# QUARTERLY REPORT

**For the Period Ended December 31, 2016**

**Pursuant to Rule 15c2-(11)(a)(5)**

# AIRWARE LABS CORP.

**Dated: February 10, 2017**

All information contained in this Quarterly Report has been compiled to fulfill the disclosure requirements of Rule 15c2-11 (a)(5) promulgated under the Securities and Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the rule.

# <u>AIRWARE LABS CORP.</u>
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# AIRWARE LABS CORP.

## Quarterly Disclosure Statement

All information contained in this Quarterly Report has been compiled to fulfill the disclosure requirements of Rule 15c2-11 (a)(5) promulgated under the Securities and Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the rule.

No dealer, salesman or any other person has been authorized to give any information or to make any representations not contained herein in connection with the Issuer. Any representations not contained herein must not be relied upon as having been made or authorized by the Issuer.

Delivery of this information does not imply that the information contained herein is correct as of any time subsequent to the date of this Annual Report.

### ITEM 1. THE EXACT NAME OF THE ISSUER AND ITS PREDECESSORS

Airware Labs Corp. (hereinafter referred to as "Airware Labs," "Issuer" or the "Company")

The names and history of the Issuer's predecessors:

The Company was incorporated in the state of Delaware under the name Crown Dynamics Corp on June 15, 2010. On October 26, 2012, the Articles of Incorporation were amended to reflect a name change to Airware Labs Corp.

On March 20, 2012, through an equity exchange agreement, the Company acquired all of the issued and outstanding stock of Airware Holdings, Inc., a Nevada corporation ("Airware"), in exchange for shares of the Company's newly-issued common stock. Airware Holdings, Inc. was formed in February 2010 and is a non-prescription medical products company.

### ITEM 2. ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES

**Airware Labs Corp.**
7377 East Doubletree Ranch Road, Suite 260
Scottsdale, AZ 85258
Phone: 877-876-4868
Website: www.airwarelabscorp.com

**Investor Relations Firm:**
None

### ITEM 3. SECURITY INFORMATION

Trading symbol

The Company's trading symbol is AIRW.

The Company's CUSIP

CUSIP for common stock is 00951F105.

Par of Stated Value:

Common Stock – Par Value $0.0001

Shares Authorized:

The Company is authorized to issue Two Hundred Million (200,000,000) shares of common stock.

Shares Outstanding:

*Common Stock*

| | | |
|---|---|---|
| (i) | Period End Date: | December 31, 2016 |
| (ii) | Number of shares authorized: | 200,000,000 |
| (iii) | Number of shares outstanding: | 148,251,127 |
| (iv) | Freely tradable shares (public float): | 16,087,900 |
| (v) | Total number of shareholders of record: | 150 |

**Transfer Agent**

Nevada Agency and Transfer Company
50 W. Liberty St., Suite 880
Reno, NV 89501
Phone: (775) 322-0626

Restrictions on the transfer of any security:
None

Describe any trading suspension orders issued by the SEC in the past 12 months:
None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:
None

## ITEM 4. ISSUANCE HISTORY

To the best knowledge of the present management of the Company, the list identified below identifies all events, in chronological order, that resulted in changes in total shares outstanding by the Company (1) within the two-year period ending on the last day of the Company's most recent fiscal year and (2) since the last day of the Company's most recent fiscal year.

**For the quarter ended December 31, 2016,** the Company had no issuances of common stock.

Subsequent to the quarter ended December 31, 2016, the Company has issued 1,322,916 shares of common stock. On January 31, 2017, the Company issued 1,106,00 shares of common stock to our primary debt holder as payment for interest on loans to the Company for September 2016 through January 2017. The Company also issued 216,916 shares of common stock for the payment of consulting services rendered to the Company between October 1, 2015 and June 30, 2016.

**For the quarter ended September 30, 2016,** a total of 70,516,469 shares of common stock were issued. The following is a breakdown of those issuances:

On August 16, 2016, the Company issued 2,740,494 shares of common stock to our primary debt holder as payment for interest on loans to the Company for April through July 2016. The Company also issued 104,258 shares of common stock for the payment of consulting services rendered to the Company between October 1, 2015 and June 30, 2016.

On September 30, 2016, the Company issued 701,200 shares of common stock to our primary debt holder as payment for interest on loans to the Company for August 2016. Additionally, the Company issued 1,036,451 shares of common stock for the payment of services to the Company. The Company also issued 65,934,066 shares of common stock to our primary debt holder in exchange for the conversion of $3,000,000 in debt.

**For the quarter ended June 30, 2016,** a total of 757,117 shares of common stock were issued. The following is a breakdown of those issuances:

On April 7, 2016, the Company issued 681,200 restricted shares of common stock to a related party as payment for interest on loans to the Company for March 2016, at a cost basis of $0.05 per share. Additionally, the Company issued 75,917 restricted shares of common stock to two individuals as consideration for an invoice owed to their design company for services rendered to the Company at a cost basis of $0.15 per share.

**For the quarter ended March 31, 2016,** a total of 2,547,587 shares of common stock were issued. The following is a breakdown of those issuances:

On March 15, 2016, the Company issued 1,930,087 restricted shares of common stock to a related party as payment for interest on loans to the Company for December 2015 through February 2016, at a cost basis of $0.05 per share. Additionally, the Company issued 100,000 restricted shares of common stock to a shareholder at a cost basis of $0.10 per share pursuant to a subscription agreement dated January 29, 2016. The Company also issued 517,500 restricted shares of common stock to a shareholder at a cost basis of $0.20 per share pursuant to a Subscription Agreement dated April 10, 2015.

**For the quarter ended December 31, 2015,** a total of 2,219,671 shares of common stock were issued. The following is a breakdown of those issuances:

On November 5, 2015, the Company issued 641,200 restricted shares of common stock to a related party as payment for interest on loans to the Company for September 2015, at a cost basis of $0.05 per share.

On December 31, 2015, the Company issued 1,282,400 restricted shares of common stock to a related party as payment for interest on loans to the Company for October and November 2015, at a cost basis of $0.05 per share. Additionally, the Company issued an aggregate 200,000 restricted shares of common stock to two shareholders at a cost basis of $0.10 per share pursuant to two subscription agreements dated between December 3, 2015 and December 14, 2015, and 96,071 restricted shares of common stock as compensation to a consultant for services rendered to the Company between April 1, 2015 and September 30, 2015. The shares were valued at the average trading price over the period of service, which approximated fair value, in the amount of $12,750.

**For the quarter ended September 30, 2015,** a total of 5,102,606 shares of common stock were issued. The following is a breakdown of those issuances:

On July 9, 2015, the Company issued an aggregate of 1,892,106 restricted shares of common stock to a related party as payment for interest in the months of April-June, totaling $94,605, on loans to the Company. Additionally, the Company issued 78,100 restricted shares of common stock in settlement of amounts owed to a consultant for services rendered to the Company, with a grant date fair value of $19,525.

On August 26, 2015, the Company issued 641,200 restricted shares of common stock to a related party as payment for interest on loans to the Company for July 2015, at a cost basis of $0.05 per share.

On September 30, 2015, the Company issued 641,200 restricted shares of common stock to a related party as payment for interest on loans to the Company for August 2015, at a cost basis of $0.05 per share. Additionally, the Company issued an aggregate 1,850,000 restricted shares of common stock to three shareholders at a cost basis of $0.10 per share pursuant to a three subscription agreements dated between August 11, 2015 and September 4, 2015.

**For the quarter ended June 30, 2015,** a total of 973,957 shares of common stock were issued. The following is a breakdown of those issuances:

On April 28, 2015, the Company issued 629,987 restricted shares of common stock as payment for interest totaling $31,499 on loans to the Company for March 2015. Additionally, the Company issued 250,000 restricted shares of common stock to one shareholder for proceeds of $50,000 pursuant to a subscription agreement dated April 10, 2015. The Company also issued 93,970 restricted shares of common stock with a grant date fair value of $12,000 as compensation to a consultant for services rendered to the Company between January and March 31, 2015.

**For the quarter ended March 31, 2015,** a total of 1,865,238 shares of common stock were issued. The following is a breakdown of those issuances:

On January 28, 2015, the Company issued 599,987 restricted shares of common stock as payment for interest on loans to the Company for December 2014, at a cost basis of $0.05 per share. Additionally, the Company issued 591,600 restricted shares of common stock as payment for interest on loans to the Company for January 2015, at a cost basis of $0.05 per share. The Company also issued 82,051 restricted shares of common stock as payment for services rendered to the Corporation from October 31, 2014 to December 31, 2014, at a cost basis of $0.15 per share.

On March 17, 2015, the Company issued 591,600 restricted shares of common stock as payment for interest on loans to the Company for February 2015, at a cost basis of $0.05 per share.

**For the quarter ended December 31, 2014,** a total of 2,012,103 shares of common stock were issued. The following is a breakdown of those issuances:

On October 10, 2014, the Company issued 541,600 shares of restricted common stock as payment for interest on loans to the Company for September 2014, at a cost basis of $0.05 per share.

On November 12, 2014, the Company issued 250,000 restricted shares of common stock to one holder pursuant to a Consulting Agreement dated October 13, 2014, at a cost basis of $0.20 per share. The Company also issued 576,653 shares of restricted common stock as payment for interest on loans to the Company for October 2014, at a cost basis of $0.05 per share. Additionally, the Company issued 72,250 restricted shares of common stock to one holder as compensation for services rendered to the Corporation from July 1, 2014 to September 30, 2014, at a cost basis of $0.166 per share.

On December 4, 2014, the Company issued 571,600 shares of restricted common stock as payment for interest on loans to the Company for November 2014, at a cost basis of $0.05 per share.

## ITEM 5. FINANCIAL STATEMENTS

### AIRWARE LABS CORP. AND SUBSIDIARY
### UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | December 31, 2016 | September 30, 2016 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 36,913 | $ 26,709 |
| Accounts receivable | - | 44,352 |
| Inventory | 8,239 | 5,704 |
| Prepaid expenses and other current assets | 3,085 | 5,921 |
| Total current assets | 48,237 | 82,686 |
| **Other Assets:** | | |
| Property and equipment, net | 2,288 | 4,142 |
| Deposits | 2,387 | 2,387 |
| **Total Assets** | $ 52,912 | $ 89,215 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 1,692,958 | $ 1,692,057 |
| Accrued interest - related parties | 59,191 | 43,215 |
| Accrued interest | 2,144 | 2,044 |
| Accrued expenses | 77,809 | 89,744 |
| Notes payable to former officer | 8,788 | 8,788 |
| Convertible note payable | 5,000 | 5,000 |
| Convertible notes payable to related parties - current portion, net of discount | 373,068 | 321,530 |
| Total current liabilities | 2,218,958 | 2,162,378 |
| Total liabilities | 2,218,958 | 2,162,378 |
| **Commitments and Contingencies** | | |
| **Stockholders' Deficit:** | | |
| Common stock, par value $.0001 per share, 200,000,000 shares authorized; 148,251,127 shares issued and outstanding at December 31, 2016 and September 30, 2016 | 14,825 | 14,825 |
| Common stock to be issued, 133,916 shares at December 31, 2016 and September 30, 2016 | 13 | 13 |
| Additional paid-in capital | 37,873,132 | 37,873,132 |
| Accumulated deficit | (40,054,016) | (39,961,133) |
| Total stockholders' deficit | (2,166,046) | (2,073,163) |
| **Total Liabilities and Stockholders' Deficit** | $ 52,912 | $ 89,215 |

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

## AIRWARE LABS CORP. AND SUBSIDIARY
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended | |
| --- | --- | --- |
| | **December 31, 2016** | **December 31, 2015** |
| Revenues, net | $ 10,558 | $ 104,874 |
| Cost of products sold | 5,033 | 56,185 |
| Gross profit | 5,525 | 48,689 |
| Operating expenses | | |
| General and administrative | 29,475 | 188,987 |
| Sales and marketing | 1,148 | 11,261 |
| Total expenses | 30,623 | 200,248 |
| Loss from operations | (25,098) | (151,559) |
| Other expense | | |
| Interest expense | (67,785) | (244,352) |
| Total other expense | (67,785) | (244,352) |
| Loss before income taxes | (92,883) | (395,911) |
| Income tax expense | - | - |
| Net loss | $ (92,883) | $ (395,911) |
| Basic and diluted net loss per common share | $ (0.00) | $ (0.01) |
| Basic and diluted weighted average common shares outstanding | 148,251,127 | 72,624,706 |

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

## AIRWARE LABS CORP. AND SUBSIDIARY
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended | |
|---|---|---|
| | December 31, 2016 | December 31, 2015 |
| **Operating Activities:** | | |
| Net loss | $ (92,883) | $ (395,911) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,854 | 2,491 |
| Common stock issued for services | - | 12,750 |
| Options and warrants issued for services | - | 27,949 |
| Interest expense from amortization of debt discount | 51,538 | - |
| Stock issued for payment of interest on convertible notes - related party | - | 243,656 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 44,352 | - |
| Inventory | (2,535) | 12,855 |
| Prepaid expenses | 2,836 | 5,404 |
| Accounts payable | 901 | 39,762 |
| Accrued interest | 16,076 | 527 |
| Accrued expenses | (11,935) | (7,145) |
| **Net Cash Provided by/(Used in) Operating Activities** | 10,204 | (57,662) |
| **Investing Activities:** | | |
| Purchases of property and equipment | - | - |
| **Net Cash Used in Investing Activities** | - | - |
| **Financing Activities:** | | |
| Stock and warrants issued for cash | - | 54,400 |
| Repayment of notes payable | - | (11,875) |
| **Net Cash Provided by Financing Activities** | - | 42,525 |
| **Net (Decrease)/Increase in Cash** | 10,204 | (15,137) |
| **Cash - Beginning of Period** | 26,709 | 41,745 |
| **Cash - End of Period** | $ 36,913 | $ 26,608 |
| **Supplemental disclosure of cash flow information:** | | |
| **Interest paid in cash** | $ - | $ - |
| **Income taxes paid in cash** | $ - | $ - |

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

**AIRWARE LABS CORP. AND SUBSIDIARY**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**

## 1. Summary of Significant Accounting Policies and Use of Estimates

*Basis of Presentation and Organization*

Airware Labs Corp. ("Airware Labs" or the "Company"), formerly Crown Dynamics Corp., is a Delaware corporation. The Company was incorporated under the laws of the State of Delaware on June 15, 2010. On October 26, 2012, the Articles of Incorporation were amended to reflect a name change to Airware Labs Corp.

On March 20, 2012, through an equity exchange agreement, the Company acquired all of the issued and outstanding stock of Airware Holdings, Inc., a Nevada corporation ("Airware"), in exchange for shares of the Company's newly-issued common stock. Airware Holdings, Inc. was formed in February 2010 and is a non-prescription medical products company. The principal business purpose of the Company is to develop, manufacture and distribute breathing solutions that address major respiratory challenges impacting human health.

*Unaudited Interim Financial Statements*

The interim condensed consolidated financial statements of the Company as of December 31, 2016 and 2015, and for the periods then ended, are prepared in accordance with the instructions to Form 10-Q. Accordingly, the accompanying condensed consolidated financial statements and notes thereto do not reflect all disclosures required under accounting principles generally accepted in the United States (U.S. "GAAP"). However, in the opinion of management, the interim financial statements include all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the Company's financial position as of December 31, 2016 and the results of its operations and its cash flows for the periods ended December 31, 2016 and 2015. These results are not necessarily indicative of the results expected for the fiscal year ended September 30, 2017.

*Principles of Consolidation*

The accompanying condensed consolidated financial statements include the accounts of Airware Labs Corp and its wholly owned subsidiary, Airware Holdings, Inc. Intercompany balances and transactions have been eliminated.

*Accounting Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates. Significant estimates of the Company include accounting for depreciation and amortization, deferred income taxes, accruals and contingencies, inventory reserves, estimates for customer returns, the fair value of common stock and the estimated fair value of stock options and warrants.

*Cash and Cash Equivalents*

The Company considers all highly liquid instruments purchased with a remaining maturity of three months or less to be cash equivalents.

*Inventory*

Inventory is mostly held by a third party, consists of finished goods and is stated at the lower of cost, determined by the first-in, first-out method, or market.

*Property and Equipment*

Property and equipment are recorded at cost. Depreciation is provided for on the straight-line method, over the estimated useful lives of the assets. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred. Gains and losses on the disposition of property and equipment are recorded in the period incurred. Production molds owned by the Company are capitalized and are included in manufacturing equipment. Pre-production design and development costs are expensed as incurred.

The estimated useful lives of property and equipment are:

- Manufacturing equipment — 2-3 years
- Office furniture and equipment — 5-7 years

*Revenue Recognition*

The Company recognizes revenue on the sale of products at the time of delivery and acceptance. Delivery is generally FOB destination. At the time of delivery, the following have occurred:

- Evidence of delivery;
- A price per unit has been determined; and
- Collectability has been reasonably assured.

Revenues are recorded net of returns and co-operative advertising costs.

*Income Taxes*

The Company accounts for income taxes under FASB ASC 740, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

*Net Loss per Share*

Basic earnings per share does not include dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Dilutive securities are not included in the weighted average number of shares when inclusion would be anti-dilutive. Due to the net losses for the periods ended December 31, 2016 and 2015, basic and diluted loss per common share were the same, as the effect of potentially dilutive securities would have been anti-dilutive.

As of December 31, 2016, there were total shares of 17,892,455 issuable upon conversion of notes payable and the exercise of warrants and options that were not included in the earnings per share calculation as they were anti-dilutive.

## 2. Going Concern

The Company has incurred losses since inception and requires additional funds for future operating activities. The Company's selling activity has not reached a level of revenue sufficient to fund its operating activities. These factors create an uncertainty as to how the Company will fund its operations and maintain sufficient cash flow to operate as a going concern. The combination of these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to meet its cash requirements in the next year is dependent upon obtaining additional financing and achieving improved sales levels. If this is not achieved, the Company may be unable to obtain sufficient cash flow to fund its operations and obligations, and as a result there is substantial doubt the Company will be able to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, and accordingly, do not include any adjustments relating to the recoverability and classification of recorded asset amounts; nor do they include adjustments to the amounts and classification of liabilities that might be necessary should the Company be unable to continue operations or be required to sell its assets.

**3. Convertible Note Payable**

The Company has a convertible note payable with a principal balance of $5,000, which was due on August 22, 2012, is unsecured, carries an interest rate of 8% and is convertible to common stock at $.50 per share.

**4. Note Payable to Former Officer**

The Company has a note payable with an original principal balance of $47,500 due to a former officer, which was due on August 1, 2016, is unsecured and carries an interest rate of 0.27%. On December 5, 2013 the Company revised the terms of the Note calling for four equal payments to begin on November 1, 2015 and ending August 1, 2016. As part of this revision, the interest rate was reduced from 2% to 0.27%. On August 1, 2016, the Company defaulted on the final payment due. At the end of September 2016, the Company made a partial payment, of which $3,087 was applied to principal, leaving a balance due of $8,788, which remains in default.

**5. Convertible Notes Payable to Related Parties**

Convertible notes payable to related parties consist of the following:

| | | |
|---|---|---|
| 12% note payable net of unamortized debt discount of $152,932, due September 30, 2017, convertible to common stock at $.08 per share, interest payments are due monthly and may be made in common stock with a conversion price of $.05 per share. Debt is secured by substantially all of the assets of the Company. | $ | 353,068 |
| The Company has a note payable due to a former advisory board member, which bears interest at 8%, was due August 26, 2012 and is convertible to common stock at $.50 per share. Interest payments were due at maturity and the note is unsecured. | | 20,000 |
| Less current portion | | (373,068) |
| | $ | - |

**6. Related Party Transactions**

As detailed in Notes 4 and 5, the Company has a note payable to its former President, a convertible note payable to a former advisory board member and another convertible note with an entity that owns a majority of our outstanding shares.

During the three months ended December 31, 2016, the Company recorded $7,500 in expense for fees due to a company owned by its CFO for her services as CFO.

During the three months ended December 31, 2016, the Company paid zero cash for interest on the related party debt.

**7. Commitments and Contingencies**

On December 22, 2011, the Company entered into a distribution agreement that provides for the issuance of common stock warrants, with an expiration date of 3 years, for the purchase of the Company's common stock in an amount equal to 15% of the total products purchased by the distributor from the Company at the invoice price against the previous year's purchases of paid invoices. The warrant price will be equal to the closing price of Airware Labs Corp.'s stock price at the anniversary date of the agreement.

The Company is in default on a convertible note payable totaling $5,000 and a convertible note payable to a related party totaling $20,000. The Company has attempted to communicate with the note holders to request extensions or conversion, but has been unsuccessful in doing so. The full balance on these notes are included in current liabilities.

As discussed in Note 4, the Company is in default on a note payable to a former officer. The principal balance due of $8,788 as of December 31, 2016 is recorded in current liabilities.

The Company entered into an office lease agreement commencing June 1, 2014 and expiring August 31, 2017. As part of the lease agreement, a concession of the first three months' rent was provided. Total rent to be paid over the course of the lease is being expensed ratably over the period of the entire lease, creating a deferred rent liability of $1,809 as of December 31, 2016.

On July 23, 2014, the Company entered into an asset acquisition agreement. The agreement includes a liquidated damages clause in the amount of $20,000 should the Company not move forward with product development within 12 months of the agreement date. This amount is reflected in accrued expenses on the Company's balance sheet as of December 31, 2016.

The Company sells the majority of its products through major distributors. The Company warrants to the distributors that the product will be free from defects in material and workmanship. The Company has determined its product warranty to be immaterial at June 30, 2016. The likelihood that the Company's estimate of the accrued product warranty claims will materially change in the near term is considered remote.

## 8. Stockholders' Deficit

*Common Stock*

During the three months ended December 31, 2016, the Company did not have any issuances of common stock.

*Warrants*

The balance of warrants outstanding for purchase of the Company's common stock as of December 31, 2016 is as follows:

| | **Common Shares Issuable Upon Exercise of Warrants** | **Exercise Price of Warrants** | **Date Issued** | **Expiration Date** |
|---|---|---|---|---|
| Balance of Warrants at September 30, 2016 | 6,239,662 | | | |
| Expired warrants | (172,028) | | | |
| Balance of Warrants at December 31, 2016 | 6,067,634 | | | |

*Stock Options*

The Company had no stock option activity during the three months ended December 31, 2016.

## 9. Significant Customer

The Company generally sells through a limited number of large distributors. The Company invoices the distributors directly as opposed to the ultimate retail store. Consequently, the Company's sales are to a small number of customers. During the three months ended December 31, 2016, sales to our primary distributor was approximately 58% of our total sales.

## 10. Subsequent Events

On January 19, 2017, the Company entered into an agreement with an entity for assistance with securing entry into the China market and gaining distribution through the entity and its strategic partners. The term of the agreement is twelve months. If the entity is successful in closing a transaction, the Company will pay a fee of 2,000,000 options priced at the closing stock price of the Company on the date of transaction close. Additionally, the Company would pay a commission of 5% of net revenue generated from the transaction.

On January 31, 2017, the Company issued 1,106,000 shares of common stock to our primary debt holder as payment for interest on loans to the Company for September 2016 through August 2017. The Company also issued 216,916 shares of common stock for the payment of consulting services rendered to the Company between October 1, 2015 and June 30, 2016. Per the vendor agreement, the shares were valued at $.075 for a total of $16,269.

## ITEM 6. ISSUER'S BUSINESS, PRODUCTS, AND SERVICES

Date and State of Incorporation

The Issuer was incorporated in the State of Delaware as Crown Dynamics Corp, on June 15, 2010.

Primary and Secondary SIC Codes

Primary: 3843

Issuers Fiscal Year End Date

The Issuer's fiscal year end is September 30.

Business Operations

***Business Summary***

To date, we primarily engage in the development, manufacture and distribution of nasal breathing devices. The Company has a portfolio of patents all related to the nasal dilator-breathing device, both filtered and non-filtered, and its use as a primary delivery mechanism through the nasal passage of therapeutic essential oils. The Company targets prospective customers such as compassionate sleeping partners, individuals with chronic sinus issues, individuals that suffer from chronic sleep disorders and individuals with allergies throughout the United States, Canada, Asia and Europe. The Company utilizes information and current studies in the development and manufacture of our products in order to help promote the health benefits of improved breathing, particularly information regarding breathing and its impact on the human body, the effects of environmental factors, and the potential benefits provided by the strategic use of therapeutic essential oils. The Company is supported by a selective group of highly experienced doctors, engineers and scientists who provide advice and information on research topics relevant to the Company's business purpose.

***Business Plan***

Airware Labs is a leader in innovative breathing technology solutions and consumer product offerings that enhance breathing. Airware products provide consumers with safe and effective methods to control their own personal breathing environment. Our filtered product also contains 3M filtration media for allergy sufferers.

Airware Labs maintains an efficient and economic corporate structure, outsourcing manufacturing and distribution through key strategic partnerships. Airware manufactures all products in China through an exclusive partnership with a factory that manufactures Airware products. Airware's corporate headquarters are located in Scottsdale, Arizona and houses the management, sales and marketing teams.

In April of 2012, Airware entered into a strategic partnership with Quest Products, Inc. ("Quest"), whereby Quest will promote and distribute the AIR® product line. Quest Products, Inc. (www.questproductsinc.com) provides turnkey solutions to Consumer Products Group ("CPG") companies looking to develop their product's distribution and sales to all classes of trade. Quest works with varying sizes of CPG companies, from inventors and entrepreneurs beginning start-up brands, to large industry leading CPG manufacturers looking to expand their reach. Quest's unique core competencies allow them to create turnkey solutions and drive new and incremental opportunities in sales for their client partners. Quest's sales team works with food, drug, and mass retailers across the USA and Canada, including Wal-Mart, Target, CVS, and Walgreens. Quest was listed as one of the fastest growing companies four years in a row by INC. Magazine.

Quest was successful in placing the AIR® product line with many of the largest online retailers, including Walgreens.com, Amazon.com, Drugstore.com, Target.com and more. Quest has also been successful in placing AIR® products in approximately 7,300 Walgreens stores located in the United States and the Company continues to receive reorders from Walgreens. Quest is presently attempting to gain distribution in other retail chains.

In March of 2014, Airware entered into a Joint Venture ("JV") with Eastar Industries in China to act as the exclusive distributor for all Airware products with an initial focus on the AIR® filters product line. Eastar Industries, a subsidiary of Eastar Chemical Corporation, focuses on Eastar's pharmaceutical and health/beauty business for China and selected Southeast Asian countries. Eastar Industries licenses patented pharmaceuticals, medical devices and unique health/beauty products from

U.S. and European companies for import to China and Southeast Asia through its local joint venture partner companies. Airware will own 18% of the JV that is formed in Hong Kong. Initial launch of AIR® PM2.5 began in December of 2014 in response to the severe pollution issues burdening most of the tier 1 cities of China. The creation of the JV entity has been put on hold as Airware evaluates new distribution options in the Asian market. Given the poor air quality and high demand for discreet and effective personal filtration devices, Airware is exploring more aggressive strategies to market in this region.

In August 2015, Airware hired Dr. Dan Cohen to assume the role of President. Dr. Cohen is the former Founder, Chairman and CEO of CNS, Inc., parent company of Breathe Right. Dr. Cohen was the driving force behind the meteoric rise of Breathe Right nasal strips, acquiring the rights to manufacture and sell the product for the medical equipment company he founded in 1982. With the successful drive to achieve FDA approval for marketing of the largely unknown product and with all of the top ten pharmaceutical wholesalers on board, Cohen launched a legendary marketing effort to generate market awareness. His efforts created an outcry of domestic and international consumer demand that rocketed CNS sales to a 77% increase as the company took the public spotlight and was named Fortune magazine's fourth fastest growing company in the U.S. in 1996. In 2006, GlaxoSmithKline acquired Breathe Right for $566 million.

Dr. Cohen is a board certified neurologist and an accomplished entrepreneur. In addition to CNS, Inc., he is also the co-founder of Round River Research Corporation and the inventor of patented technology used for stress reduction and personal development. Dr. Cohen holds numerous patents related to EEG signal processing, physiologic analysis algorithms and additional utility patents related to synchronized sound, vibration and electromagnetic fields and their effect on the body and mind.

Dr. Cohen believes the Airware Nasal filter to be the best product in the market and has engineered a strategic plan to enhance Airware's nasal filtration product line with a launch planned in 2016, which includes extensive PR, education and awareness of the product benefits and competitive advantages.

In December 2016, Airware entered into a distribution agreement with a third party that includes the current filtered product line in countries and channels that complement the current distribution program. The agreement includes an open order with forecasts and minimum sales to maintain distribution rights.

***Business Opportunity & Product Solutions***

In the US alone, there exists a multi-billion dollar market for health related breathing products. Many of these products are sold over-the-counter (OTC) and have been developed specifically to enhance nasal breathing, relieve symptoms of allergic rhinitis, reduce snoring and improve sleep. Air® products specifically target these segments of the OTC breathing products market.

The AIR**®** nasal dilator is made from FDA-approved, latex-free/adhesive-free hypoallergenic medical grade material and has passed both cytotoxicity and an intra-cutaneous reactivity testing. The product is discreet, positioned inside the nostrils, and gently expands the nasal valve regions of the nasal passages thus opening the nasal airway allowing for easier nasal breathing. Many snorers do so because they cannot effectively breathe through their nose. By opening up the nasal passages allowing for greater nasal airflow, users are able to close their mouths and thereby reduce or stop snoring. Improved nasal breathing as well as reduced snoring generally improves sleep too. Unlike nasal strips, whose sales exceed $150M, the AIR**®** product can be worn all day and night in comfort, without significantly altering appearance.

AIR® nasal products are manufactured with or without 3M's Filtration Media depending on the whether the product is designed to enhance nasal breathing alone or in addition, filter the air of particulate matter including allergens and bacteria. AIR® Allergy with 3M Filtration Media captures a larger number, and smaller size of particles, preventing them from entering the body. This in turn helps with the prevention of allergy symptoms and infection gained through airborne illnesses. The product is worn discreetly inside the nose, allowing daytime or nighttime use.

The 3M™ Air Filter Media used in Air products is uniquely constructed of permanently charged engineered fibers. These high permanent electrostatic charges allow the fibers to better capture and hold sub-micron particles, allowing particles to be effectively captured throughout the depth of the media, rather than only on the upstream surface, creating a filter that captures both a smaller sized particle, as well as an increase in the number of particles collected. The use of this filter technology in the AIR® Allergy product is the first use of the technology in this format.

***Products***

***Air® Allergy***

Air® Allergy is a discreet personal filter that helps protect you from irritating airborne allergens. Air® Allergy fits just inside the nose and uses filtration media from 3M to help stop allergens before they enter your system. Air® Allergy is also lightly infused with a blend of premium therapeutic essential oils that is shown to help reduce the symptoms associated with allergies.

**Breathe better. Feel better with Air® Allergy:**

- Helps block airborne allergens like pollen, dust and pet dander
- Filtration media from 3M
- Easy to breathe through
- Drug-free
- Infused with an essential oil blend designed to reduce allergy symptoms
- Soft, comfortable and discreet
- Latex-free

***Sleep/Snore***

Air® Sleep/Snore provides instant, drug-free relief for congestion and snoring caused by nasal breathing difficulties. It fits discreetly and comfortably just inside the nose to gently open nasal passages and increase airflow. Air® Sleep/Snore is also infused with a calming lavender essential oil blend that is shown to help reduce congestion and promote restful sleep.

**Breathe better. Sleep better with Air® Sleep/Snore:**

- Instantly relieves nasal congestion
- Clinically proven to reduce snoring
- Infused with a calming lavender essential oil blend
- Drug-free and adhesive-free
- Soft, comfortable and discreet
- Latex-free

***Competition***

Our potential competitors include large pharmaceutical and biotechnology companies, specialty pharmaceutical companies, and generic drug companies that offer products similar to ours. Many of our potential competitors have substantially greater financial, technical, and human resources than we do, as well as greater experience in the discovery and development of products and the commercialization of those products. Our competitors' products may be more effective, or more effectively marketed and sold, than any products we may commercialize and may render our products obsolete or non-competitive before we can recover the expenses of their development and commercialization. We anticipate that we will face intense and increasing competition as new products enter the market and advanced technologies become available. However, we believe that our products offer key potential advantages over competitive products that could enable our products to capture meaningful market share from our competitors.

## ITEM 7. ISSUER'S FACILITIES

The Issuer's principal offices are located at 7377 East Doubletree Ranch Road, Suite 260, Scottsdale, AZ on a lease that expires in August 2017.  Rent is $2,337 per month through the end of the lease term.

## ITEM 8. OFFICERS, DIRECTORS, AND CONTROL PERSONS

A. Officers and Directors

| | |
|---|---|
| Jeffrey Rassas | Chief Executive Officer and Director |
| Jessica Smith | Chief Financial Officer, Secretary and Treasurer |
| Dr. Daniel E. Cohen | President, Chief Medical Officer and Director |
| Ronald L. Miller Jr. | Director |

B. Involvement in Certain Legal Proceedings

None of the officers, directors, promoters or control persons of the Issuer have been involved in the past five (5) years in any of the following:

(1) A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and minor offenses);

(2) The entry of an order, judgment, or decree, not subsequently reverse, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities or bank activities;

(3) A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

(4) The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Beneficial Shareholders

***Security Ownership of Certain Beneficial Owners and Management***

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percentage of Beneficial Ownership (1) |
|---|---|---|
| **Directors and Officers:** | | |
| Jeffrey Rassas ICO (2)<br>Hayjour Family Limited Partnership<br>12689 N 120th Pl<br>Scottsdale, AZ 85259 | 4,438,043 | 2.97% |
| Jessica Smith (3)<br>7377 E Doubletree Ranch Rd Suite 260<br>Scottsdale, AZ 85258 | 563,595 | 0.38% |
| Daniel Cohen (4)<br>7377 E Doubletree Ranch Rd Suite 260<br>Scottsdale, AZ 85258 | 934,000 | 0.62% |
| Ronald L. Miller, Jr. (5)<br>7377 E Doubletree Ranch Rd Suite 260<br>Scottsdale, AZ 85258 | 650,023 | 0.43% |
| **All directors and officers as a group (4 people)** | **6,585,661** | **4.40%** |
| | | |
| **Beneficial Shareholders greater than 5%** | | |
| Stockbridge Enterprises LP (6)<br>7377 E Doubletree Ranch Rd Suite 200<br>Scottsdale, AZ 85258 | 94,736,518 | 63.34% |

(1) Applicable percentage of ownership is based on 149,574,043 shares of common stock outstanding on February 10, 2017. Percentage ownership is determined based on shares owned together with securities exercisable or convertible into shares of common stock within 60 days of February 10, 2017, for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of February 10, 2017, are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Our common stock is our only issued and outstanding class of securities eligible to vote.

(2) Jeffrey Rassas is the Company's CEO and Director. Mr. Rassas' beneficial ownership includes: 2,438,044 shares of restricted common stock and 1,999,999 shares issuable upon the exercise of stock options which have vested as of the date of this report.

(3) Jessica Smith is the Company's CFO, Secretary and Treasurer. Ms. Smith's beneficial ownership includes: 163,595 shares of restricted common stock and 400,000 shares issuable upon the exercise of stock options, which have vested as of the day of this report.

(4) Dr. Daniel Cohen is the Company's President and Director. Dr. Cohen's beneficial ownership includes: 434,000 shares of restricted common stock and 500,000 shares issuable upon the exercise of stock options, which have vested as of the day of this report.

(5) Ronald L. Miller, Jr. is a Director of the Company. Mr. Miller's beneficial ownership includes 600,000 shares issuable upon exercise of stock options which have vested as of the day of this report and 50,023 total shares purchased in May 2014. Of these shares 21,250 were purchased by Windsor Westfield Management, LLC and 21,250 shares of common stock were purchased by Chickamauga Enterprises, L.P. Both companies are indirectly controlled by Mr. Miller. The remaining 7,523 shares are held directly by Mr. Miller.

(6) Stockbridge Enterprises LP is an Arizona limited partnership controlled by Mitchell A. Saltz, Chairman and Managing Partner.

## ITEM 9. THIRD PARTY PROVIDERS

Counsel:
None

Accountant or Auditor:
D, Brooks & Associates CPA's, P.A.
319 Clematis Street, Suite 318
West Palm Beach, FL 33401

## ITEM 10. ISSUER CERTIFICATION

I, Jeffrey Rassas, certify that:

1. I have reviewed this annual disclosure statement of Airware Labs Corp.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly represent in all material respects the financial condition, results of operations and cash flows of the Issuer as of, and for, the periods presented in the disclosure statement.

Date: February 10, 2017
Signature: /s/ Jeffrey Rassas
Chief Executive Officer and Director