tax credits available to encourage film production in the territory. Seven Arts benefits from tax credits in:

a) The UK and several other European territories for their European productions
b) Canada for their Canadian productions
c) Louisiana for their US productions
d) Tax preferred financing deals

These tax credits may be treated as a reduction in the capitalized costs of the film assets they are financing or as producer fees to us if the tax credits are earned and owned by a company in the

Group and paid to us as overhead or producer fees.

Fee Income Receivable from Related Party

Revenue in the form of fee income is due to the Company from a related party, SAPLA (owned by the wife of Peter Hoffman, the Company's former CEO) for developer, advisory and financial services provided by the Company as concerns infrastructure and historic rehabilitation tax credits earned by SAPLA. In accordance with an intercompany agreement between SAE and SAPLA, the cash proceeds from the disposition of the tax credits earned by SAPLA are due to SAE. The Company has recognized the fair value of the services as revenue with any excess received as a capital contribution by the related party.

Foreign Currency Transactions and Comprehensive Income

The Company's functional currency, as well as that of all the Company's subsidiaries, is the US Dollar. The functional currency of the Company's predecessor was the Pound Sterling ("GPB"), and some transactions which are generated in the United Kingdom are denominated in GBP.

Assets and liabilities generated in a currency other than the functional currency are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average rates in effect for the periods presented. The cumulative translation adjustment is included in the accumulated other comprehensive gain (loss) within shareholders' equity. Foreign currency

transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the consolidated results of operations. The Company no longer has any operations generated in a currency other than the functional currency and therefore there is no resulting other comprehensive income/loss.

The Company records transaction gains and losses in the consolidated statements of operations related to the recurring measurement and settlement of such transactions.

To date, the Company has not hedged any transactional currency exposure but will keep such exposures under review and where appropriate may enter into such transactions in future.

Income Taxes

The Company has adopted ASC 740-10 "*Income Taxes*", which requires the use of the liability method in the computation of income tax expense and the current and deferred income taxes payable.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in banks with original maturities of three months or less and are stated at cost which approximates market value, which in the opinion of management, are subject to an insignificant risk of loss in value. The cash and cash equivalents of the Company consisted of cash balances held on deposit with banks, including various accounts denominated in US Dollars, Pounds Sterling and Euros.

Accounts Receivable

Accounts Receivables are carried at their face amount, less an allowance for doubtful accounts. On a periodic basis, the Company evaluates accounts receivable and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances and credit conditions, and on a history of write offs and collections. The Company's policy is generally not to charge interest on trade receivables after the invoice becomes past due. A receivable is considered past due if payments have not been received within agreed upon invoice terms. Write offs are recorded at a time when a customer receivable is deemed uncollectible. The Company's allowance for doubtful accounts was $0 and $131,062 at June 30, 2014 and June 30, 2013, respectively. Substantially all of the trade receivables in the consolidated financial statements are pledged as security for borrowings by the Company.

Due To/Due From Related Parties

In September 2004, the Company's predecessor entered into an agreement with SAP under which SAP provided the services of Mr. Peter Hoffman for the amount of his contracted salary and the Los Angeles office and staff of SAP Inc. to the Company's predecessor at cost. Pursuant to two inter Company agreements, SAP also from time-to-time owned limited liability companies in the United States which distributed the Company's motion pictures for a fee, with all profits ensuing to the benefit of the Company. These companies also provided other services to the Company at no fee other than Mr. Hoffman's salary and the direct third-party costs of SAP's Los Angeles office, all of which were reflected in the Company's financial statements. Portions of Mr. Hoffman's salary have not been paid to him and have been reflected as Due To Related Party. As of June 30, 2014 and 2013, $1,868,276 and $1,665,762, respectively, was owed to Mr. Hoffman for unpaid salary and unreimbursed expenses, as well as repayment of cash he advanced the Company or its predecessors.

These other services may include accounting services, audits of distribution statements, collection of accounts receivable, supervision of production of motion pictures and similar day-to-day aspects of the Company's business. SAP assigned to the Company any proceeds arising from services performed by SAP on its behalf. SAP was granted the power and authority to enter into agreements on the Company's behalf. These agreements were terminated from December 31, 2011.

SAP directly or through related various Louisiana limited liability companies have, from time-to-time, made non-interest bearing advances to the Company or its subsidiaries or have received advances back from the Company, and have paid expenses on each other's behalf.

Other Receivables and Prepayments

The Company has entered into contracts for investor relations and consulting services to assist in future fundraising activities. A portion of these services were prepaid with shares of common stock that vested immediately and were amortized over the period the services are to be provided. The Company also has prepaid some legal costs, which will be released when services

are performed, or related transaction is completed. As of June 30, 2013 substantially all of the balance represents prepaid legal fees.

Film Costs

Film costs include the unamortized costs of completed films which have been produced by the Company or for which the Company has acquired distribution rights, libraries acquired as part of acquisitions of companies and films in progress and in development. For films produced by the Company, capitalized costs include all direct production and financing costs, capitalized interest and production overhead.

Costs of acquiring and producing films are amortized using the individual-film-forecast method, whereby these costs are amortized and participations and residuals costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the films. The majority of a film's costs (approximately 80% or more) are generally amortized within three years of the picture's initial release.

Ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release. Film costs are stated at the lower of amortized cost or estimated fair value. Individual film costs are reviewed on a title-by-title basis, when an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost. The fair value of the film is determined using management's future revenue and cost estimates and a discounted cash flow approach. Impairment is recorded in the amount by which the unamortized costs exceed the estimated fair value of the film. Estimates of future revenue involve measurement uncertainty, and therefore it is possible that reductions in the carrying value of investment in films may be required as a consequence of changes in management's future revenue estimates.

Films are included in the general "library" category when initial release dates are at least three years prior to the acquisition date.

Films in progress include the accumulated costs of productions which have not yet been completed. Films in development include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalized and, upon commencement of production, are transferred to production costs. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned.

All Exploitation Costs (comprising of direct costs, including marketing, advertising, publicity, promotion, and other distribution expenses) incurred in connection with the distribution of a film) are expensed as incurred in accordance with ASC 720- 926-25-3.

The Company begins to accrue participation costs after a film is released when it is probable that such costs will become payable. Participation costs are accrued using the individual-film-forecast method, which accrues participation costs in the same ratio that current period actual revenue bears to the estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year.

Music Assets

The initial material assets that were acquired comprise 52 completed sound recordings including two completed albums with "DMX", up to two additional albums from "DMX" and up to five albums from "Bone Thugs-N-Harmony".

Music assets include the unamortized costs of completed albums, singles and videos which have been produced by the Company or for which the Company has acquired distribution rights, libraries acquired as part of acquisitions and albums in progress and in development. For albums produced by the Company, capitalized costs include all direct production and financing costs, capitalized interest and production overhead.

Costs of acquiring and producing music assets will be amortized using the individual-album-forecast method, whereby these costs are amortized in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation or sale of the music.

Building Improvements

On June 30, 2012, the Company acquired SAFELA, which was previously a related party company. SAFELA has a 30 year lease on 807 Esplanade, New Orleans, Louisiana, which was constructed as a production and post-production facility. The Company has since assumed the liability for $1,000,000 of these loans plus a contingent sum of $750,000 (contingent on receipt

of the tax credit revenue of at least $5,000,000 in cash proceeds from the tax credits to be earned by SAPLA) due to an agreement with the now mortgagor Palm Finance. Additionally, a construction loan of $1,850,000 previously guaranteed by the Company has now been assumed by the Company for the property at 807 Esplanade. The Company did not receive any consideration or benefit when they assumed the mortgage and construction loans, and have looked to the authoritative guidance on guarantees as an analogy. As the guidance on financial guarantees does not address which account would be set up as an offsetting entry when the liability is recognized at the inception of the guarantee, the Company has determined to call this asset balance created upon assumption of the debt "Building Improvements related to indebtedness" The Building Improvements will be amortized in a manner similar to leasehold improvements, over the life of the lease (30 years). The post production facility commenced operations on July 1, 2012.

Property & Equipment

Equipment is carried at the cost of acquisition or construction and depreciated over the estimated useful lives of the assets. Costs associated with repair and maintenance are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are reflected in operations. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, which are 3 to 5 years.

Impairment of Long Lived Assets

The Company evaluates, on a periodic basis, long-lived assets to be held and used for impairment in accordance with the reporting requirements of ASC 360-10, "*Accounting for the Impairment or Disposal of Long-Lived Assets*". The evaluation is based on certain impairment indicators, such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If these impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, then an estimate of the discounted value of expected future operating cash flows is used to determine whether the asset is recoverable and the amount of any impairment is measured as the difference between the carrying amount of the asset and its estimated fair value. The fair value is estimated using valuation techniques such as market prices for similar assets or discounted future operating cash flows.

Deferred Income

Any income received from customers before a film is delivered for release, (such as deposits on distribution contracts) is recorded as a liability called deferred income in case the film does not reach completion and the income has to be returned to customers.

Provision for earn-out for David Michery/Big Jake Music

The Company's Asset Purchase Agreement with David Michery provided for 50,000 of the Company's $100 stated, Convertible Redeemable Series B Preferred Shares, be held in Escrow until the Net EBIT (as defined in the agreement) from distribution of the DMX Albums and two albums embodying the performance of Bone Thugs-n-Harmony exceeds $5,000,000, as confirmed by the Company's independent auditor. At the end of five years, should the Net EBIT be less than $5,000,000, the shares will be released on a fractional basis, as defined in the agreement. As of the year ended June 30, 2012 the Company has determined the estimated fair value of the earnout to be $0. The PS held in escrow were released or cancelled as of a settlement agreement with Mr. Michery in February 2013, described previously.

In connection with the acquisition of the stock of BJM, the Company issued 10,000 shares of the Company's Series B convertible preferred stock, par value $100 convertible at approximately $1.10 per share) to Jake Shapiro and his assigns and agreed to issue an additional 70,000 shares of Series B convertible preferred stock to Shapiro and his assigns if certain specific terms were met; 40,000 shares were subject to proving valuation and usage of certain advertising credits and 30,000 shares were subject to an earnout over a two year period. The 70,000 shares were held in escrow, until their cancellation in relation to a settlement with BJM, in February 2013, described previously.

As of June 30, 2012, the Company had determined the fair value of the earnout with regard until the proving of the media credits to be $50,000, which the Board believed was the value of an equivalent public relations campaign. Mr. Shapiro did have the right to seek an independent valuation. As the shares held in escrow against the valuation of the media credits were cancelled, as part of the settlement (Note 1) the earn-out has been derecognized on the accompanying financial statements.

Asset Transfer Agreement

On June 11, 2010, Seven Arts Entertainment, Inc. ("SAE"), a Nevada Corporation, was formed and became a wholly owned subsidiary of Seven Arts Pictures Plc. As of June 11, 2010, the Company entered into an Asset Transfer Agreement, This was approved by the PLC shareholders at an Extraordinary General Meeting on that date, and was subsequently amended on January 27, 2011 and again on August 31, 2011, to transfer all of the assets with a cost basis from PLC to SAE, in exchange for assumption by SAE of certain indebtedness and for one share of common stock of SAE for each ordinary share of PLC which have been distributed to shareholders. Additionally, 28,571 shares of SAE were issued to PLC in order to satisfy any remaining obligations. The purpose of this transfer was to eliminate our status as a foreign private issuer and to assume compliance with all obligations of a domestic issuer under all applicable state and Federal securities laws. The Company's intention in executing this transaction was to redomicile our business with no change in the economic interests of the Company's shareholders. As the majority of the Company's shareholders were domestic we felt they would be better served by the Company as a domestic issuer.

The assets and certain of the liabilities of SAP Plc. were transferred at net book value. All related party balances of PLC were left in the original company as were the shares in SAFE (UK) Ltd and Cinematic Finance Ltd. All disputed debts were left with the PLC. The "consideration paid for the asset transfer was a one for one share exchange of PLC shares for shares of SAE Inc. and an issuance of a further 2,000,000 (pre-split) (28,571 post-split) shares in SAE Inc. The issuance of the 2,000,000 shares was booked at the closing market price on August 31 2011, which was $0.66/ share. The Board approved the issuance of the 2 million shares (pre-reverse split) to satisfy any remaining obligations in PLC, which approximated the amount of the liabilities left behind at the time of the issuance.

Although the transfer agreement amendment was executed on January 27, 2011, the PLC remained the parent company through August 31, 2011. until all procedures and approvals were in place with NASDAQ, DWAC and the transfer agent to finalize the one share of common stock of SAE for each ordinary share of PLC to be distributed to shareholders and trading of SAE to take over from PLC The fair value of the 2,000,000 shares was determined at the closing market price on August 31 2011, which was $0.66/share.

Earnings Per Share

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share include the effects of any outstanding options, warrants and other potentially dilutive securities. For the periods presented, there were no potentially dilutive securities outstanding, therefore basic earnings per share equals diluted earnings per share. Basic and diluted earnings per share ("EPS") are based on weighted-average common shares and exclude shares that would have an anti-dilutive effect. In accordance with ASC 260-10-45-19, the Company did not consider any potential common shares in the computation of diluted EPS as of June 30, 2014 and 2013, due to the loss from continuing operations, as they would have an anti-dilutive effect on EPS.

Share Based Payments

The Company accounts for share based payments using a fair value based method whereby compensation cost is measured at the grant date based on the value of the services received and is recognized over the service period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued. In calculating this fair value, there are certain assumptions used such as the expected life of the option, risk-free interest rate, dividend yield, volatility and forfeiture rate. The use of a different estimate for any one of these components could have a material impact on the amount of calculated compensation expense.

Segment Reporting

The Company has three operating segments based on its major lines of businesses: a motion picture producer and distributor, music label, and post-production facility. Each operating segment derives its revenues from the sale of products or services, respectively and each is the responsibility of a group of senior management of the Company who has knowledge of product and service specific operational risks and opportunities. The Company's chief operating decision maker reviews and evaluates separate sets of financial information for decisions regarding resources allocation and performance assessments.

Fair Value Measurements

ASC Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general,

fair value of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Corporation's credit worthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time.

Derivative Instruments

The Company's policy is to not use derivative or hedging financial instruments for trading or speculative purposes, except certain embedded derivatives derived from certain conversion features or reset provisions attached to the convertible debentures, as described in Note 9.

Reclassification

Certain prior year balances were reclassified to conform to current year presentation.

Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued, that might have a material impact on its financial position or results of operations.

NOTE 2 - SEGMENT INFORMATION

In accordance with ASC 280 "*Segment Reporting*", operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. Our chief decision maker, as defined under the FASB's guidance, is a combination of the Chief Executive Officer and the Chief Financial Officer.

In the quarter ended March 31, 2012, the Company formed a new subsidiary, Seven Arts Music, and acquired music assets from David Michery and purchased the stock of Big Jake Music. This was a new line of business for the Company, and therefore, for the year ended June 30, 2012, the Company had two reportable operating segments.

The pre and post production facility run by the Company's majority owned subsidiary, SAFLA, commenced operations in July 2012, and therefore for the year ended June 30, 2013 the Company has three reportable segments.

The tables below present the financial information for the reportable segments for the years ended June 30, 2014 and 2013:

	Year ended June 30, 2014			
	Film	**Music**	**Production facility**	**Total**
Revenue	$ 412,187	$ 83,541	$ 69,067	$ 564,795
Cost of Revenue	(8,572,133)	(276,170)	(14,044)	(8,862,347)
Gross profit/(loss)	(8,159,946)	(192,629)	55,023	(8,297,552)
Operating expenses	(1,247,624)	(14,513)	(227,059)	(1,489,196)
Loss from operations	$ (9,407,570)	$ (207,142)	$ (172,036)	$ (9,786,748)

	Year ended June 30, 2013			
	Film	Music	Production facility	Total
Revenue	$ 841,956	$ 574,434	$ 106,417	$ 1,522,807
Cost of Revenue	(7,004,141)	(5,395,410)	(22,160)	(12,421,711)
Gross profit/(loss)	(6,162,185)	(4,820,975)	84,257	(10,898,903)
Operating expenses	(6,447,117)	(480,620)	(361,955)	(7,860,492)
Loss from operations	$ (12,609,302)	$ (5,301,595)	$ (277,698)	$ (18,188,596)

Assets	June 30, 2014	June 30, 2013
Film assets	$ 6,500	$ 8,368,686
Music assets	$ -	$ 296,795
Post - production assets	$ 3,943,199	$ 4,102,525

NOTE 3 – RELATED PARTY DUE TO/DUE FROM

Related Party Due/From at June 30, 2014 consisted of:

	SAE, Inc.	SAFE	SAFELA	Consolidated Balance
Due from:				
SAMT	13,000	-	-	13,000
SAPLA	173,006	-	-	173,006
Peter Hoffman	-	-	19,781	19,781
Total	186,006	-	19,791	205,787
Peter Hoffman	(1,272,112)	(393,650)	-	(1,665,762)
SAFE (UK)	(2,383)	(13,556)	-	(15,939)
	$ (1,274,495)	$ (407,206)	$ -	$ (1,603,367)

Related Party Due/From at June 30, 2013 consisted of:

	SAE, Inc.	SAFE	SAFELA	Consolidated Balance
Due from:				
SAMT	13,000	-	-	13,000
SAPLA	173,006	-	-	173,006
Peter Hoffman	-	-	19,781	19,781
Total	186,006	-	19,791	205,787
Peter Hoffman	(1,272,112)	(393,650)	-	(1,665,762)
SAFE (UK)	(2,383)	(13,556)	-	(15,939)
	$ (1,274,495)	$ (407,206)	$ -	$ (1,603,367)

SAP, Inc. has pledged an interest in its shares of the Company's stock to secure certain indebtedness for which SAP, Inc. and the Company are jointly liable such as the Apollo and Armadillo debts. The stock of SAP, Inc. (previously owned by Peter Hoffman) was transferred to the listing predecessor of SAE on September 1, 2011.

SAP Inc. and Louisiana Companies

The Company's former Chief Executive Officer, Peter Hoffman, controls several companies, including (prior to September 10, 2011) Seven Arts Pictures, Inc. ("SAP, Inc.") that are not part of the Company but from which it obtained or transferred distribution rights or other assets related to the business and which control production of the motion pictures. The agreements with Mr. Hoffman, and the companies controlled by him, provide that all revenues related to the Company's business payable to Mr. Hoffman or any of these related party companies is due to the Company, except Mr. Hoffman's salary, bonus and stock ownership. None of these affiliates are variable interest or special purpose entities.

Prior to January 1, 2012, pursuant to a related party agreement, SAP, Inc. held ownership of limited liability corporations in the United States, with all distribution rights and profits thereof being due to SAFE, Ltd. In addition, they have also provided other services for Seven Arts Pictures Plc. and SAFE, Ltd. and SAE, Inc. at no fee other than Mr. Hoffman's salary and the direct third party costs of the Los Angeles office, all of which are reflected in the financial statements of SAFE, Ltd. These other services include any reasonable requests of the management of the Company including accounting services, audits of distribution statements, collection of accounts receivable, supervision of production of motion pictures and similar day-to-day aspects of the Company's business. Effective January 1, 2012, no further such transactions were conducted.

As of June 30, 2013, the amount due from the related party, SAP, Inc., was determined to be uncollectible due to SAP, Inc. having been transferred to PLC, which is in liquidation proceedings. Therefore, $1,868,547 was included in Bad Debt expense in the accompanying financial statements.

Peter Hoffman

In September 2004, the Company's predecessor entered into an agreement with SAP under which SAP provided the services of Mr. Peter Hoffman for the amount of his contracted salary and the Los Angeles office and staff of SAP Inc. to the Company's predecessor at cost. Pursuant to two inter Company agreements, SAP also from time-to-time owned limited liability companies in the United States which distributed the Company's motion pictures for a fee, with all profits ensuing to the benefit of the Company. These companies also provided other services to the Company at no fee other than Mr. Hoffman's salary and the direct third-party costs of SAP's Los Angeles office, all of which were reflected in the Company's financial statements. Portions of Mr. Hoffman's salary have not been paid to him and have been reflected as Due To Related Party.

During the year ended June 30, 2013, 7,143 (25,000,000 pre-split) and 140,000 (7,000,000 pre-split) shares were issued in exchange for $914,786, and $1,190,000, respectively, of the Due to related party balance. The 7,143 shares have been pledged to JMJ Financial in connection with a $500,000 convertible debenture, as collateral against repayment of the note. The 140,000 shares have been pledged to Tonaquint Inc., in connection with a total of $590,000 in convertible debentures, under the terms of an amendment dated October 5, 2012, as collateral against repayment of the note. (Note 9) In the event of a default on either of the notes the holder may transfer and sell the pledged shares and apply the proceeds against the outstanding amounts on the notes. Per agreements between the Company and Mr. Hoffman in respect to the pledged shares, if the pledged shares are sold and applied to the note balance, or if the shares are not utilized by the pledges and returned to the Company, Mr. Hoffman's Due to related party balance as of the date of the agreements, will be reinstated. Due to the future obligation to in substance repurchase the shares and reinstate the Due to related party balance, the shares have been treated as if issued for no consideration, and a liability for $2,104,786 was recognized included in the Due to related party balance for the obligation to reinstate the Due to balance.

SAPLA Guarantee

Seven Arts Pictures Louisiana LLC, ("SAPLA") a related party of the Company, entered into a Credit Agreement with Advantage Capital Community Development Fund LLC dated October 11, 2007, for the acquisition and improvement of the production and post-production facility located at 807 Esplanade Avenue in New Orleans, Louisiana for aggregate principal advances of up to $3,700,000. This agreement was guaranteed by the Company's predecessor. Approximately $3,700,000 plus interest has been drawn under the terms of this Credit Agreement, as of June 30, 2012. The Company has since assumed the liability for $1,000,000 of this amount plus a contingent sum of $750,000 due to Advantage Capital (contingent on receipt of the tax credit revenue of at least $5,000,000 in cash proceeds from the tax credits to be earned by SAPLA) due to an agreement with the now mortgagor Palm Finance.

A construction loan of $1,850,000 previously guaranteed by the Company has now been assumed by the Company for the property at 807 Esplanade.

The Company did not receive any consideration or benefit when they assumed the mortgage and construction loans, and have looked to the authoritative guidance on guarantees as an analogy. As the guidance on financial guarantees does not address

which account would be set up as an offsetting entry when the liability is recognized at the inception of the guarantee, the Company has determined to call this asset balance created upon assumption of the debt "Building Improvements related to indebtedness" The Building Improvements will be amortized in a manner similar to leasehold improvements, over the life of the lease (30 years).

SAPLA Advances

On February 28, 2012, the Company took out a convertible loan of $200,000 which was in turn loaned to SAPLA to cover outstanding interest payments which were due on the construction loan on 807 Esplanade previously guaranteed by the Company. Three additional convertible loans were taken out totaling $600,000 during the year ended June 30, 2012 and then loaned to SAPLA to pay down the construction loan on the property at 807 Esplanade, as to not further delay the construction and opening of the facility. As of June 30, 2013, the convertible loan balance, after conversions, on the Company's financial statements is approximately $325,000.

NOTE 4 – FEE INCOME RECEIVABLE FROM RELATED PARTY (RESTATED)

SAPLA has filed for historical rehabilitation tax credits available from the United States (26%) and Louisiana (25%) on approximately $9,500,000 of historical rehabilitation expenses paid in connection with the renovation of the building and property at 807 Esplanade Avenue in New Orleans, Louisiana (the "Property") and reflected in a compilation of expenses by an independent accounting firm. SAPLA has filed the Part I application for historic rehabilitation credits and has received the Part II and Part III approvals from the United States Department of Parks with respect to the Property:

SAPLA will allocate the Federal historic rehabilitation credits to investors in its lessee, 807 Esplanade Ave. MT LLC ("MT"), and receive cash or reduction in indebtedness as a result of such allocation.
SAPLA will assign the Louisiana historic rehabilitation for cash.

SAPLA has also filed for Louisiana film infrastructure tax credits (40%) on all of its investment of approximately $11,500,000 in connection with the Property to date, as reflected in an audit report of an independent accounting firm (which also includes audits of all rehabilitation expenses). SAPLA has approval from Louisiana that the Property is a certified state film infrastructure project and SAFELA, as lessee of MT, is now operating a production and post - production facility at the Property.

To date Louisiana has certified approximately $6,500,000 of the $11,500,000 film infrastructure expenditure filed for the tax credits accruing on which SAPLA will assign for cash, with the remaining expenses remaining under consideration by the Louisiana Department of Economic Development ("LED"). SAPLA has received no objections to any of its film rehabilitation expenses from LED as reflected in the audit report submitted to LEDF on July 2, 2012. Under a published Opinion of the Attorney General of Louisiana, the Louisiana tax credits vest upon certification as a film infrastructure project which occurred in 2008. Revenue is not recognized until the required audit or compilation is complete and available to be submitted to the appropriate agency.

Under the terms of the related party agreement between SAPLA and SAE Inc. proceeds received from the disposition of the tax credits earned by SAPLA on the building are due to SAE to reduce the notes payable to Palm Finance and as fees for services provided by the Company. SAPLA is due to receive approximately $9,447,544 from disposition of Louisiana and Federal historic rehabilitation and film infrastructure tax credits for the restoration and the establishment of a post-production facility at 807 Esplanade.

SAPLA will pay the proceeds from disposition of such tax credits to SAE Inc. as fee income. The Company provided "developer" services as concerns oversight of the rehabilitation work carried out on the facility, as well as advisory services in connection with the obtaining of the tax credits, and financial services related to the loans and mortgage. The Company has concluded the services evidence an earning process, in the providing of a service, and as such has recognized revenue in relation to the fair value of the services provided. The fair value of $3,235,000 was determined based on the amounts stated as "qualified expenses" and determined to be reasonable and industry standard in the required audit of cost report expenditures performed on the project by an independent accountant. Any excess over the fair value of the services received by the Company from SAPLA will be recognized as a contribution to capital.

The total reserve recognized as of June 30, 2013 for the fee income from related party is $1,180,000, which represents the cash proceeds underlying the LFI and LHR tax credits in excess of the $3,235,000 recognized as revenue, and reduces the receivable amount to the amount the Company has determined to be known to be collectible, the amount of the cash proceeds underlying

the Federal tax credits. All further tax credits due with respect to the Property have been assigned to Palm pursuant to the Palm Workout Agreement. See Note 1.

NOTE 5 – FILM COSTS

Film costs as of June 30, 2014 and June 30, 2013 are as follows:

	June 30, 2014	June 30, 2013
Released, net of accumulated amortization	$ —	$ 3,314,728
Completed and not released	—	—
In production	—	1,209,931
In development	6,500	3,844,027
	$ 6,500	$ 8,368,686

Amortization of film costs was $3,564,292 and $3,996,576 for the years ended June 30, 2014 and 2013. The Company estimates that its amortization expense in the next year will be $6,500.

The Company reviews capitalized film costs for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable or at least once per year. Determination of recoverability is based on an estimate of future cash flows resulting from the use of the asset, and its eventual disposition. Measurement of an impairment loss for the assets is based on the fair value of the asset as estimated using a discounted cash flow model. As a result of the impairment evaluation the Company recognized an impairment of $5,251,555 and $2,054,171 in the years ended June 30, 2014 and 2013, respectively, based on reduced ultimate revenue estimations.

All Exploitation Costs (comprising of direct costs, including marketing, advertising, publicity, promotion, and other distribution expenses) incurred in connection with the distribution of a film) are expensed as incurred in accordance with ASC 720-926-25-3.

No participations have been recorded as the Company does not believe anything will be due in the next 12 months.

NOTE 6 – MUSIC ASSETS

Music assets are as follows:

	June 30, 2014	June 30, 2013
Music assets	$ —	$ 5,423,205
Intangible Assets – music assets	—	—
	—	5,423,205
Impairment recognized during the year	296,795	4,718,205
Total music assets	—	705,000
Less: Accumulated amortization	—	408,205
Total music assets, net of accumulated amortization	$ —	$ 296,795

There were two separate transactions in which SAE acquired the “music assets”. One was an Asset Purchase Agreement with David Michery, which was accounted for as an asset purchase. In this transaction SAE acquired the music assets comprised of masters recordings. The other was the BJM acquisition, in which SAE acquired the stock of BJM, which was accounted for as a business combination

The initial material assets that were acquired from David Michery comprise 52 completed sound recordings including two completed albums with “DMX”, up to two additional albums from “DMX” and up to five albums from “Bone Thugs-N-Harmony”. The music assets were initially recorded at the fair value of the preferred stock issued, less the amount of preferred stock held in escrow, which was $5,000,000.

The BJM transaction qualified as an acquisition of a business, as defined in ASC 805-10-55-2, as the Company, the acquirer, gained control of BJM by issuing Series B Preferred Stock as consideration. BJM falls under the definition of a business, as set forth in ASC 805-10-55-4 through 7, as although BJM was not operational, they had inputs, in the form of intangible assets, including access to artists and customers and distribution channels and were pursuing a plan to produce outputs (the recordings and CDs or digital downloads). .

At the time of acquisition the only assets were the intangibles, and certain media credits, which could not be precisely valued. BJM's common shares were not publically traded, and therefore, were also difficult to value. In accordance with ASC 505-50-30-6 which gives guidance on how to measure the equity issued in a non-monetary exchange, as the value of the Company's Series B Preferred Stock was determined as the most readily determinable, the consideration was calculated as the fair value of the Series B Preferred Stock, which was determined to be $1,000,000. Per the guidelines for acquisition accounting, as the only asset was the intangible assets, which could not be clearly and separately identified in a cost effective manner, the $1,000,000 consideration was allocated to the fair value of "Intangible Assets - music assets".

The contracts with DMX and BTH allow for royalties varying from 12% to 20%, based on sales and other varying terms, be paid to the artists after initial advances are recouped by the Company. The Company does not anticipate that any additional royalties will be due after recoupment.

The Company capitalized $606,774 and $1,324,158 in music costs during the years ended June 30, 2013 and 2012, respectively, representing costs incurred in the production of the current DMX album and related videos.. The Company will begin to amortize the music assets once the related records are released, over the estimated life of the recorded performance using a method that reasonably relates the amount to the net revenue expected to be realized.

The $408,205 was the amortization charge based on sales of the DMX "Undisputed" album compared to current forecast sales for the assets acquired.

The Company reviews capitalized music assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable or at least once per year. Determination of recoverability is based on an estimate of future cash flows resulting from the use of the asset, and its eventual disposition. Measurement of an impairment loss for the assets is based on the fair value of the asset as estimated using a discounted cash flow model. As of June 30, 2013 and June 30, 2012, the Company recognized impairment losses of $ 4,718,205 and $3,035,000 (restated), respectively. The first of the DMX albums, "Undisputed", was released in September 2012, and sales were below expectations. Management analyzed the realizability based on future use of the music assets and adjusted their estimations of sales on the albums to be released based on the remaining masters, which include one additional album for DMX and one album for Bone Thugs-N-Harmony, to reflect the actual sales and profit recognized on Undisputed The impairment in the year ended June 30, 2012 was determined as the difference between the original consideration and the expected sales on the albums to be released from the masters acquired, and additionally included all of the intangibles, which were determined to have no future use.

NOTE 7 – BUILDING IMPROVEMENTS

On June 30, 2012, the Company acquired SAFELA, which was previously a related party company. SAFELA has a 30 year lease on 807 Esplanade Ave., New Orleans, Louisiana, which was constructed as a production and post-production facility ("Facility"). The Company has since assumed the liability for $1,000,000 of these loans plus a contingent sum of $750,000 (contingent on receipt of the tax credit revenue of at least $5,000,000 in cash proceeds from the tax credits to be earned by SAPLA) due to an agreement with the now mortgagor Palm Finance. Additionally, a construction loan of $1,850,000 previously guaranteed by the Company has now been assumed by the Company for the property at 807 Esplanade.

The Company did not receive any consideration or benefit when they assumed the mortgage and construction loans, and have looked to the authoritative guidance on guarantees as an analogy. As the guidance on financial guarantees does not address which account would be set up as an offsetting entry when the liability is recognized at the inception of the guarantee, the Company has determined to call this asset balance created upon assumption of the debt "Building Improvements related to indebtedness" The Building Improvements will be amortized in a manner similar to leasehold improvements, over the life of the lease (30 years). The post production facility commenced operations on July 1, 2012, and the Company began amortization of the building improvements on July 1, 2013. Amortization expense for the year ended June 30, 2013 was $164,526.

The Facility and all related real property have been transferred to Palm as part of the Palm Workout Agreement. See Note 1.

NOTE 8 – INCOME TAXES

Deferred tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. Significant components of the Company's deferred tax assets and liabilities are as follows at June 30:

	2014	2013
Deferred tax assets		
NOL carryforwards	$ 15,042,000	$ 11,413,000
Valuation allowance	(15,042,000)	(11,413,000)
Net	$ —	$ —

A valuation allowance has been recorded against the realizability of the net deferred tax asset such that no value is recorded for the asset in the accompanying financial statements.

The Company has net operating loss carryforwards available for federal and state tax purposes of approximately $48,900,000, at June 30, 2014, which expires in varying amounts through 2033.

For the years ended June 30, 2014 and 2013, a reconciliation of the statutory rate and effective rate for the provisions for income taxes consists of the following:

	Percentage	
	2014	2013
Tax statutory rate	(34.0)%	(34.0)%
Valuation allowance	34.0	34.0
Effective rate	0.0%	0.0%

NOTE 9 – LOANS

Indebtedness as of June 30, 2014 consists of:

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
Film and Production Loans:					
Palm Finance Corporation	$ 3,776,444	18%			Forbearance agreement /workout agreement number 6
Palm Finance Corporation	3,040,484	18%			Forbearance agreement /workout agreement number 6
Palm Finance Corporation	113,041	10%	7/30/2012		Due on demand or on settlement of the Content litigation
120db Film Finance LLC	4,425				
Prodigy Schism Loan	367,375	10%	6/14/13	10/31/13	
Insurance Strategies Fund	103,584	10%			
Total Film and Production Loans	**$ 7,405,353**				
Conversions:					
Trafalgar Capital	$ 714,974	9%	10/15/2008	8/31/2009	Conversion price is Market price
JMJ Financial	395,203	10%	6/29/2012	10/27/2012	Conversion is only on default and is the lower of $0.04 or 80% of the average of the three lowest trade prices in the 20 trading days prior to conversion

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
GHP	137,573	18%	1/21/2011	4/30/2012	Conversion price is Market price
Tonaquint	372,226	8%	08/22/2012	7/2/13	The conversion price shall be the fixed conversion price of $0.04 subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower.
Beaufort Ventures PLC	236,092	10%	7/31/2012	08/30/2012	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
Beaufort Ventures PLC	178,932	10%	07/26/2012	02/25/2013	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
Runway Investments, LTD	169,582	12%	11/1/12	09/30/2012	The conversion price will be the lower of the fixed conversion price of $0.20 or the variable conversion price which is equal to 75% of the average of the daily volume weighted average price (VWAP) as reported on NASDAQ or other exchange for the six trading days with the lowest VWAP in the 10 trading days preceding conversion
Sendero Capital Ltd	322,986	12%	01/24/2012	09/30/2012	The conversion price will be the lower of the fixed conversion price of $0.20 or the variable conversion price which is equal to 75% of the average of the daily volume weighted average price (VWAP) as reported on NASDAQ or other exchange for the six trading days with the lowest VWAP in the 10 trading days preceding conversion

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
Isaac Capital Group LLC	24,657	12%	01/20/2012	06/30/2012	The conversion price shall be the fixed conversion price of $0.15 subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower. The conversion price will be reset to an amount equal to the VWAP for the 10 trading days immediately prior to the date this Note is due if the Note is not repaid on or before that date
Beaufort Ventures, PLC	89,610	10%	07/19/2012	07/19/2012	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
Beaufort Ventures, PLC	59,740	10%	07/19/2012	07/19/2013	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
Beaufort Ventures, PLC	29,692	10%	08/14/2012	2/8/13	Fixed conversion price of $0.02. If at any time after maturity date the share price in any 10 day trading period after the Maturity date and before conversion or payment is trading at below $0.03/share (as defined by 10 trading day VWAP) then there will be a one-time reset to 70% of the average of the VWAP during 10 such trading days
Beaufort Ventures, PLC	87,921	12%	01/22/2013	07/22/2013	The conversion price shall be the fixed conversion price of $0.15 subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower. The conversion price will be reset to an amount equal to 25% of the lowest trading price for the 20 trading days immediately prior to the date of conversion if the Note is nor repaid on maturity
CMS Capital	43,503	12%	12/15/2011	06/30/2012	The conversion price shall be the fixed conversion price of $0.15 subject to

					equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower. The conversion price will be reset to an amount equal to 75% of the VWAP for the lowest three trading days in the 10 trading days immediately prior to the date of conversion if the Note is not settled within eight months of closing the loan
Hanover Holdings LLC	269,054	10%	02/23/2012	04/23/2013	The conversion price shall be the fixed conversion price of $0.20 subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower.
Beaufort Ventures PLC	62,066	12%	06/26/2012	06/26/2013	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
Agua Alta (Cold Fusion)	124,164	12%	06/25/2012	06/25/2013	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
Beaufort Ventures PLC	1,456	12%	11/30/2011	11/30/2013	Conversion price will be 75% of the closing price of the previous day to conversion
Tripod Group, LLC	14,115	12%	1/2/2012	1/2/2013	The conversion price will be the lower of the fixed conversion price of $0.235 or the variable conversion price which is equal to 75% of the average of the daily volume weighted average price (VWAP) as reported on NASDAQ or other exchange for the six trading days with the lowest VWAP in the 10 trading days preceding conversion
Beaufort Ventures, PLC	13,234	12%	6/4/2012	6/10/2012	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
Old Capital Ltd	292,786	12%	05/31/2012	11/30/2012	Conversion price is 35% of the previous day's closing price unless the share price on the day of conversion has declined more than 5% from the previous day's close in which case it will be 35% reduction from the lowest price on the current trading day
WHC Capital	46,835	10%	05/20/2013	05/20/2014	The Conversion Price shall be equal to sixty five percent (65%) of the average price of the three (3) lowest closing Bid prices during the ten (10) trading days prior to date of such conversion,
Elegant Funding	50,192		4/30/2013	5/2/2013	
Elegant Funding	15,295	18%	6/5/2013	1/5/2014	Conversion price shall be 70% of the lowest closing bid price during the 10 trading days prior to conversion
WHC Capital	31,286	21%	04/19/2013	04/18/2014	Conversion Price shall be equal to seventy five percent (75%) of the average price of the three (3) lowest closing prices during the ten (10) trading days prior to date of such conversion,
WHC Capital	24,672	21%	05/20/2013	05/20/2014	Conversion Price shall be equal to sixty five percent (65%) of the average price of the three (3) lowest closing prices during the ten (10) trading days prior to date of such conversion,
Tangiers	1,449	10%	05/31/2013	05/31/2014	Conversion price is 70% 0f the 10 day trading VWAP before conversion.
Tangiers $40K amended 6/13/2010	17,515	10%	6/10/2013		
Beaufort $10K Mpte - 10/1/2013	10,449	12%	10/1/2013	4/1/2014	
Isaac Cap Grp $200K 10/21/13	55,002	12%	10/21/2013		
Firerock/Littlejohn $10K Aged Debt	5,518	18%	1/7/2013	6/30/2014	
Firerock/Barrasso $20K Aged Debt	21,588	18%	10/7/2013	6/30/2014	
	$ 3,870,051				

Indebtedness as of June 30, 2013 consists of:

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
Film and Production Loans:					
Palm Finance Corporation	$ 5,479,777	18%			Forbearance agreement /workout agreement number 6
Palm Finance Corporation	2,221,572	18%			Forbearance agreement /workout agreement number 6
Palm Finance Corporation	113,064	10%	7/30/2012		Due on demand or on settlement of the Content litigation
	$ 7,814,412				
Conversions:					
Trafalgar Capital	$ 585,729	9%	10/15/2008	8/31/2009	Conversion price is Market price
JMJ Financial	438,373	10%	6/29/2012	10/27/2012	Conversion is only on default and is the lower of $0.04 or 80% of the average of market price as defined in agreement
GHP	137,573	18%	1/21/2011	4/30/2012	Conversion price is Market price
Tonaquint	447,975	8%	8/22/12	7/2/13	The conversion price shall be the fixed conversion price of $0.04 subject to standard anti-dilution provisions
Beaufort Ventures PLC	240,132	10%	7/31/2012	8/30/12	Conversion price is 6 of market price as defined in agreement
Beaufort Ventures PLC	163,932	10%	7/26/12	2/25/13	Conversion price is 65% of market price as defined in agreement
Runway Investments, LTD	154,582	12%	11/1/12	9/30/12	The conversion price will be the lower of the fixed conversion price of $0.20 or the variable conversion price which is equal to 75% of the market price as defined in the agreement
Sendero Capital Ltd	292,986	12%	1/24/12	9/30/12	The conversion price will be the lower of the fixed conversion price of $0.20 or the variable conversion price which is equal to 75% of the market price as defined in the agreement
Isaac Capital Group LLC	148,825	12%	1/20/12	6/30/12	The conversion price shall be the fixed conversion price of $0.15 subject to standard anti-dilution provisions
Beaufort Ventures, PLC	82,110	10%	7/19/12	7/19/12	Conversion price is 65% of market price as defined in agreement

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
Beaufort Ventures, PLC	54,740	10%	7/19/12	7/19/13	Conversion price is 65% of market price as defined in agreement
Beaufort Ventures, PLC	27,192	10%	8/14/12	2/8/13	Fixed conversion price of $0.02. If at any time after maturity date the share price in any 10 day trading period is trading at below $0.03/share there will be a one-time reset to 70% of the average of the VWAP during 10 such trading days
Beaufort Ventures, PLC	78,921	12%	1/22/13	7/22/13	The conversion price shall be the fixed conversion price of $0.15 subject to standard anti-dilution provisions, and reset upon default, as defined in agreement
CMS Capital	39,503	12%	12/15/2011	6/30/12	The conversion price shall be the fixed conversion price of $0.15 subject to standard anti-dilution provisions, and reset upon default, as defined in agreement
Hanover Holdings LLC	280,581	10%	2/23/12	4/23/13	The conversion price shall be the fixed conversion price of $0.20 subject to standard anti-dilution provisions
Beaufort Ventures PLC	56,066	12%	6/26/12	6/26/13	Conversion price is 65% of market price as defined in agreement
Agua Alta (Cold Fusion)	112,164	12%	6/25/12	6/25/13	Conversion price is 65% of market price as defined in agreement
Beaufort Ventures PLC	12,015	12%	11/30/2011	11/30/2013	Conversion price will be 75% of the closing price of the previous day to conversion
Tripod Group, LLC	108,685	12%	1/2/12	1/2/13	The conversion price will be the lower of the fixed conversion price of $0.235 or 75% of the average of VWA, as defined in agreement
Beaufort Ventures, PLC	48,009	12%	6/4/12	6/10/12	Conversion price is 65% of market price as defined in agreement
Old Capital Ltd	277,166	12%	5/31/12	11/30/2012	Conversion price is 65% of market price as defined in agreement
WHC Capital	79,097	10%	5/20/13	5/20/14	The Conversion Price shall be equal to sixty five percent (65%) of the average price of the three (3) lowest closing prices during the ten (10) trading days prior to date of such conversion,
Firerock	81,335	5%	12/8/12	7/15/13	The Conversion Price shall be the lower of $0.02 and sixty percent (60%) of the closing price of the day immediately prior to the Holder’s exercise of his conversion rights

Lender	Balance	Interest Rate	Issuance Date	Maturity Date	
Elegant Funding	17,975	18%	6/5/13	1/5/14	Conversion price shall be 70% of the lowest closing bid price during the 10 trading days prior to conversion
Firerock	719	12%	7/31/12	6/14/13	Conversion price shall be the lesser of $0.06 or 60% 0f the lowest trade price in the 25 days prior to conversion
WHC Capital	26,036	21%	4/19/13	4/18/14	Conversion Price shall be equal to 75% of the average price of the 3 lowest closing prices during the 10 trading days prior to date of such conversion
WHC Capital	20,472	21%	5/20/13	5/20/14	Conversion Price shall be equal to 65% of the average market price as defined in the agreement
Tangiers	40,630	10%	10/15/2012	10/15/2014	Fixed conversion price of $0.0119. If at any time after maturity date the share price in any 10 day trading period is trading at below $0.0117/share there will be a one-time reset to 70% of the average of the VWAP during 10 such trading days
Tangiers	20,382	10%	5/31/13	5/31/14	Conversion price is 70% 0f the 10 day trading VWAP before conversion.
	$ 4,073,901				
Mortgage and Construction Loan					Forbearance agreement /workout agreement number 6
Palm Finance Corporation-mortgage and construction loan	$ 3,743,286	15%			

Palm Agreement

The Company entered into two senior financing loan and security agreements with Palm to finance the production costs of The Pool Boys, Autopsy and Nine Miles Down dated May 7, 2007 and December 17, 2007. These loans are secured by the revenues to be collected from these motion pictures. The revenues so far collected have been insufficient to repay the majority of these loans, primarily as result of management's decision to delay the release of these films.

In July, 2011 we entered into an amended financing agreement with Palm in to refinance the existing indebtedness secured by our production and post-production facility in New Orleans, Louisiana under which Palm has acquired the existing credit facility of $3,700,000 plus accrued interest of our affiliate SAPLA for $1,000,000 of this amount plus a continent sum of $750,000 (contingent on receipt of at least $5,000,000 in cash proceeds from the tax credits to be earned by SAPLA) and advanced an additional $1,800,000 to complete renovation and construction of this facility. Palm's advance and interest at the rate of 15% per annum are due and payable within five years and are secured by the property at 807 Esplanade Avenue in New Orleans and Louisiana film infrastructure and historical rehabilitation credits, as well as Federal historical rehabilitation credits associated with the Property. Under this arrangement the group guaranteed the debt on the post production facility and Palm forgave a total of $4,458,624 of principal and interest on the two production loans as well as reduced the liability on the New Orleans production facility by $1,950,000 in exchange for the group guaranteeing the production facility debt. The reduction in principal and interest has been recognized in the year ended June 30, 2012 as Other Income (restated). Palm's advance and interest at the rate of 15% per annum are due and payable within five years and are secured by the property at 807 Esplanade Avenue in New Orleans and Louisiana film infrastructure and historical rehabilitation credits, as well as Federal historical rehabilitation credits associated with the Property and cross guaranteed the Company, its affiliates and CEO, Peter Hoffman.

In June, 2012 as detailed in Note 7, the Esplanade debt was assumed by SAFELA in connection with a 30 year lease on the facility. SAFELA was in turn acquired by the Company.

The indebtedness has now been cancelled as a result of the Palm Workout Agreement. See Note 1.

Trafalgar

SAP Plc. Borrowed £1,000,000 ($1,651,000) convertible debenture from Trafalgar Capital Special Investment Fund ("Trafalgar") that came due on June 30, 2009. We were unable to repay the debenture and as a result, we defaulted on a payment of £1,000,000 plus interest to Trafalgar Capital Special Investment Fund in June 2009.

On September 2, 2009 the Group repaid Trafalgar $1,000,000 as a partial payment against this loan, with the remaining balance subject to repayment in cash or convertible to the shares of common stock of the Group at the conversion terms as agreed between Trafalgar and the Group. On June 22, 2010 an amended agreement was entered into with Trafalgar for an extension of the due date of the convertible debentures to December 31, 2010, and the Group agreed to issue 971 shares of common stock to settle a portion of the debt. Trafalgar agreed to reduce the loan amount from the proceeds it received from selling the shares of common stock. Subsequent to June 30, 2010, a further amended agreement was entered into with Trafalgar for an extension of the due date of the convertible debentures to March 31, 2011, and the Group agreed to issue 1,214 shares of common stock to settle a portion of the debt. Trafalgar agreed to reduce the loan amount from the proceeds it received from selling the 1,214 shares of common stock. There have been no subsequent extensions and the loan remains past due. Interest is being accrued accordingly.

Tonaquint

On August 22, 2012, the Company entered into a purchase agreement for several convertible debentures (or "notes") with Tonaquint, Inc. ("Tonaquint"), in the principal amounts of $310,000, $255,000 and $125,000. The first convertible debenture under the agreement was issued on August 22, 2012 for $310,000, less a discount of $60,000 and $10,000 in expenses. On October 5, 2012, due to a delisting default, an amendment was entered into which called for one of the additional convertible debentures to be issued in the principle amount of $155,000 (less a $25,000 discount and $5,000 in fees) and the second in the principal amount of $125,000, to be issued in the future. The debt discounts have been immediately expensed, based upon the short term nature of the notes, and the insignificance of the amount as compared to the total Convertible Debenture amount and to interest expense over the term of the note.

The convertible debentures are convertible at $0.20, which is above the market value of the Company's common stock on issuance date, so there is no beneficial element recognized. As a condition of the amendment the outstanding balance of the first note was increased to $412,990 (to be reduced by $50,000 if the note is paid on its maturity date). The notes are payable on certain installment dates, to be satisfied by conversion of the installment amount, or cash, at the option of the Company (provided no equity failure conditions, as defined in the agreement, exist, in which cash the installment payment must be in cash.) As part of the amendment, Tonaquint entered into a Pledge Agreement with Peter Hoffman, for 140,000 post-split/7,000,000 pre-split shares of the Company's common stock as collateral against repayment of the note. In the event of a default on the notes the holder may transfer and sell the pledged shares and apply the proceeds against the outstanding amounts on the notes. (Note 3).

Convertible Debentures

The Company has evaluated the convertible notes for embedded derivative features and has determined that no derivative liability exists.

Convertible debts are all convertible to common stock on maturity at the option of the lender. They all bear interest at varying rates and convert at different times and at fixed or variable conversion prices according to the contract.

Substantially all of the convertible debentures issued in the year ended June 30, 2013 were in exchange for existing loans or other debt of the Company, under assignment agreements between the original noteholder and the new noteholder. The exchanges were evaluated for any gains or losses to be recognized upon extinguishment of the original debt, and it was determined there were no gains or losses to be recognized.

The Company has evaluated their convertible notes for embedded derivative features and has determined that no derivative liability is necessary to recognize, as the varying conversion price is based on the trading value of the Company's stock, which is considered indexed to one's own stock, and therefore is fixed,. Convertible debts are all convertible to common stock at the option of the holder. They all bear interest at varying rates and convert at different times and conversion prices

according to the contract. The conversion features were evaluated for any beneficial aspect and determined that no beneficial conversion feature is necessary to recognize.

NOTE 10 – EQUITY TRANSACTIONS

SHARES ISSUED BY DATE FOR 2014 SCHEDULE

DATE	SHAREHOLDER	SHARES	TOTAL FOR QUARTER	ISSUED & OUTSTANDING	PRICE PR SHARE	CONV DATE
7/2/2013	FIREROCK	2,000,000		48,323,297	0.00288	6/28/2013
7/2/2013	WHC CAPITAL	810,000		49,133,297	0.004485	6/24/2013
7/2/2013	ISAAC CAPITAL	1,600,000		50,733,297	0.004	6/25/2013
7/3/2013	FIREROCK	2,000,000		52,733,297	0.003	7/1/2013
7/3/2013	TANGIERS	2,315,703		55,049,000	0.0035	7/1/2013
7/8/2013	ISAAC CAPITAL	1,800,000		56,849,000	0.0036	6/28/2013
7/9/2013	TONAQUINT	465,000		57,314,000	0.00495	6/24/2013
7/10/2013	BEAUFORT	2,393,162		59,707,162	0.002925	7/3/2013
7/11/2013	ISAAC CAPITAL	2,000,000		61,707,162	0.0033	7/5/2013
7/11/2013	FIREROCK	561,866		62,269,028	0.00246	7/2/2013
7/11/2013	GEL PROPERTIES	2,792,906		65,061,934	0.003581	7/8/2013
7/11/2013	HANOVER	3,484,321		68,546,255	0.00287	7/2/2013
7/12/2013	WHC CAPITAL	1,895,000		70,441,255	0.00320667	7/1/2013
7/12/2013	JMJ FINANCIAL	1,300,000		71,741,255	0.003786	7/1/2013
7/12/2013	TANGIERS	3,521,360		75,262,615	0.00203	7/11/2013
7/16/2013	TONAQUINT	2,258,714		77,521,329	0.0035	7/5/2013
7/16/2013	ISAAC CAPITAL	2,200,000		79,721,329	0.0025	11/9/2013
7/17/2013	FIREROCK	2,300,000		82,021,329	0.00198	7/10/2013
7/17/2013	ISAAC CAPITAL	3,000,000		85,021,329	0.0017	7/12/2013
7/18/2013	BEAUFORT	3,729,603		88,750,932	0.00215	7/15/2013
7/18/2013	HANOVER	5,000,000		93,750,932	0.00168	7/12/2013
7/22/2013	JMJ FINANCIAL	3,750,000		97,500,932	0.00216	7/16/2013
7/22/2013	FIREROCK	3,500,000		101,000,932	0.00204	7/16/2013
7/24/2013	HANOVER	5,519,481		106,520,413	0.00154	7/19/2013
7/24/2013	ISAAC CAPITAL	3,200,000		109,720,413	0.002	7/17/2013
7/24/2013	TONAQUINT	9,238,095		118,958,508	0.0021	7/19/2013
7/24/2013	FIREROCK	4,000,000		122,958,508	0.00162	7/17/2013
7/24/2013	GEL PROPERTIES	4,545,971		127,504,479	0.0022	7/22/2013
7/25/2013	WHC CAPITAL	1,990,000		129,494,479	0.00221	7/11/2013
7/25/2013	FIREROCK	4,000,000		133,494,479	0.00162	7/18/2013
7/25/2013	TANGIERS	2,857,143		136,351,622	0.00175	7/23/2014
7/30/2013	ELEGANT FUNDING	5,300,000		141,651,622	0.00175	7/15 &7/23/13
7/30/2013	FIREROCK	4,000,000		145,651,622	0.00156	7/22/2013
7/31/2013	FIREROCK	6,000,000		151,651,622	0.00138	7/24/2013
7/31/2013	FIREROCK	6,600,000		158,251,622	0.00132	7/25/2013
8/1/2013	BEAUFORT	5,668,016		163,919,638	0.01235	7/30/2013
8/6/2013	FIREROCK	6,000,000		169,919,638	0.00114	7/29/2014
8/12/2013	BEAUFORT	8,461,538		178,381,176	0.0013	7/2/2013
8/19/2013	FIREROCK	7,000,000		185,381,176	0.00085	8/12/2013
8/20/2013	BEAUFORT	2,122,016		187,503,192	0.001855	8/15/2013

DATE	SHAREHOLDER	SHARES	TOTAL FOR QUARTER	ISSUED & OUTSTANDING	PRICE PR SHARE	CONV DATE
8/23/2013	FIREROCK	4,890,586		192,393,778	0.00085	8/13/2013
8/26/2013	BEAUFORT	8,241,758		200,635,536	0.00182	8/21/2013
9/11/2013	OLD CAPITAL	10,000,000		210,635,536	0.0013	8/29/2013
9/11/2013	SCARBOROUGH	8,640,692	**172,952,931**	219,276,228	0.0013	8/30/2013
10/16/2013	**SPLIT ADJUSTMENT**	**<208,311,947>**		10,964,281		
10/22/2013	FRACTION RND UP	46		10,964,327		
10/22/2013	VELLARDITA	800,000		11,764,327	0.02	
10/23/2013	FRACTION RND UP	261		11,764,588		
10/23/2013	FRACTION RND UP	6		11,764,594		
10/23/2014	FRACTION RND UP	1		11,764,595		
10/23/2014	MICHERY	445,000		12,209,595	0.0225	
10/24/2013	ISAAC CAPITAL	550,000		12,759,595	0.0105	10/18/2013
10/24/2013	TONAQUINT	1,083,815		13,843,410	0.00173	10/22/2013
10/25/2013	WHC CAPITAL	575,000		14,418,410	0.0117	10/23/2013
10/29/2013	JMJ FINANCIAL	540,000		14,958,410	0.009	10/23/2013
10/29/2013	JONES	267,000		15,225,410	0.03	
10/29/2013	FRACTION RND UP	11		15,225,421		
10/31/2013	GEL PROPERTIES	594,243		15,819,664	0.016828	10/28/2013
11/4/2013	FIREROCK	650,000		16,469,664	0.0075	10/30/2013
11/6/2013	FIREROCK	789,000		17,258,664	0.00375	11/4/2013
11/6/2013	ISAAC CAPITAL	825,000		18,083,664	0.0072	11/1/2013
11/7/2013	TANGIERS	1,581,808		19,665,472	0.004	11/4/2013
11/8/2013	FIREROCK	900,000		20,565,472	0.00265	11/7/2013
11/12/2013	TONAQUINT	1,084,746		21,650,218	0.0059	11/7/2013
11/12/2013	FIREROCK	1,000,000		22,650,218	0.002	11/11/2013
11/13/2013	FIREROCK	1,000,000		23,650,218	0.0013	11/12/2013
11/14/2013	ISAAC CAPITAL	1,025,000		24,675,218	0.0033	11/6/2013
11/14/2013	JMJ FINANCIAL	820,000		25,495,218	0.00318	11/7/2013
11/14/2013	TANGIERS	2,056,340		27,551,558	0.00188	11/8/2013
11/15/2013	WHC CAPITAL	600,000		28,151,558	0.007663333	11/5/2013
11/15/2013	FIREROCK	1,000,000		29,151,558	0.0013	11/13/2013
11/19/2013	ELEGANT FUNDING	758,700		29,910,258	0.00539	11/5/2013
11/19/2013	FIREROCK	1,400,000		31,310,258	0.00055	11/15/2013
11/20/2013	TANGIERS	2,754,878		34,065,136	0.00156	11/14/2013
11/20/2013	TONAQUINT	2,339,286		36,404,422	0.0028	11/14/2013
11/20/2013	FIREROCK	1,450,000		37,854,422	0.0005	11/18/2013
11/20/2013	ISAAC CAPITAL	1,175,000		39,029,422	0.0018	11/13/2013
11/21/2013	ISAAC CAPITAL	1,500,000		40,529,422	0.0015	11/13/2013
11/20/2013	FIREROCK	1,500,000		42,029,422	0.0005	11/21/2013
11/22/2013	ISAAC CAPITAL	1,580,000		43,609,422	0.001	11/15/2013
11/25/2013	ISAAC CAPITAL	1,650,000		45,259,422	0.001	11/18/2013
11/25/2013	JMJ FINANCIAL	1,450,000		46,709,422	0.00066	11/18/2013
11/26/2013	TONAQUINT	2,857,143		49,566,565	0.0014	11/20/2013
11/26/2013	ELEGANT FUNDING	1,574,000		51,140,565	0.00112	11/19/2013
11/26/2013	ISAAC CAPITAL	1,600,000		52,740,565	0.00096	11/19/2013
11/26/2013	VELLARDITA	2,200,000		54,940,565	0.028	
11/27/2013	ISAAC CAPITAL	2,000,000		56,940,565	0.0009	11/20/2013
11/27/2013	ISAAC CAPITAL	2,330,800		59,271,365	0.0013	11/22/2013
11/27/2013	FIREROCK	1,500,000		60,771,365	0.0005	11/25/2013
11/27/2013	FIREROCK	1,300,000		62,071,365	0.0005	11/27/2013
11/27/2013	GEL PROPERTIES	2,581,625		64,652,990	0.001317	11/25/2013
12/4/2013	TANGIERS	3,902,556		68,555,546	0.0009	11/21/2013
12/4/2013	TONAQUINT	2,875,000		71,430,546	0.0012	11/27/2013
12/4/2013	WHC CAPITAL	1,470,000		72,900,546	0.001256667	11/19/2013
12/4/2013	FIREROCK	2,500,000		75,400,546	0.0005	12/2/2013

DATE	SHAREHOLDER	SHARES	TOTAL FOR QUARTER	ISSUED & OUTSTANDING	PRICE PR SHARE	CONV DATE
12/4/2013	ISAAC CAPITAL	2,750,000		78,150,546	0.0009	11/25/2013
12/5/2013	GEL PROPERTIES	3,178,586		81,329,132	0.001196	12/2/2013
12/5/2013	ISAAC CAPITAL	3,350,000		84,679,132	0.0009	11/29/2013
12/5/2013	JMJ FINANCIAL	2,300,000		86,979,132	0.00066	11/25/2013
12/6/2013	ISAAC CAPITAL	3,700,000		90,679,132	0.0009	12/2/2013
12/10/2013	ELEGANT FUNDING	2,775,000		93,454,132	0.00098	11/26/2013
12/10/2013	FIREROCK	2,135,424		95,589,556	0.0005	12/6/2013
12/10/2013	ISAAC CAPITAL	3,800,000		99,389,556	0.0007	12/4/2013
12/12/2013	ISAAC CAPITAL	4,750,000		104,139,556	0.0006	12/6/2013
12/13/2013	ISAAC CAPITAL	5,000,000		109,139,556	0.00054	12/9/2013
12/16/2013	FIREROCK	4,800,000		113,939,556	0.00048	12/12/2013
12/18/2013	FIREROCK	5,500,000		119,439,556	0.00054	12/17/2013
12/20/2013	ISAAC CAPITAL	5,450,000		124,889,556	0.0006	12/10/2013
12/20/2013	ISAAC CAPITAL	5,950,000		130,839,556	0.0006	12/13/2013
12/20/2013	ISAAC CAPITAL	6,250,000		137,089,556	0.00072	12/16/2013
12/23/2013	DALY	12,500,000		149,589,556	0.001	
12/24/2013	ISAAC CAPITAL	5,725,000		155,314,556	0.00048	12/12/2013
12/24/2013	GEL PROPERTIES	5,892,956		161,207,512	0.000721	12/12/2013
12/26/2013	TANGIERS	8,580,685		169,788,197	0.00054	12/20/2013
12/30/2013	FIREROCK	8,000,000		177,788,197	0.00048	12/27/2013
12/30/2013	ELEGANT FUNDING	3,300,000		181,088,197	0.00056	12/19/2013
12/30/2013	ISAAC CAPITAL	7,200,000		188,288,197	0.00078	12/19/2013
12/31/2013	FIREROCK	5,191,909		193,480,106	0.00042	12/30/2013
12/31/2013	GEL PROPERTIES	7,988,545		201,468,651	0.000663	12/26/2013
12/31/2013	WHC CAPITAL	7,200,000		208,668,651	0.0005	12/20/2013
12/31/2013	ELEGANT FUNDING	3,000,000	**200,704,370**	211,668,651	0.00056	12/19/2013
1/6/2014	ISAAC CAPITAL	8,450,000		220,118,651	0.00042	12/24/2013
1/7/2014	TANGIERS	7,201,405		227,320,056	0.00042	12/31/2013
1/7/2014	GEL PROPERTIES	10,463,776		237,783,832	0.00056412	1/2/2014
1/10/2014	JONES	4,869,667		242,653,499	0.0015	
1/13/2014	ISAAC CAPITAL	20,300,000		262,953,499	0.00036	12/3/0/13
1/14/2014	ISAAC CAPITAL	23,500,000		286,453,499	0.00048	1/7/2014
1/17/2014	BEAUFORT	9,615,385		296,068,884	0.00052	1/10/2014
1/21/2014	WHC CAPITAL	7,575,000		303,643,884	0.00036	1/6/2014
1/23/2014	ELEGANT FUNDING	11,100,000		314,743,884	0.00042	1/6/2014
1/23/2014	TONAQUINT	7,900,000		322,643,884	0.0005	1/16/2014
1/29/2014	ISAAC CAPITAL	52,300,000		374,943,884	VARIOUS	VARIOUS
2/10/2014	BEAUFORT	12,307,692		387,251,576	0.00039	1/22/2014
2/10/2014	ISAAC CAPITAL	19,900,000		407,151,576	0.0006	12/20/2013
2/12/2014	FIREROCK	14,000,000		421,151,576	0.00024	2/11/2014
2/13/2014	**REVERSE SPLIT**	**<416,939,555>**		4,212,021		
2/13/2014	VELLARDITA	420,000		4,632,021	0.03	
2/14/2014	ISAAC CAPITAL	220,000		4,852,021	0.018	2/13/2014
2/19/2014	ISAAC CAPITAL	250,000		5,102,021	0.012	2/19/2014
2/25/2014	FIREROCK	200,000		5,302,021	0.00764	2/20/2014
2/26/2014	FRACTION RND UP	56		5,302,077		
2/26/2014	VELLARDITA	400,000		5,702,077	0.03	
2/27/2014	TONAQUINT	484,500		6,186,577	0.0171	2/21/2014
2/28/2014	WHC CAPITAL	254,800		6,441,377	0.008645	2/21/2014
2/28/2014	ELEGANT FUNDING	250,000		6,691,377	0.014	2/20/2014
3/3/2014	ISAAC CAPITAL	265,000		6,956,377	0.012	2/24/2014
3/6/2014	ISAAC CAPITAL	290,000		7,246,377	0.012	2/26/2014
3/7/2014	ISAAC CAPITAL	320,000		7,566,377	0.0016	2/28/2014
3/10/2014	JMJ FINANCIAL	345,000		7,911,377	0.0072	3/5/2014
3/10/2014	GEL PROPERTIES	346,890		8,258,267	0.0125434	3/4/2014

DATE	SHAREHOLDER	SHARES	TOTAL FOR QUARTER	ISSUED & OUTSTANDING	PRICE PR SHARE	CONV DATE
3/11/2014	ISAAC CAPITAL	365,000		8,623,267	0.011	3/5/2014
3/13/2014	ISAAC CAPITAL	381,000		9,004,267	0.013	3/6/2014
3/17/2014	JMJ FINANCIAL	430,000		9,434,267	0.00456	3/11/2014
3/19/2014	JMJ FINANCIAL	470,000		9,904,267	0.00456	3/17/2014
3/19/2014	GEL PROPERTIES	412,020		10,316,287	0.009119	3/11/2014
3/21/2014	JMJ FINANCIAL	500,000		10,816,287	0.00456	3/19/2014
3/24/2014	JMJ FINANCIAL	530,000		11,346,287	0.00456	3/21/2014
3/24/2014	ISAAC CAPITAL	490,000		11,836,287	0.0075	3/17/2014
3/26/2014	GEL PROPERTIES	514,767		12,351,054	0.008812	3/19/2014
3/26/2014	ISAAC CAPITAL	520,000		12,871,054	0.0066	3/19/2014
3/27/2014	JMJ FINANCIAL	560,000		13,431,054	0.00432	3/25/2014
3/28/2014	ISAAC CAPITAL	535,000		13,966,054	0.0054	3/21/2014
3/31/2014	WHC CAPITAL	268,000		14,234,054	0.007583333	3/15/2014
3/31/2014	ISAAC CAPITAL	620,500		14,854,554	0.0059	3/25/2013
3/31/2014	JMJ FINANCIAL	670,000		15,524,554	0.00432	3/28/2014
3/31/2014	GEL PROPERTIES	616,235	**221,411,693**	16,140,789	0.007595	3/26/2014
4/4/2014	JMJ FINANCIAL	800,000		16,940,789	0.0042	4/2/2014
4/4/2014	FRACTION RND UP	6		16,940,795		
4/4/2014	GEL PROPERTIES	805,452		17,746,247	0.007411	4/1/2014
4/9/2014	ISAAC CAPITAL	840,000		18,586,247	0.0042	4/2/2014
4/10/2014	JMJ FINANCIAL	880,000		19,466,247	0.00414	4/7/2014
4/10/2014	DONOHOE	249,750		19,715,997	0.01001	4/1/2014
4/10/2014	ISAAC CAPITAL	925,000		20,640,997	0.00421	4/4/2014
4/14/2014	ISAAC CAPITAL	932,000		21,572,997	0.0047	4/8/2014
4/14/2014	GEL PROPERTIES	885,482		22,458,479	0.006458	4/4/2014
4/16/2014	JMJ FINANCIAL	920,000		23,378,479	0.00228	4/11/2014
4/22/2014	JMJ FINANCIAL	1,150,000		24,528,479	0.0021	4/17/2014
4/23/2014	DONOHOE	337,837		24,866,316	0.0074	4/15/2014
4/24/2014	ISAAC CAPITAL	700,000		25,566,316	0.0054	3/28/2014
4/25/2014	ISAAC CAPITAL	1,225,500		26,791,816	0.0053	4/16/2014
4/25/2014	JMJ FINANCIAL	1,220,000		28,011,816	0.0021	4/22/2014
4/30/2014	TONAQUINT	1,772,000		29,783,816	0.0057	4/9/2014
4/30/2014	ISAAC CAPITAL	1,325,000		31,108,816	0.0021	4/24/2014
4/30/2014	JMJ FINANCIAL	1,275,000		32,383,816	0.0021	4/25/2014
5/1/2014	VELLARDITA	2,000,000		34,383,816	0.099	
5/2/2014	GEL PROPERTIES	1,397,735		35,781,551	0.00309	4/28/2014
5/5/2014	ISAAC CAPITAL	1,450,000		37,231,551	0.0017	4/30/2014
5/7/2014	ISAAC CAPITAL	1,450,000		38,681,551	0.0017	4/30/2014
5/7/2014	JMJ FINANCIAL	1,400,000		40,081,551	0.0012	5/1/2014
5/8/2014	DONOHOE	694,444		40,775,995	0.0036	5/1/2014
5/12/2014	JMJ FINANCIAL	2,000,000		42,775,995	0.0012	5/7/2014
5/13/2014	TONAQUINT	1,772,500		44,548,495	0.0017	5/2/2014
5/14/2014	GEL PROPERTIES	1,855,642		46,404,137	0.001832	5/6/2014
5/15/2014	JMJ FINANCIAL	2,100,000		48,504,137	0.0012	5/12/2014
5/15/2014	ISAAC CAPITAL	2,250,000		50,754,137	0.0012	5/12/2014
5/21/2014	JMJ FINANCIAL	2,300,000		53,054,137	0.0009	5/16/2014
5/21/2014	HANOVER	4,500,000		57,554,137	0.00119	5/15/2014
5/27/2014	TONAQUINT	1,772,550		59,326,687	0.0013	5/19/2014
5/27/2014	JMJ FINANCIAL	2,400,000		61,726,687	0.00078	5/22/2014
5/28/2014	TRIPOD	2,531,843		64,258,530	0.001409	5/19/2014
5/28/2014	DONOHOE	1,315,789		65,574,319	0.0019	5/22/2014
5/30/2014	JMJ FINANCIAL	3,000,000		68,574,319	0.00066	5/28/2014
6/4/2014	JMJ FINANCIAL	3,200,000		71,774,319	0.0006	6/3/2014
6/5/2014	GEL PROPERTIES	3,072,848		74,847,167	0.001133	5/29/2014
6/6/2014	JMJ FINANCIAL	3,500,000		78,347,167	0.006	6/4/2014

DATE	SHAREHOLDER	SHARES	TOTAL FOR QUARTER	ISSUED & OUTSTANDING	PRICE PR SHARE	CONV DATE
6/9/2014	ISAAC CAPITAL	3,700,000		82,047,167	0.0006	6/4/2014
6/12/2014	TONAQUINT	6,550,000		88,597,167	0.000825	6/3/2014
6/12/2014	JMJ FINANCIAL	3,700,000		92,297,167	0.00054	6/9/2014
6/12/2014	DONOHOE	2,083,333		94,380,500	0.0012	6/6/2014
6/18/2014	JMJ FINANCIAL	4,700,000		99,080,500	0.00042	6/16/2014
6/20/2014	ISAAC CAPITAL	4,800,000		103,880,500	0.0007	6/12/2014
6/23/2014	JMJ FINANCIAL	4,900,000		108,780,500	0.00036	6/19/2014
6/26/2014	DONOHOE	3,125,000	**95,764,711**	111,905,500	0.0008	6/20/2014

Fourth Quarter ended June 30, 2013:

Between April 1, 2013 and June 30, 2013 the Company issued 37,130,383 shares of the Company's common stock upon conversion of $468,099 of notes payable, under the original conversion terms of the convertible debentures.

The Company also issued 5,059,530 shares for services provided, with a fair value of $120,776, valued at the trading price of $0.023 on the issuance date.

Third Quarter ended March 31, 2013: (all figures quoted reflect the 1:50 reverse split on May 2, 2013)

Between January 1, 2013 and March 31, 2013, the Company issued 3,552,522 common shares at an average price of $0.40 per share.

2,450,293	common shares were issued in satisfaction of film and production debt totaling $844,707 converted at an average conversion price of $0.34 per share.
612,350	common shares were issued in satisfaction of various expenses totaling $173,075 converted at an average conversion price of $0.28 per share.
145,588	common shares of S-8 common stock were issued for consulting services totaling $134,994 at $0.93 per share
20,000	common shares were issued at $0.25 per share upon conversion of $5,000 in partial settlement of a music contract
324,292	shares were issued as collateral in settlement of an outstanding judgment related to Nine Miles Down UK Ltd at $0.85 per share in satisfaction of a debt of $275,246
3,552,522	Total shares issued in the quarter

The shares issued as collateral arose out of a suit brought against Nine Miles Down UK Ltd, the original entity under which the film 9 Miles Down was being produced, as well as Seven Arts, among others. The suit put the entity into liquidation, and rather than delay the production of the film, or harm the chain of title on the film, Seven Arts determined to settle the case. As part of the settlement the Company is to pay £25,000 over a specified period of time, with restricted shares equal to the amount issued as collateral. Additionally the settlement called for £150,000 restricted shares to be issued as collateral against the liquidation proceeds in favor of the creditors. The restricted shares shall be released to cover any shortfall not realized upon liquidation. As the Company has determined that it is unlikely for the liquidation to realize significant proceeds, it is considered to be probable that the shares will be released to cover the shortfall. Therefore, as of March 31, 2013, the Company has recognized the fair value of the shares held as collateral, or $275,246, as well as the shares already released, as film costs.

Second Quarter Ended December 31, 2012:

Between October 1, 2012 and December 31, 2012, the Company issued 506,797 common shares at an average price of $5.73 per share.

153,777	common shares were issued in satisfaction of film debt totaling $403,809, with an average conversion price of $2.63 per share.
140,000	common shares were issued to Peter Hoffman, based on a market share price of $8.50 per share in exchange for debt of $1,190,000. As the shares will be in substance repurchased and the debt reinstated at a point in the future, the shares were accounted for as if issued for no consideration (Note 3).
69,091	common shares were issued at $14.50 per share upon conversion of 38,000 Series B preferred shares
60,564	common shares were issued in satisfaction of various convertible loans totaling $133,537 at an average

	conversion price of $2.20 per share.
35,456	common shares were issued at $1.20 per share in satisfaction of $42,723 of 807 Esplanade loans
34,075	common shares were issued at $0.92 per share in satisfaction of $31,232 of expenses
7,833	S-8 common shares were issued for consulting services totaling $82,500 at $10.53 per share
6,000	common shares were issued to David Furth, a director, at a price of $3.00 per share
506,796	Total shares issued in the quarter

Warrants and Options

On December 17, 2012, the Company declared a warrant dividend to those persons beneficially owning its common stock as of the close of the markets on August 31, 2012. For every ten pre- reverse split shares of common stock held as of such date and time, the holders thereof will be entitled to receive one warrant as a dividend, exercisable at $1.50 per post-reverse split share (a "Warrant Share"), which expire on June 30, 2014. The warrants fair value was determined using the Black Scholes Merton Model. The fair value of $480,371 has been recognized on the accompanying financial statement in Accumulated Deficit and Warrant Dividend to be distributed.

First Quarter Ended September 30, 2012

On August 31, 2011, NASDAQ approved the substitution of one share of SAE stock for the Company's NASDAQ listing, effective at the opening of trading on September 1, 2011. On that date, each of the Company's ordinary shares were exchanged for one share of common stock of SAE, and commenced trading on NASDAQ as the successor to the Company's NASDAQ listing. This transaction was approved by the Company's shareholders at the Company's Extraordinary General Meeting on June 11, 2010.

During the three months ended September 30, 2012, Company issued 48,534 shares at an average price of $56.58 per share in satisfaction of $2,446,219 of outstanding loans payable and accrued interest and 171 shares for $300,000 cash.

5,161	common shares were issued in partial payment of the Palm debt to the value of $133,500 at an average conversion price of $25.87 per share.
21,161	common shares were issued in satisfaction of the Schism debt of $646,374 at an average conversion price of $30.55 per share
9,654	common shares were issued in satisfaction of various convertible loans totaling $586,114 converted at an average conversion price of $60.71 per share.
1,814	common shares were issued for expenses totaling $179,800 for the music company at $99.12 per share
894	S-8 common shares were issued for consulting services totaling $54,200 at $60.63 per share
4,883	common shares were issued for general expenses totaling $357,232 provided under the 3a9 authority at $73.16 per share.
1,514	common shares were issued to lenders as fees for loan arrangements of $159,000 at $105.02 per share
1,714	common shares were issued as collateral for a loan totaling $180,000 at $105.02 per share
171	common shares were issued for $300,000 cash at $1,754.39 per share
1,612	common shares were issued to cover 807 Esplanade construction fees totaling $150,000 at $93.05 per share
(44)	adjustment for reverse split shares
48,534	Total shares issued in the quarter

Warrants and Options:

During the year ended June 30, 2012, the Company issued 1,429 options to the seven members of the board of directors. These options have a five year term and a strike price equal to the closing price of the Company's stock at the date of issue. Each director was issued 5,714 options with a strike price of $30.80 on October 14, 2011 and 714 options with a strike price of $27.30 on December 6, 2011. Half of the options vested on December 31, 2011 and the remaining half vested on December 31, 2012.

During the quarter ended June 30, 2012, the Company issued 28,571 options to David Michery in conjunction with his employment agreement with the Company. These options have a strike price of $12.60 and vest and shall be exercisable in equal monthly installments over the term of his employment agreement, which is February 22, 2012 through December 31, 2016. The Company measures compensation expense related to stock options with the Black Scholes option pricing model, and

recognizes expense over the vesting period. The employment agreement was terminated as part of the settlement agreement with Mr. Michery.

During the quarter ended June 30, 2012, the Company has agreed to issue 714 options per year to Jake Shapiro in conjunction with his employment agreement with the Company. These options have a strike price equal to the closing price of the Company's stock at the date of issue, with the exception of the first year, which the strike price was set at $55.30 per share. The Company measures compensation expense related to stock options with the Black Scholes option pricing model, and recognizes expense over the vesting period. The employment agreement was terminated as part of the settlement agreement in May 29, 2013, with Big Jake Music.

On June 29, 2012, 119,048 warrants were issued to JMJ Financial. These options have a strike price of $2.10.

No warrants or options have been exercised through June 30, 2014.

NOTE 11 – NON-CONTROLLING INTEREST

The Company's subsidiary SAFELA is owned 60 % by the Company and 40% by another party. Accordingly, the subsidiary is included in the consolidated financial position and results of operations of the Company, with recognition of the non-controlling interest separately in the Statement of Operations and from the equity of the Company's shareholders on the balance sheet.

The activity of the non-controlling interest as of June 30, 2014 is as follows:

Non-controlling interest at June 30, 2013	$	353,530
Non-controlling interest's proportionate share of Net loss for the year ended June 30, 2014		784,941
Non-controlling interest at June 30, 2014	$	1,138,471

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Fireworks Litigation

The Company obtained summary judgment on February 10, 2011 in an action in Ontario Superior Court, Canada, against CanWest Entertainment and two of its affiliates ("CanWest") confirming the Company's ownership of five motion pictures Rules of Engagement, An American Rhapsody, Who Is Cletis Tout, Onegin, and The Believer, (the "Copyrights"). CineVisions v. Fireworks International, No. 03-CV-247553 CM2. The Company has filed on September 7, 2011, an action in the High Court of England and Wales on September 7, 2011 against Content Media Corporation ("Content") and Paramount Picture Corp. ("Paramount") to recover the Copyrights and substantial damages for the use of the copyrighted works after their purported acquisition from CanWest. Seven Arts Filmed Entertainment v. Content Media Corp. No. HC11CO3046. The Company may incur up to $200,000 in legal expenses to pursue this claim but expects to recover those fees from Content. The Company's motion for summary judgment against Content in the United Kingdom was denied on March 18, 2013, but the dismissal did not consider the merits of the Company's claims, only that Content was not bound by the Canadian judgment. The Company has also filed on May 27, 2011 an action in United States District Court in Los Angeles, California against Paramount Pictures for infringement of the Copyrights. Seven Arts Filmed Entertainment v. Paramount Pictures Corp. No. CV 11-04603. This action was dismissed on October 3, 2012 by the District Court based on a claimed application of the statute of limitation and the judgment was affirmed on appeal to the Ninth Circuit No, 11-56759, on November 6, 2013.

Arrowhead Target Fund

Seven Arts Future Flow I ("SFF"), a limited liability company owned by SAP Inc., a company previously controlled by Mr. Hoffman, obtained financing from the Arrowhead Target Fund, Ltd. ("Arrowhead") of approximately $8,300,000 (the "Arrowhead Loan"). SFF secured the Arrowhead Loan with liens on 12 motion pictures. The Company's only liability is to repay the Arrowhead Loan from the proceeds of the film assets pledged against the Arrowhead Loan. The Company is not required to repay the Arrowhead Loan from any of its other assets or revenues. SAE's subsidiary, SAFE, Ltd. was the collateral agent of the film assets.

The Arrowhead Loan became due in February 2009 and SFF has not paid the outstanding principle and interest due thereon. Arrowhead has the right to foreclose on the pledged film assets, but has not done so at the present time. SFF has received a default notice to this effect and as a result Arrowhead is now collecting directly all sums receivable by the Company with respect to these motion pictures, and has appointed a new servicing agent for these motion pictures with the result that the Company no longer controls the licensing of these motion pictures. Failure to repay or refinance the Arrowhead Loan could

result in a material disposition of assets through the loss of the Company's rights to the twelve motion pictures and related loss of revenues in amounts that are difficult to predict. Arrowhead filed an action on September 22, 2010 in New York Supreme Court, New York, New York, Arrowhead Target Fund v. Hoffman No. 657481/2010, which seeks recovery from the Company of the monies which the Company has retained under its interpretation of the relevant agreements with Arrowhead. In addition, Arrowhead makes substantial additional claims against the Company, Mr. Hoffman and SAP Inc. regarding claimed breaches of the terms of the operative agreements, including failure to properly account, failure to turn over materials, failure to remit monies collected, and similar matters. The claims against the Company for these breaches of warranties for damages are $8,300,000 although Arrowhead states no basis for this amount.

The Company had moved to dismiss the action against all defendants other than Seven Arts Future Flows I LLC, which is not part of the Company. On August 9, 2011, the New York Supreme Court granted the Company's motion and dismissed all defendants except Seven Arts Filmed Entertainment Limited in its capacity as a collateral agent, which is not a material element of Arrowhead claim. The Company continues to believe that Arrowhead's claims against the Company are without substantial merit.

Arrowhead has purported to amend its claim against the Company and the other defendants. The Company has moved for dismissal of these claims on the same grounds. A former counsel for SAFE and Mr. Hoffman failed to appear at a hearing and the Court orally entered default against SAFE and Mr. Hoffman on October 7, 2013, both of whom have moved to vacate the order for the motion to dismiss based on lack of personal jurisdiction on the merits which motion is currently pending. The Company continues to believe that Arrowhead's claims against the Company are without merit and will vigorously defend. The maximum contingent liability for this claim is approximately $1,250,000.

Arrowhead Capital Partners – ACG Loan

PLC, SAP and SAFE, and several special purpose companies formed by SAP were named as defendants in an action by Arrowhead Capital Partners Ltd filed in the Supreme Court of New York County of New York State served on May 24, 2010, seeking to collect $1,000,000 plus interest (the "ACG Loan") due to Arrowhead Consulting Group LLC ("ACG") as well as foreclosure on the collateral granted as part of the Cheyne Loan described above in Note 13 under "Production Loans". Arrowhead Capital Finance v. Seven Arts Pictures, No. 601199/10. The ACG Loan is fully subordinated to repayment of the Cheyne Loan, which has not been repaid, and a subsidiary of the Company has been assigned all Cheyne's rights under the subordination provision of the Cheyne Loan. ACG and the Company filed our motion for summary judgment which resulted in summary judgment in favor of ACG against SAFE, SAP and the special purpose companies. That summary judgment was affirmed on appeal to the New York Court of Appeals. Arrowhead has since filed on July 18, 2014 in New York Supreme Court claiming the Company is a "successor" of PLC or SAFE and liable for the summary judgment. The Company removed this action to Federal District Court for the Southern District of New York on August 14, 2014 and has filed a motion to dismiss for lack of personal jurisdiction. The Company has not accrued a loss contingency on this matter. Any claim against SAFE will be subject to the liquidation proceedings of SAFE under the law of the United Kingdom. The maximum contingent liability for this claim is approximately $2,500,000.

Litigation Regarding Louisiana Tax Credits

SAPLA, controlled by Mr. Hoffman's wife, filed legal action in the 19th District Court in Baton Rouge, Louisiana in August, 2013 to require the Louisiana Department of Economic Development to certify the tax credits due SAPLA, the proceeds of which had been assigned to the Company. This action is currently pending. SAPLA has filed a separate action against the Louisiana Department of Revenue to require it to recognize the transfer of the Louisiana historic rehabilitation credits approved in the Part 3 Approval discussed in Note 4 above. The Company has no further responsibility for legal fees to obtain this tax credit and there is no contingent liability to the Company for this litigation. On August 28, 2014, Palm Finance Corp. acquired SAPLA and took responsibility for this litigation. The Company has no further interests in these potential tax credits.

Parallel Action

On June 28, 2011, Seven Arts Pictures Plc. ("PLC") filed an action in the High Court of England against Parallel Media LLC ("Parallel") to collect sums due to PLC with respect to acquisition of distribution rights in Russia to four motion pictures and to confirm Parallel's obligations under both a signed and unsigned investment agreement with respect to the motion picture project Winter Queen. On the same day Parallel filed a petition to wind up and liquidate PLC in the Companies Courts of England based on its claim of repayment of $1,000,000 of investment made by Parallel in Winter Queen. PLC is no longer part of the Company.

On September 19, 2011, Parallel filed a new action against PLC and SAE in the Superior Court of California in Los Angeles, asserting the same claims as in the winding up petition and seeking to enjoin the proposed administration proceedings in England. Parallel Media v. Seven Arts Entertainment, No. SC114182. A request for a preliminary injunction was denied by the Superior Court. Parallel was permitted to pursue a claim in the Los Angeles Superior Court for alleging that the Asset Transfer Agreement dated July 1, 2011 between PLC and the Company ("ATA") was not for fair consideration. Parallel's motion for summary judgment has been denied. The Company believes that a favorable decision by the liquidator as discussed above will resolve this action in the Company's favor. The Company has not accrued for a loss contingency in this matter. The potential loss to the Company could be between $1 million and $1.75 million.

The liquidator has been advised in a letter from its counsel dated October 10, 2013, that the Company may be obligated to reimburse the liquidator for additional shares of the Company's common stock by reason of the reduction in the value of the Company's common stock issued to PLC pursuant to the ATA, from July 1, 2010 to August 31, 2011. The Company had previously offered to the liquidator to make such an adjustment in the consideration paid pursuant to the ATA. The Company intends to negotiate an amicable resolution of this issue with the liquidator which counsel believes should resolve any claims by Parallel. The Company believes the maximum contingent liability for this claim is $750,000 of the Company's Series C Preferred Stock.

HMRC Investigation

On July 19, 2011 Officers of Her Majesty's Revenue & Customs ("HMRC") attended the offices of Seven Arts Pictures Plc. (the "Company") in London. Documents were retained appertaining to arrangements involving the subscription for shares in a number of companies which had lost value, resulting in subscribers making claims to tax relief.

The Company's participation in these transactions was limited to the Company's predecessor's transfer of rights to certain motion pictures to the investors in return for their investments in the production and release costs of those pictures and making available the provision of loans to fund a portion of those investments. The Company received no tax benefits from the transactions, which were made on arms-length terms. The Company believes that it is not a subject of the HMRC investigation.

In connection with the transactions, the Company did not make any representations or warranties to any party, including the investors, regarding any potential tax benefits related to the transactions. Prior to the closing of the transactions the investors obtained and made available to the Company, an opinion of prominent Queen's counsel, specializing in United Kingdom tax laws, that the transactions were permitted and acceptable under the terms of the applicable United Kingdom revenue laws. The Company remains confident that the transactions were permitted and acceptable under the terms of the applicable United Kingdom revenue laws.

HMRC has requested and completed interviews with three officers of PLC to discuss whether those officers were involved in the arrangements for subscription of shares in the relevant companies. PLC is fully cooperating with the investigation. PLC believes there is no basis for any claim of responsibility of any of its officers or employees. Based on facts currently known by PLC, there is no need for it to record a contingent liability in its financial statements in connection with the investigation or the related transactions.

Prodigy Distribution Actions. On June 25, 2014, Prodigy Distribution Inc., controlled by Jay Firestone, filed in United States District Court for the Central District of California a declaratory relief action against the Company and several other persons setting a declaration that it owns all distribution rights and copyright to the motion picture "Schism" currently distributed by the Company. No. 14-CV-04963. The Company has amended the complaint and believes it has meritorious defenses to the allegations thereof. There is no contingent liability for this action seeking on declaratory relief.

Commitments:

Employment agreements

We had an employment agreement with Peter Hoffman which terminated on August 22, 2014.

We had an employment agreement with Kate Hoffman which terminated on August 22, 2014.

Leases – 807

The Company, through its subsidiary SAFELA, has a sublease on the property at 807 Esplanade, New Orleans, Louisiana, which houses the post-production facility. The sublease is with 808 Esplanade Ave MT, LLC, and unrelated party, who leases

the property through a master lease with SAPLA. The term of the lease is for 30 years, terminating on December 31, 2024, with annual rent of $110,000.

Lease – West Hollywood

The Company has entered into a lease for their West Hollywood office which commenced on January 1, 2011 and terminates on December 31, 2016, with a monthly base rent of approximately $2,650. The Company has the option to extend the lease period for one five year period. The base rent shall increase annually by the Consumer Price Index, but in no case to be less than 3% or greater than 6%.

NOTE 13 – FAIR VALUE MEASUREMENTS

Cash, accounts receivable, accounts payable and other accrued expenses and other current assets and liabilities are carried at amounts which reasonably approximate their fair values because of the relatively short maturity of those instruments.

ASC 820, "*Fair Value Measurements and Disclosures*", establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of June 30, 2013 and June 30, 2012, all of the Company's financial assets and liabilities were considered current and due to the short maturity the carrying amounts are considered to approximate fair value.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent stock issuances:

The Company issued the following shares of common stock subsequent to June 30, 2014: SEE ATTACHMENT B

Palm Work Out Agreement

See Note 1 above.

Acquisition of iPTerra and Aero Networks

See Note 1 above.