

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

**o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended June 30, 2019

or

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

For the transition period from _____ to _____



AFTERMASTER, INC.

(Name of Small Business Issuer as specific in its Charter)

DELAWARE

(State or other jurisdiction of
Incorporation or organization)

23-2517953

(IRS Employer
Identification No.)

**6671 Sunset Blvd., Suite 1520
Hollywood, CA 90028**

(Address of Principal Executive Offices) (Zip Code)

(310) 657-4886

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, \$.001 par value

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the Registrant was required to file such

reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant’s most recently completed first fiscal quarter: 3,652,791. Shares of Common Stock held by each officer and director and each person, to Registrant’s knowledge, who owns more than 5% or more of the Registrant’s outstanding Common Stock have been excluded because these persons may be deemed to be affiliates. The determination of affiliate status for purpose of this calculation is not necessarily a conclusive determination for other purposes.

As of October 15, 2019, the number of shares of Registrant’s Common Stock outstanding was 279,321,696.

DOCUMENTS INCORPORATED BY REFERENCE

AFTERMASTER, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Annual Report (the "Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended, and as contemplated under the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to such matters as the Company's (and its subsidiaries) business strategies, continued growth in the Company's markets, projections, and anticipated trends in the Company's business and the industry in which it operates anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. All statements herein contained in this Report, other than statements of historical fact, are forward-looking statements.

When used in this Report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," "budget," "budgeted," "believe," "will," "intends," "seeks," "goals," "forecast," and similar words and expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, operating results, and financial position. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. We caution our readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other matters expressed in the forward looking statements, including those factors described under "Risk Factors" and elsewhere herein. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Report will in fact transpire or prove to be accurate. These risks and uncertainties, many of which are beyond our control, include:

- *the sufficiency of existing capital resources and our ability to raise additional capital to fund cash requirements for future operations;*
- *uncertainties involved in growth and growth rate of our operations, business, revenues, operating margins, costs, expenses and acceptance of any products or services;*
- *uncertainties involved in growth and growth rate of our operations, business, revenues, operating margins, costs, expenses and acceptance of any products or services;*
- *volatility of the stock market, particularly within the technology sector;*
- *our dilution related to all equity grants to employees and non-employees;*
- *that we will continue to make significant capital expenditure investments;*
- *that we will continue to make investments and acquisitions;*
- *the sufficiency of our existing cash and cash generated from operations;*
- *the increase of sales and marketing and general and administrative expenses in the future;*
- *the growth in advertising revenues from our websites and studios will be achievable and sustainable;*
- *that seasonal fluctuations in Internet usage and traditional advertising seasonality are likely to affect our business; and*
- *general economic conditions.*

Although we believe the expectations reflected in these forward-looking statements are reasonable, such expectations cannot guarantee future results, levels of activity, performance or achievements. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

All references in this report to "we," "our," "us," the "Company" or "AfterMaster" refer to AfterMaster, Inc., and its subsidiary and predecessors.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

General

Corporate Background

We are a Delaware corporation, incorporated on about May 12, 1988, and traded on an over the counter market (ticker symbol OTCQB: AFTM). As of June 30, 2019, there were 279,507,995 shares of Common Stock issued and outstanding. The Company's office and principal place of business, research, recording and mastering studios are located at 6671 Sunset Blvd., Suite 1520, Hollywood, CA 90028 USA, and its telephone number is (310) 657-4886. The Company also has an office at 7825 E. Gelding Drive, Suite 101, Scottsdale, Arizona 85260 USA, and its telephone number is (480) 556-9303.

Aftermaster, Inc. ("the Company" or "Aftermaster") is an audio technology company based in Hollywood, California with additional offices in Scottsdale, Arizona. The Company's subsidiaries include Aftermaster HD Audio Labs, Inc. and MyStudio, Inc.

The Company and its subsidiaries are engaged in the development and commercialization of proprietary (patents issued and pending), leading-edge audio and video technologies and products for professional and consumer use, including Aftermaster® Audio, ProMaster™, Aftermaster Pro™, HearClearTV, the Superbar™, Aftermaster Studio Pro and MyStudio®. The Company also operates recording and mastering studios known as "Aftermaster Studios Hollywood", at its Hollywood facilities. www.aftermaster.com

The name Aftermaster was derived from our technology being used to remaster and improve audio that has already been mastered, hence "Aftermaster". Aftermaster is unique among audio processes as it greatly enhances the entire frequency range of an audio event without distortion or changing the underlying intent of the audio. The Aftermaster process is also popular for mastering previously un-mastered audio such as new recordings or live events.

Aftermaster, Inc. is an award-winning audio laboratory whose unique expertise and approach to its audio technologies and products, is rooted in its world class expertise in music related audio engineering, processing and mastering. The music industry has been responsible for the biggest breakthroughs in audio techniques, inventions and technologies for over a century. Aftermaster's team of audio engineers and music industry veterans have produced, engineered and mastered more hit records than any other audio company in the world, providing it with its leading edge expertise. The Aftermaster team includes well known industry veterans such as Ari Blitz, Pete Doell, Rodney Jerkins, Larry Ryckman, Justin Timberlake, Andrew Wuepper and Shelly Yakus. For more information visit. www.Aftermaster.com/team

Mission Statement

Aftermaster's goal is to become one of the most innovative and important audio companies in the world through the development and licensing of proprietary audio technologies, the development and sales of leading-edge consumer and professional audio electronics products and through its contributions in the production, mixing and mastering of music, television and film audio.

Year End Summary

The year ending June 30, 2019, started out very strong but ended with manufacturing challenges which significantly impacted our results for the year over the year prior. High return rates and quality and reliability issues with the Company's Aftermaster Pro product, led the Company to suspend sales in December 2018, and dismiss its manufacturer. Subsequently the Company commenced an action in the United States District Federal Court for the Central District of California against the manufacturer, Infinity Power and Controls, LLC of Rock Springs, Wyoming for \$30 million to recover direct and punitive damages.

Since suspending production, the Company undertook a complete redesign of its Aftermaster Pro unit and developed two new products, HearClear TV and the “Superbar” soundbar. The redesigned Aftermaster Pro has new features including Bluetooth, optical in/out and a handheld remote. Its sister unit “HearClearTV” is designed to significantly improve television audio for those that are hard of hearing. They will join the Aftermaster Studio Pro which is the Company’s first product aimed at industrial and commercial applications. www.aftermaster.com/products

In order to address its ongoing financing and manufacturing challenges the Company entered into a groundbreaking, multi-year, Financing, Licensing, Manufacturing and Distribution agreement with Ritika Research Labs Pvt. Ltd. of Mumbai India. Ritika is a private company which has interests in manufacturing, electronics and product distribution and marketing. The agreement calls for Ritika to finance engineering, product development, manufacturing, inventory and the marketing and distribution of all Aftermaster’s products worldwide (excluding the US and Canada). The Company will receive tiered royalty payments on worldwide sales excluding the US and Canadian markets, which are retained by the Company.

The agreement is a true milestone for Aftermaster as it provides not only high-quality manufacturing and worldwide distribution, but also the funding and engineering support for Aftermaster’s manufacturing, inventory and future product development. The capital and operational relief has been structured in return for a revenue share and equity stake to Ritika, which greatly aligns our mutual efforts in the best interests of Aftermaster’s shareholders.

In addition, the partnership is expected to provide increased financial stability for Aftermaster with less financing related dilution for shareholders as well as a significant increase in the quality and reliability of its products. The partnership will also pave the way for Aftermaster to commit the resources for its elite engineering team to develop new, groundbreaking and competitive world class audio technologies.

Over the year, the Company continued to consolidate a majority of its convertible promissory notes, with three lenders. The Company also bundled several high interest rate notes into a single note for \$900,204.45. The note carries an annual rate of 15% and is due April 30, 2021. Interest only payments are payable beginning January 2020. In addition, the Company has recently received financing commitments for what it believes to be the capital required to support its operations through to the resumption of the sales of its products.

During the year, the Company was awarded another patent relating to its Aftermaster technology. That patent was the Company’s eighth issued audio and visual related patent and is one of several patents that are filed and pending.

Business and Products

Aftermaster Consumer and Professional Electronics Products

The Company has assembled a talented, technical and design team who design and develop the Company’s consumer and professional electronics products. The first consumer electronic product to be introduced was the Aftermaster Pro, designed to dramatically improve the quality of TV audio. Aftermaster Pro is the world’s first personal audio re-mastering device and defines a new category in consumer electronics products by offering a product never before offered. Aftermaster Pro is a proprietary, first-to-market product which has no direct competition.

The number of existing televisions worldwide is substantial, and a majority of TV owners complain about their TV audio quality, especially the need to continually adjust the volume because of the difficulty in hearing dialogue in programming.

Smaller than an iPhone, the Aftermaster Pro transforms the audio of a TV to sound clearer, fuller, deeper, and more exciting. Aftermaster Pro connects easily via HDMI cables with virtually any A/V media source (i.e., cable, satellite box, etc.). Aftermaster Pro raises and clarifies TV dialogue in programming while significantly enhancing the quality of the overall audio content. This solves the longstanding need to continually adjust volume during a TV show to hear the dialogue.

Once the Company receives new inventory of its products, the Aftermaster Pro will again be for sale on HSN TV and HSN.com and other online retail outlets as well as through the Company’s own website, Aftermasterpro.com.

The Company has also developed a new portable TV audio remastering product called HearClear TV™, which is based on its Aftermaster Pro product. HearClear is aimed at people with hearing loss and will initially be available through audiological clinics www.hearclear.tv. In addition, the Company also completed the development of a product called the Superbar™ which is the Company's first soundbar product. The new Superbar™ will include Aftermaster's award winning and patented Aftermaster audio technology. The Company expects to begin manufacturing the Superbar™ late this year.

The Company has also recently designed and developed its first professional hardware product dubbed the "Aftermaster Studio Pro" which is the Company's first product designed for use in commercial audio applications. The new product is a 1 U, 19" rack-mount Aftermaster audio processor that allows a user to enhance any audio playback with Aftermaster to make any sound fuller, clearer, louder and deeper. It is expected to retail for \$3,995 and can be seen at www.aftermaster.com/products. The Company believes that the worldwide market for its new product is significant, as it can be used in potentially hundreds of thousands of facilities worldwide: radio stations, private and public recording studios, places of worship, restaurants and bars, sports facilities, high-end residential, live concerts and concert facilities, hospitals – virtually any place where a business wants the audio to sound significantly better than anything that they can currently do. The product is expected to be available for pre-sale in the near future.

Additional Aftermaster branded consumer electronics products are under development, which we expect to introduce in the coming year.

ON Semiconductor/Aftermaster Audio Chip and Software

The Company jointly developed a unique semi-conductor chip with ON Semiconductor ("ON") of Phoenix, Arizona, to commercialize its Aftermaster technology through audio semiconductor chips. ON is a multi-billion-dollar, multi-national semiconductor designer and manufacturer.

Branded the BelaSigna 300 AM chip, it is one of the smallest, high power/low voltage DSP chips available. It is small enough to fit into a hearing aid but equally effective in any size device with audio capability.

In conjunction with ON, we also completed the development of an Aftermaster software algorithm that is designed to be a standalone software product. We believe the sound quality from our algorithm provides a superior audio experience relative to other products on the market.

The algorithm and chips allow consumer product manufacturers an opportunity to offer a significantly improved and differential audio experience in their products without having to significantly change hardware and form factor designs. We hope to generate significant revenues through the sale of the ON/Aftermaster chips and software licensing.

Promaster On-line Music Mastering

Promaster is an online music mastering, streaming, and storage service designed for independent artists which utilizes proprietary audio technologies developed by Aftermaster.

Tens of millions of songs are produced, distributed and played on the Internet each month around the world by independent artists. However, many of these artists lack the financial and technical means to master, or "finish" their composition, as a professional mastering session can cost up to \$500 per song. Now, with the Promaster online platform, musicians can transmit their music directly to the Promaster HD website, where it can be mastered with Aftermaster technology for \$9.99 per song. Each user receives four different mastered versions of their song done in different styles, and they can preview 90 seconds of each version to make a decision about whether or not they want to buy it.

Promaster creates a compelling offering for those seeking to significantly enhance the quality of their music for personal use, or with intent to showcase their music in hopes of advancing their career aspirations. The service also offers additional features such as file storage. Based on the enormous addressable market for this product, we believe that with effective marketing Promaster has the potential to generate significant revenues for the Company.

www.promasterhd.com

TuneCore

Aftermaster offers both world-class, professional hands-on mastering services and instant online mastering through its Promaster brand for music, TV and film in its facilities in Hollywood, California. The Company has a partnership with TuneCore Digital Music Services to provide both professional hands-on mastering services and on-line instant mastering services through its Promaster on-line to TuneCore's customers. The Professional Mastering division is headed up by Peter Doell, one of the world's foremost mastering engineers.

Currently, TuneCore is one of the world's largest independent digital music distribution and publishing administration service. Under our agreement, Aftermaster has become the platform for both hands-on professional and online instant mastering services for TuneCore's artists on an exclusive basis. TuneCore has one of the highest artist revenue-generating music catalogs in the world, earning TuneCore Artists over a billion dollar from downloads and streams. TuneCore's music distribution services help artists, labels and managers sell their music through iTunes, Amazon Music, Spotify and other major download and streaming sites while retaining 100% of their sales revenue and rights for a low annual flat fee. TuneCore's artists have direct access to Aftermaster's world-class senior mastering engineers and unmatched technologies and can have their tracks hand mastered for a premium price or instantly electronically mastered through Aftermaster's Promaster, returned and ready for distribution. The partnership builds upon TuneCore's mission to provide independent artists with key tools to build their careers and gain broad fan exposure, by granting access to unparalleled mastering that meets the industry's highest standards.

Muzik Headphones

The Company is party to an agreement with headphone manufacturer Muzik, Inc., to license its Aftermaster technology (through both its Company's proprietary DSP chip and software application) for Muzik products. Known as the "smartphone" of headphones, award-winning Muzik has created one of the worlds most advanced wireless headphones. Muzik's proprietary voice command and multiple "hot keys" allow a user to access Spotify, Siri and connect their headphones to over 300 apps from fitness, news, and productivity to the connected home, commerce, automotive, and social media. Muzik is considered one of the most important new headphone designer and manufacturer. The Company expects its technology to be implemented in Muzik products in the future.

Recording Studios

The Company operates six recording and mastering studios in Hollywood, California, all located next to the Company's offices at the Crossroads of the World complex. The largest studio is a world-class music recording studio originally built by music legend Graham Nash and made famous by Crosby, Stills and Nash in 1977. The studio is equipped with state-of-the-art recording and mixing equipment, and it is used for both audio research and development as well as to generate revenue from rental to prominent musicians.

www.aftermaster.com/studios

Aftermaster Audio Technology

Aftermaster audio technology was created and developed pursuant to a multi-year, multi-million-dollar development effort to make digital audio sound substantially better by developing proprietary software, digital signal processing technology and consumer products. The Aftermaster Audio Labs team is comprised of a unique group of award-winning industry leaders in music, technology and audio engineering which includes Ari Blitz, Peter Doell, Rodney Jerkins, Larry Ryckman, Justin Timberlake, Andrew Wuepper and Shelly Yakus. See www.Aftermaster.com.

Our Aftermaster audio technology is an internally-developed, proprietary (patented and patents pending) mastering, remastering and audio processing technology which makes virtually any audio source sound significantly louder, fuller, deeper and clearer. Aftermaster is a groundbreaking technology which eliminates the weaknesses found in other audio enhancement and processing technologies while offering a much superior audio experience for consumer and industrial applications. We believe that our Aftermaster audio technology is one of the most significant breakthroughs in digital audio processing technology and has the potential to create significant revenues for the Company. The broad commercialization of this technology is a top priority for the Company.

As the convergence of features on consumer electronics continues, it is becoming more difficult for leading consumer electronics companies to differentiate their products. We believe that Aftermaster provides a unique and significant competitive advantage for consumer electronics manufacturers by offering their customers a superior audio experience. Aftermaster technology can be incorporated into most audio capable devices through the addition of an Aftermaster DSP chip or Aftermaster software. Such uses are intended to include phones (i.e., mobile, home, business and VoIP); headphones; televisions; stereo speakers; stereos (i.e., home, portable, commercial and automobile); and computers (i.e., desktop, laptop and tablets).

Aftermaster audio is also the only commercial audio enhancement technology available that is also used for professional music mastering because it enhances the entire frequency range without distortion or changing the underlying intent of the music. The technology has been used to master music created by some of the world's most popular artists. Further information on Aftermaster and Aftermaster products can be found at www.Aftermaster.com.

Intellectual Property and Licensing

The Company has been awarded eight patents and multiple trademarks with numerous others pending. The Company has an aggressive intellectual property strategy to protect the Aftermaster and the related technologies it has developed. We also enter into confidentiality and invention assignment agreements with our employees and consultants and confidentiality agreements with third parties. We rigorously control access to our proprietary technologies. The Company has engaged Morgan Chu of Irell and Manella, to represent its intellectual property interests along with its existing IP attorneys Farjami & Farjami LLP and Arnold Weintraub of the Weintraub Group. Mr. Weintraub serves on the Board of Directors of the Company.

Employees

As of June 30, 2019, we employed nine full-time employees. We expect to seek additional employees in the next year to handle anticipated potential growth.

We believe that our relationship with our employees are good. None of our employees are members of any union, nor have they entered into any collective bargaining agreements.

Facilities

We lease offices in Hollywood, California (located at 6671 Sunset Blvd., Suite 1520, 1518 and 1550, Hollywood, California, 90028) for corporate, research, engineering and mastering services. The lease expired on December 31, 2017 and now is on a month to month basis. The total lease expense for the facility is approximately \$20,574 per month, and the total remaining obligations under these leases at June 30, 2019, were approximately \$0.

We lease a warehouse space located at 8260 E Gelding Drive, Suite 102, Scottsdale, Arizona, 85260. The lease expired on January 31, 2019 and now is on a month to month basis. The total lease expense for the facility is approximately \$1,993 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$0.

We lease corporate offices located at 7825 E Gelding Drive, Suite 101, Scottsdale, Arizona, 85260. The lease expires on April 30, 2021. The total lease expense for the facility is approximately \$7,450 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$163,895.

We lease corporate offices located at 7825 E Gelding Drive, Suite 103, Scottsdale, Arizona, 85260. The lease expired on February 22, 2019 and the Company did not renew the lease. The total lease expense for the facility was approximately \$3,000 per month, and the total remaining obligations under this leases at June 30, 2019, were approximately \$0.

ITEM 1A. RISK FACTORS.

You should carefully consider the risk factors and other uncertainties set forth below and all other information contained in this Report, as well as the public disclosure documents incorporated by reference herein. If any of the events contemplated by the following risks actually occurs, then our business, financial condition, or results of operations could be materially adversely affected. As a result, the trading price of our Common Stock could decline, and you may lose all or part of your investment. The risks and uncertainties below are not the only risks facing our company. Additional risks and uncertainties, including those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition or operating results.

History of Operations and Dependence on Future Developments.

We are dependent upon our management, certain shareholders and investors for fundraising. We expect additional operating losses will occur until revenues are sufficient to offset our costs for marketing, sales, general and administrative and product and services development. We are subject to all of the risks inherent in establishing an early stage business enterprise. Since we have limited operations, there can be no assurance that our business plan will be successful. The potential for our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered with an early stage business and the competitive environment in which we will operate. A prospective investor should be aware that if we are not successful in achieving our goals and achieving profitability, any money invested in us will likely be lost. Our management team believes that our potential near-term success depends on our success in, manufacturing, marketing and selling our products and services. As an early stage company, we are particularly susceptible to the risks and uncertainties described herein, and we will be more likely to incur the expenses associated with addressing them. Our business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in early stages of development. These risks are particularly severe among companies in new markets, such as those markets in which we expect we will operate. Accordingly, shareholders will bear the risk of loss of their entire investment in our shares.

New Business Model.

We have a relatively new business model in an emerging and rapidly evolving market. Accordingly, this makes it difficult to evaluate our future prospects and may increase the risk that we will not continue or be successful. We will encounter risks and difficulties as a company operating in a new and rapidly evolving market. We may not be able to successfully address these risks and difficulties, which could materially harm our business and operating results.

We Have Limited Capital and Will Need Additional Financing.

As of June 30, 2019, we had an accumulated deficit of \$85,859,489 and negative working capital of \$12,891,404. In addition, for the year ended June 30, 2019, we had a loss of approximately \$9,302,739 and negative cash flow from operating activities of approximately \$2,417,256. The Company has not declared dividends on its common stock, but the Company does have cumulative dividends in arrears through June 30, 2019, of approximately \$1,361,102 for its outstanding Series A Convertible Preferred Stock.

Revenues generated from our current operations are not sufficient to pay our ongoing operating expenses. Therefore, we will have to obtain additional funding from the sale of our securities or from strategic transactions in order to fund our current level of operations. In order to fund our working capital needs and our operational costs during 2019, we entered into twenty-two (22) Share Purchase Agreements with individual accredited investors resulting in net proceeds of \$281,500, seven (7) notes payable resulting in net proceeds of \$375,000, thirteen (13) related notes payable resulting in net proceeds of \$154,000, and thirteen (13) convertible notes payable resulting in net proceeds of \$1,867,350 to the Company.

The funds currently available to us are inadequate to fully implement our business plan. Until we have achieved revenues sufficient for us to break-even, we will not be a self-sustaining entity, which could adversely impact our ability to be competitive in the areas in which we do and intend to operate. We require additional funding for continued operations and will therefore be dependent upon our ability to raise additional funds through bank borrowing, equity or debt financing or asset sales. We expect to access the public and private equity and/or debt markets periodically to obtain the funds we need to support our operations and continued growth. There is no assurance that we will be able to obtain additional funding when needed, or that such funding, if available, can be obtained on terms acceptable to us. If we require, but are unable to obtain, additional financing in the future on acceptable terms, or at all, we will not be able to continue our business strategy, respond to changing business or economic conditions, withstand adverse operating results or compete effectively. If we cannot obtain needed funds, we may be forced to curtail, in whole or in part, or cease its activities altogether. When additional shares are issued to obtain financing, current shareholders will suffer a dilutive effect on their percentage of stock ownership.

We require substantial capital to continue Aftermaster operations. Although we intend to engage in subsequent debt and equity offerings of our securities to raise additional working capital for Aftermaster operations, we have no firm commitments for any additional funding, either debt or equity, at the present time. Insufficient financial resources may require us to delay or eliminate all or some of our sales and marketing efforts to generate revenues for AfterMaster, which could have a material adverse effect on our business, financial condition and results of operations. There is no certainty that our expenditures will result in a profitable business as proposed.

Lack of Diversification.

Our current size and financial condition makes it unlikely that we will be able to commit our funds to diversify the business until we have a proven track record in our current markets. However, we do not have any plans nor have we identified any areas or markets in which we would seek diversification in our Company's business. We acknowledge that limiting our product offerings carries a risk of limiting revenues, which may impact our ability to continue operations.

Competition.

Aftermaster has developed an audio enhancement technology that it believes is unique and competitive in the audio enhancement industry. However, there are many more well established and financially successful brands in the audio enhancement industry, with more name recognition and financial resources such as, SRS, DTS, Landr and Dolby Labs. Although we believe that our technology differentiates us from competitor technologies, there is no assurance that we will be successful in gaining any consumer acceptance of our technology.

While we believe that the technologies behind AfterMaster and ProMaster are unique in the industry, other companies within the industry may develop or have developed audio enhancement technologies that are equal to or better than our technologies and could become our competitors. Potential competitors may have greater name recognition, access to financing, industry contacts and more extensive customer bases that could be leveraged to accelerate their competitive activity. Further, potential competitors may establish future cooperative relationships among themselves and with third parties to enhance their products and services in this market space in which we propose to operate. Consequently, competitors or alliances may emerge and rapidly acquire significant market share. We cannot assure you that we will be able to compete effectively with any competitor should they arise or that the competitive pressures faced by us will not harm our business. Such intense competition will limit our opportunities and have a materially adverse effect on our profitability or viability.

To protect our Company against competitors, we have embarked on an aggressive intellectual property protection program which we believe will be a significant barrier to market entry to potential competitors for our current product offerings. In addition, we strive to employ individuals who have long standing relationships and expertise in various segments of the entertainment, marketing, finance and communications industries, which we hope will help facilitate the negotiation of favorable partnerships, sponsorships and industry support for AfterMaster and ProMaster.

However, any investor must recognize that AfterMaster is unproven as a commercially viable audio technology and that many other companies dominate and are successful in licensing their audio products, which compete in the market within which AfterMaster is attempting to establish itself.

Performance - Market Acceptance.

The quality of our products, services, its marketing and sales ability, and the quality and abilities of our personnel are among the operational keys to our success. We are heavily dependent upon successfully completing our product development, gaining market acceptance and subsequently recruiting and training a successful sale and marketing force. There can be no assurance that we will be successful in attracting, training or retaining the key personnel required to execute the business plan. Also, there can be no assurance that we can complete development of new technologies so that other companies possessing greater resources will not

surpass it. There can be no assurance that we can achieve our planned levels of performance. If we are unsuccessful in these areas, it could have a material adverse effect on our business, results of operations, financial condition and forecasted financial results. The entertainment industry may resist our business plan and refuse to participate in contests and other sponsorship events. In that case we would be forced to fund and sponsor its own contests which would affect operating capital, liquidity and revenues. The music industry may also resist the adoption of our AfterMaster technology for new and catalogue releases.

Dependence on Intellectual Property - Design and Proprietary Rights.

Our success and ability to compete depends to a degree on our intellectual property. We will rely on copyright, trademark and patent filings as well as confidentiality arrangements, to protect our intellectual property locally and internationally. AfterMaster and its subsidiaries have filed numerous patent applications relating to MyStudio, AfterMaster, ProMaster and related technologies and processes, and while we believe the technologies, methods and processes merit patent protection, there is no assurance that any patent will be issued. If circumstances make it impossible to try to adequately protect our intellectual property, that intellectual property could be used by others without our consent and there could be material adverse consequences to us. We have filed several trademark applications and have received Notices of Allowance on four of those applications. Effective protection may not be available for our service marks. Although we plan to continue to register our service marks in the United States and in countries in which we do business or expect to do business, we cannot assure you that we will be able to secure significant protection for these marks. Our competitors, if any exist, or others may adopt product or service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to client confusion. If circumstances make it impossible to adequately protect the name and brand, this could seriously harm our business.

Some of Our Markets are Cyclical.

Some of our markets are cyclical, and a decline in any of these markets could have a material adverse effect on our operating performance. Our business is cyclical and dependent on consumer and business spending and is therefore impacted by the strength of the economy generally, interest rates, and other factors, including national, regional and local slowdowns in economic activity and job markets, which can result in a general decrease in product demand from professional contractors and specialty distributors. For example, a slowdown in economic activity that results in less discretionary income for entertainment and music can have an adverse effect on the demand for some or all of our products. In addition, unforeseen events, such as terrorist attacks or armed hostilities, could negatively affect our industry or the industries in which our customers operate, resulting in a material adverse effect on our business, results of operations and financial condition.

Dependency on Foreign Components for our Products.

We do and expect to continue sourcing components for our products from both inside and outside of the United States, which may present additional risks to our business. International sourcing of components subject to various risks, including political, religious and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade restrictions, the impact of foreign government regulations, and the effects of income and withholding tax, governmental expropriation, and differences in business practices.

We may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with component manufacturers, thus causing a potential loss of revenues. Unfavorable changes in the political, regulatory, and business climate could have a material adverse effect on our financial condition, results of operations, and cash flows.

Exposure to Product Liability Lawsuits.

Our results of operations may be negatively impacted by product liability lawsuits. While we expect to maintain what we believe to be suitable product liability insurance once we have commenced operations of services with the general public, we cannot assure you that we will be able to maintain this insurance on acceptable terms or that this insurance will provide adequate protection against potential liabilities. A series of successful claims against us could materially and adversely affect our reputation and our financial condition, results of operations, and cash flows.

Dependency on Key Suppliers and Product Availability.

Loss of key suppliers, lack of product availability or loss of delivery sources could delay product development, manufacturing and decrease sales and earnings of our consumer electronics products. While in many instances we have agreements, including supply agreements, with our suppliers, these agreements are generally terminable by either party on limited notice. The loss of, or a substantial decrease in the availability of, products from certain of our suppliers, or the loss of key supplier agreements, could have a material adverse effect on our consumer products business, results of operations and financial condition. In addition, supply interruptions could arise from shortages of raw materials, labor disputes or weather conditions affecting products or shipments, transportation disruptions or other factors beyond our control.

Dependence on Intellectual Property - Design and Proprietary Rights.

Our success and ability to compete depends to a degree on our intellectual property. We will rely on copyright, trademark and patent filings as well as confidentiality arrangements, to protect our intellectual property locally and internationally. The Company and its subsidiaries have filed numerous patent applications relating to AfterMaster and other audio and video technologies and processes, and while we believe the technologies, methods and processes merit patent protection, there is no assurance that any patent will be issued. If circumstances make it impossible to try to adequately protect our intellectual property, that intellectual property could be used by others without our consent and there could be material adverse consequences to us. We have filed numerous patents and have received allowance for five of them. We have filed numerous trademark applications and have received Notices of Allowance on four of those applications. Effective protection may not be available for our service marks. Although we plan to continue to register our service marks in the United States and in countries in which we do business or expect to do business, we cannot assure you that we will be able to secure significant protection for these marks. Our competitors, if any exist, or others may adopt product or service names similar to ours, thereby impeding our ability to build brand identity and possibly leading to client confusion. If circumstances make it impossible to adequately protect the name and brand, this could seriously harm our business.

Fluctuations in Cost of Raw Materials.

Our results of operations could be adversely affected by fluctuations in the cost of raw materials. The manufacturing process is subject to world commodity pricing for some of the raw materials used in the manufacture of our consumer electronics products. Such raw materials are often subject to price fluctuations, frequently due to factors beyond our control, including changes in supply and demand, general U.S. and international economic conditions, labor costs, competition, and government regulation. Inflationary and other increases in the costs of raw materials have occurred in the past and may recur in the future. Any significant increase in the cost of raw materials could reduce our profitability and have a material adverse effect on our business, results of operations and financial condition.

Regulatory Factors.

Our business model includes a component involving the Internet. As such, we are subject to a number of foreign and domestic laws and regulations that effect business on the Internet. We must contend with laws and regulations relating to user privacy, freedom of expression, content, advertising, information security and intellectual property rights of others. Possible future consumer legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities undertaken in connection with our business, the extent of which cannot be predicted.

The exact effect of such legislation cannot be predicted until it is proposed. Terms of subsequent financings may adversely impact your investment. We will engage in common equity, debt, and/or preferred stock financings in the future. Your rights and the value of your investment in Preferred or Common Stock could be reduced. Interest on debt securities could increase costs and negatively impacts operating results.

Shares of our Preferred Stock may be issued in series from time to time with such designations, rights, preferences, and limitations as needed to raise capital. The terms of Preferred stock could be more advantageous to those investors than to the holders of Common Stock.

In addition, if we need to raise more equity capital from the sale of common or preferred stock, institutional or other investors may negotiate terms at least as, and possibly more, favorable than the terms of your investment. Shares of Common Stock which we sell could be sold into the market, which could adversely affect the market price.

Rapid Technological Change.

The industries in which we operate are characterized by rapid technological change that requires us to implement new technologies on an ongoing basis. Our future will depend upon our ability to successfully implement new technologies in a rapidly changing technological environment. We will likely require additional capital to develop new technologies to meet changing customer demands. Moreover, expenditures for technology and product development are generally made before the commercial viability for such developments can be assured. As a result, we cannot assure that we will successfully implement new technologies, that any implementations will be well received by customers, or that we will realize a return on the capital expended to develop such technology.

Effect of Fluctuations in Operations on the Price of Common Stock.

Our future operating results may fluctuate and cause the price of our Common Stock to decline, which could result in substantial losses for investors. Our limited operating history makes it difficult to predict accurately our future operations. We expect that our operating results will fluctuate significantly from quarter to quarter, due to a variety of factors, many of which are beyond our control. If our operating results fall below the expectations of investors or securities analysts, the price of our Common Stock could decline significantly. The factors that could cause our operating results to fluctuate include, but are not limited to:

- Ability to broadly commercialize and expand AfterMaster and/or ProMaster
- Changes in entertainment technology;
- Availability and cost of technology and marketing personnel;
- Our ability to establish and maintain key relationships with industry partners;
- The amount and timing of operating costs and capital expenditures relating to maintaining our business, operations, and infrastructure; and
- General economic conditions and economic conditions specific to the entertainment industry.

These and other external factors have caused and may continue to cause the market price and demand for our Common Stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of Common Stock and may otherwise negatively affect the liquidity of our Common Stock. In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. If securities class action litigation were to be brought against us, it could result in substantial costs and a diversion of our management's attention and resources, which could hurt our business.

Our Common Stock is Subject to Penny Stock Regulations.

Our Common Stock is subject to regulations of the SEC relating to the market for penny stocks. These regulations generally require that a disclosure schedule explaining the penny stock market and the risks associated therewith be delivered to purchasers of penny stocks and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. The regulations applicable to penny stocks may severely affect the market liquidity for our Common Stock and could limit your ability to sell your securities in the secondary market.

Uncertainty as a Going Concern.

Our future existence remains uncertain and the report of our independent auditors on our financial statements for the year ended June 30, 2019 includes an explanatory paragraph relating to our ability to continue as a going concern. We have suffered substantial losses from operations and require additional financing. Ultimately, we need to generate additional revenues and attain profitable operations. These factors raise substantial doubt about our ability to continue as a going concern. There can be no assurance that we will be able to develop commercially viable products or an effective marketing system. Even if we are able to develop commercially viable products, there is no assurance that we will be able to attain profitable operations.

Restrictions on Transfer - No Public Market for Preferred Shares or Restricted Common Shares.

Our shares of Common Stock are traded on the Over-The-Counter Bulletin Board System (OTCQB) under the ticker symbol AFTM. However, for shares that have been issued and are restricted pursuant to SEC Rule 144 of the Securities Act of 1933 (the "Act"), there is presently no public or private market for such shares. Such shares may only be offered or sold pursuant to registration under or an exemption from the Act and have not been registered under the Act, as amended, or any State securities laws and would be issued under Section 4(2) of the Act and Rule 506 of Regulation D promulgated under the Act.

Expect to Incur Losses for the Foreseeable Future.

We expect to incur losses for the foreseeable future and we may never become profitable. Our business model requires that we obtain revenues from our online music mastering service, ProMaster, or by licensing our AfterMaster HD audio and selling AfterMaster HD chip proprietary technology to consumer device manufacturers. There are no assurances that significant revenues from ProMaster and/or AfterMaster necessary for the Company to become break-even will occur. We expect our expenses to increase significantly as we continue to develop the infrastructure necessary to fully implement our business strategy. Our expenses will continue to increase as we: hire additional employees; implement our marketing plans; pursue further research and

development; expand our information technology systems; and lease and purchase more space to accommodate our operations.

Costs associated with designing, developing, manufacturing, marketing and developing the infrastructure we will need to support our customers will depend upon many factors, including the growth-rate of our online user base and the amount of engineering expertise needed to maintain and build our IP portfolio. Therefore, we cannot now determine the amount by which our expenses will increase as we grow.

Possible Claims That the Company Has Violated Intellectual Property Rights of Others.

We are not subject to any dispute, claim or lawsuit or threatened lawsuit alleging the violation of intellectual property rights of a third party. We believe AfterMaster and ProMaster are not in violation of any patents claimed by others. To the extent that the Company is ever alleged to have violated a patent or other intellectual property right of a third party, it may be prevented from operating its business as planned, and it may be required to pay damages, to obtain a license, if available, to use the patent or other right or to use a non-infringing method, if possible, to accomplish its objectives. Any of these claims, with or without merit, could subject us to costly litigation and the diversion of our technical and management personnel. If we incur costly litigation and our personnel are not effectively deployed, the expenses and losses incurred will increase, and our profits, if any, will decrease.

Business Plans and Operational Structure May Change.

We continually analyze our business plans and operations in light of market conditions and developments. As a result of our ongoing analyses, we may decide to make substantial changes in our business plan and organization. In the future, as we continue our internal analyses and as market conditions and our available capital change, we may decide to make organizational changes and/or alter some or all of our overall business plans.

Reliance on Management.

We believe that our present management has the experience and ability to successfully implement our business plans for the foreseeable future. However, it is likely that we will continue to add to our management and therefore will recruit additional persons to key management positions in the future. Should we be unsuccessful in recruiting persons to fill the key positions or in the event any of these individuals should cease to be affiliated with us for any reason before qualified replacements can be hired, there could be material adverse effects on our business and prospects. Each officer, director, and other key personnel has or will have an employment agreement with us which will contain provisions dealing with confidentiality of trade secrets, ownership of patents, copyrights and other work product, and non-competition.

Nonetheless, there can be no assurance that these personnel will remain employed for the entire duration of the respective terms of such agreements or that any employee will not breach covenants and obligations owed to us. In addition, all management decisions will be made exclusively by our officers and directors. Investors will only have rights associated with minority ownership interest rights to make decisions that affect the Company. Our success, to a large extent, will depend on the quality of our directors, officers and senior management.

Inability to Attract and Retain Qualified Personnel.

Our future success depends in significant part on its ability to attract and retain key management, technical and marketing personnel. Competition for highly qualified professional, technical, business development, and management and marketing personnel is intense. We may experience difficulty in attracting new personnel, may not be able to hire the necessary personnel to implement our business strategy, or we may need to pay higher compensation for employees than we currently expect. A shortage in the availability of required personnel could limit our ability to grow. We cannot assure you that we will succeed in attracting and retaining the personnel we need to grow.

Inability to Manage Rapid Growth.

We expect to grow rapidly. Rapid growth often places considerable operational, managerial and financial strain on a business. To successfully manage rapid growth, we must accurately project its rate of growth and:

- Rapidly improve, upgrade and expand our business infrastructure;
- Deliver our product and services on a timely basis;
- Maintain levels of service expected by clients and customers;
- Maintain appropriate levels of staffing;
- Maintain adequate levels of liquidity; and
- Expand and upgrade our technology, transaction processing systems and network hardware or software or find third parties to provide these services.

Our business will suffer if we are unable to successfully manage our growth.

Dividend Policy.

There can be no assurance that our operations will result in future significant revenues or any level of profitability. We have not, and do not, anticipate paying cash dividends on our Common Stock in the foreseeable future. We plan to retain all future earnings and cash flows, if any, to finance our operations and for general corporate purposes. Any future determination as to the payment of cash dividends will be at our Board of Directors' discretion and will depend on our financial condition, operating results, current and anticipated cash needs, plans for expansion and other factors that our Board of Directors considers relevant.

Conflicts of Interest.

Existing and future officers and directors may have other interests to which they devote time, either individually or through partnerships and corporations in which they have an interest, hold an office, or serve on boards of directors, and each may continue to do so. As a result, certain conflicts of interest may exist between the Company and its officers and/or directors that may not be susceptible to resolution. All potential conflicts of interest will be resolved only through exercise by the directors of such judgment as is consistent with their fiduciary duties to the Company, and it is the intention of management to minimize any potential conflicts of interest.

Loss of Services of Key Members of Our Senior Management Team.

Our future success depends in a large part upon the continued services of key members of our senior management team.

These persons are critical to the overall management of AfterMaster as well as the development of our technology, our culture and our strategic direction. We do not maintain any key-person life insurance policies. The loss of any of our management or key personnel could seriously harm our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. DESCRIPTION OF PROPERTIES.

We lease offices in Hollywood, California (located at 6671 Sunset Blvd., Suite 1520, 1518 and 1550, Hollywood, California, 90028) for corporate, research, engineering and mastering services. The lease expired on December 31, 2017 and now is on a month to month basis. The total lease expense for the facility is approximately \$20,574 per month, and the total remaining obligations under these leases at June 30, 2019, were approximately \$0.

We lease a warehouse space located at 8260 E Gelding Drive, Suite 102, Scottsdale, Arizona, 85260. The lease expired on January 31, 2019 and now is on a month to month basis. The total lease expense for the facility is approximately \$1,993 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$0.

We lease corporate offices located at 7825 E Gelding Drive, Suite 101, Scottsdale, Arizona, 85260. The lease expires on April 30, 2021. The total lease expense for the facility is approximately \$7,450 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$163,895.

We lease corporate offices located at 7825 E Gelding Drive, Suite 103, Scottsdale, Arizona, 85260. The lease expired on February 22, 2019 and the Company did not renew the lease. The total lease expense for the facility was approximately \$3,000 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$0.

ITEM 3. LEGAL PROCEEDINGS.

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business.

1. Subsequent to the year end, the Company became a defendant in an employment related lawsuit filed by a former employee, who was terminated for cause in October 2018. The Company believes it is without merit and has filed a defense and Motion to move the matter to Arbitration. The complaint revolves around alleged unpaid commissions and the Company does not consider it to be material.

2. On May 2019, a Company subsidiary was named in a lawsuit filed in the Superior Court of Arizona County of Maricopa by the Company's prior manufacturer, Infinity Power and Controls, LLC. (Infinity), alleging non-payment of invoices totaling \$414,000 and an undetermined amount of parts inventory. On July 5, 2019, the Company was added as a defendant in the action. Infinity was the Company's manufacturer until they were dismissed in December 2018, due to quality and reliability issues, which resulted in unacceptable product returns. On July 2, 2019, the Company commenced an action against Infinity Power and Controls LLC in the United States District Court Central District of California for Breach of Contract, Negligence and Fraud. The lawsuit asks for direct and punitive damages of \$30 million from Infinity. As a both plaintiff and defendant in matters relating to its prior manufacturer, the Company believes it sustained substantial damage from the poor-quality product manufactured by Infinity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of the shareholders during the current fiscal year.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

Aftermaster's Common Stock is traded on the Over-The-Counter Bulletin Board System (OTCBB) under the symbol "AFTM". The following table sets forth the range of high and low bid quotations for each fiscal quarter for the last two fiscal years. These quotations reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not necessarily represent actual transactions.

For the Fiscal Year Ending on June 30, 2019	High	Low
Quarter Ended June 30, 2019	0.04	0.01
Quarter Ended March 31, 2019	0.03	0.01
Quarter Ended December 31, 2018	0.04	0.02
Quarter Ended September 30, 2018	0.05	0.03
For the Fiscal Year Ending on June 30, 2018	High	Low
Quarter Ended June 30, 2018	0.05	0.04
Quarter Ended March 31, 2018	0.06	0.04
Quarter Ended December 31, 2017	0.12	0.10
Quarter Ended September 30, 2017	0.17	0.16

Stockholders

As of June 30, 2019, the number of stockholders of record according to our transfer agent was approximately 602. Because many of our shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of stockholders represented by these record holders. Consequently, the actual number of stockholders of record as of the date of this Report was not available. The Company believes, however, that it has approximately 1,500 stockholders in total.

Dividends

The Company has paid no dividends on its Common Stock since its inception and does not anticipate or contemplate paying cash dividends in the foreseeable future.

Pursuant to the terms of our Series A Convertible Preferred Stock, a 5% annual dividend is due and owing. Pursuant to the terms of our Series B Convertible Preferred Stock, an 8% annual dividend is due and owing. Pursuant to the terms of our Series A-1 Senior Convertible Redeemable Preferred Stock, a 6% annual dividend is due and owing. As of June 30, 2019, we had not declared dividends on Series A, Series B or its Series A-1 Preferred Stock. We have, however, for those shares of Series A-1 Preferred Stock that were converted, calculated the dividends through the date of conversion and issued shares of common stock in payment of those dividends. The unpaid cumulative dividends totaled approximant \$1,361,102. See Note 8 of Notes to Consolidated Financial Statements.

Supplemental Disclosure of Non-Cash Investing and Financing Activities for Fiscal Years 2019 and 2018

Fiscal Year 2019

During fiscal year ended June 30, 2019, the Company issued 28,150,000 shares of Common Stock for \$281,500 in cash as part of a private placement.

The Company issued 50,583,250 shares of Common Stock for the conversion of notes and accrued interest valued at \$486,796.

The Company issued 15,635,000 shares of Common Stock for the prepaid consulting services and rent valued at \$475,765.

As share-based compensation to employees and non-employees, the Company issued 19,851,843 shares of common stock valued at \$394,386, based on the market price of the stock on the date of issuance.

As interest expense on outstanding notes payable, the Company issued 3,000,000 shares of common stock valued at \$90,000 based on the market price on the date of issuance.

Fiscal Year 2018

During fiscal year ended June 30, 2018, the Company issued 16,200,000 shares of Common Stock for \$647,500 in cash as part of a private placement, net of \$4,750 of issuance costs, respectively.

The Company issued 28,928,570 shares of Common Stock for the conversion of notes and accrued interest valued at \$836,833.

The Company issued 6,098,101 shares of Common Stock as incentive with convertible notes valued at \$317,261.

The Company issued 1,415,000 shares of Common Stock for the prepaid consulting services and rent valued at \$107,290.

The Company issued 115,000 shares of Common Stock for the extension of two convertible notes valued at \$16,897.

The Company issued 100,000 shares of Common Stock issued as charitable contributions valued at \$7,000.

As share-based compensation to employees and non-employees, the Company issued 4,501,592 shares of common stock valued at \$353,949, based on the market price of the stock on the date of issuance.

As interest expense on outstanding notes payable, the Company issued 1,280,162 shares of common stock valued at \$217,628 based on the market price on the date of issuance.

As part of a debt extinguishment, the note holder agreed to cancel 14,837,251 shares of common stock.

ITEM 6 - SELECTED FINANCIAL DATA.

Not required by Form 10-K for smaller reporting companies.

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

RESULTS OF OPERATIONS

Revenues

	For the Year Ended June 30,	
	2019	2018
AfterMaster Revenues	\$ 601,812	\$ 517,689
Product Revenues	374,510	1,131,812
Total Revenues	<u>\$ 976,322</u>	<u>\$ 1,649,501</u>

We currently generate revenue from our operations through two activities: AfterMaster revenues and AfterMaster product revenues.

AfterMaster revenues are generated primarily from AfterMaster audio services provided to producers and artists on a contract basis. We hope this source of revenue grows in coming years, and the Company is expecting to generate additional revenues in this category from on-line mastering downloads and the development of the AfterMaster software algorithm and chip, although such growth and additional revenues are not assured and may not occur. AfterMaster revenues for the fiscal year ended June 30, 2019, increased to \$601,812, as compared to \$517,689 for the comparable fiscal year ended June 30, 2018, respectively. The increase in product revenues are due to the company selling Aftermaster Pro through our website (www.Aftermasterpro.com) and through consumer retail distribution channels.

In the aggregate, total Company revenues decreased to \$976,322 for the year ended June 30, 2019, as compared to total revenues of \$1,649,501 for the year ended June 30, 2018, respectively. The decrease is due to the company acquiring new overseas manufacture and the redesign of the Aftermaster Pro in order to lower the cost of goods sold.

Cost of Revenues

	For the Year Ended June 30,	
	2019	2018
Cost of Revenues (excluding depreciation and amortization)	<u>\$ 823,449</u>	<u>\$ 1,565,798</u>

Cost of revenues consists primarily of manufacturing cost of the Aftermaster Pro TV consumer electronic product, Aftermaster Studio Rent, Consultants, senior engineers, and excludes depreciation and amortization on fixed assets. The decrease in cost of revenues for the year ending June 30, 2019, over the comparable periods, is attributable, primarily, to the decrease in product revenue therefore the company had lower manufacturing cost of the Aftermaster Pro.

Other Operating Expenses

	For the Year Ended June 30,	
	2019	2018
Depreciation and Amortization Expense	\$ 84,448	\$ 158,505
Research and Development	5,623	15,771
Advertising and Promotion Expense	77,570	258,257
Legal and Professional Expense	69,524	94,102
Non-Cash Consulting Expense	773,512	296,005
General and Administrative Expenses	3,069,730	3,637,201
Total	<u>\$ 4,080,407</u>	<u>\$ 4,459,841</u>

General and administrative expenses consist primarily of compensation and related costs for our finance, legal, human resources, investor relation, public relations and information technology personnel; rent and facilities; and expenses related to the issuance of stock compensation. During the year ended June 30, 2019, General and Administrative expenses decreased by \$567,471 as compared to the year ended June 30, 2018. The decrease is primarily due to the company using a third-party consultant to help with the business operations in the prior year, which did not occur in the current year.

During the year ended June 30, 2019, Research and Development costs decreased to \$5,623 from \$15,771, Advertising and Promotion decreased to \$77,570 from \$258,257, Legal and Professional fees decreased to \$69,524 from \$94,102 and consulting services increased to \$773,512 from \$296,005, as compared to the year ended June 30, 2018. The decrease is primarily due to the company using social media advertising to help generate sales the prior year, which ended in the first quarter of the current year. The decrease in Research and Development was not material compared to the year ended June 30, 2018. The decreases in Advertising and Promotion for the year ended June 30, 2019, are primarily due to the design, development and marketing of its Aftermaster Pro consumer hardware product in the year ended June 30, 2018. Legal and Professional fees decreases are primarily to the company only using one attorney on a monthly retainer to handle all the company's legal needs. The increases in consulting expenses are primarily due to issuing of stock for services compared to the year ended June 30, 2018.

Other Expense

	For the Year Ended June 30,	
	2019	2018
Interest Expense	\$ (3,092,387)	\$ (3,178,179)
Derivative Expense	(2,288,380)	(2,787,712)
Change in Fair Value of Derivative	5,562	1,161,227
Gain on Available for Sale Securities	-	240,000
Gain on Extinguishment of Debt	-	4,762,594
Impairment of assets	-	(74,991)
Total	<u>\$ (5,375,205)</u>	<u>\$ 122,939</u>

The other income (expense) during the fiscal year ended June 30, 2019, totaling (\$5,375,205) of expenses, which consists of interest expense, derivative expense, change in fair value of derivative. During the comparable fiscal year in 2018, other income totaled \$122,939. Interest expense has decreased primarily due to non-cash interest expense relating to amortization of recent debt discount. These additional borrowings have been used in the development of the Aftermaster HD. Derivative expense and change in fair value of derivatives has decreased due to the issuance of derivative instruments in the current period and the company revaluing the instruments at the end of the current period. Gain on available for sale securities has decreased in the current period due to there being no securities in the current period. Gain on extinguishment of debt decreased in the current period due to there being no notes extinguished in the current period. Impairment of assets decreased in the current period due to there being no impairment in the current period.

Net Loss

	For the Year Ended June 30,	
	2019	2018
Net Loss	<u>\$ (9,302,739)</u>	<u>\$ (4,253,199)</u>

Due to the Company's cash position, we use our Common Stock as currency to pay many employees, vendors and consultants. Once we have raised additional capital from outside sources, as well as generated cash flows from operations, we expect to reduce the use of Common Stock as a significant means of compensation. Under FASB ASC 718, "*Accounting for Stock-Based Compensation*" and ASC 505-50 "*Equity Based Payments to Non-employees*", these non-cash issuances are expensed at the equity instruments fair market value. Absent these large stock-based compensations of \$773,512 and \$296,005, derivative expense of \$2,288,380 and \$2,787,712, and gain on the change in the derivative liability of \$5,562 and \$1,161,227 for the fiscal years ended June 30, 2019 and 2018, our net (loss) income would have been \$(6,232,059) and \$(2,330,709) for fiscal years ended June 30, 2019 and 2018, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company had revenues of \$976,322 the fiscal year ended June 30, 2019 as compared to \$1,649,501 in the comparable period in 2018. The Company has incurred losses since inception of \$85,845,139. At June 30, 2019, the Company had negative working capital of \$12,877,054, which was a decrease in working capital of \$5,233,907 from June 30, 2018.

The Company had cash of \$366,129 as of June 30, 2019, as compared to \$390,191 as of June 30, 2018. The decrease is a result of the Company making payments on notes payable totaling \$72,500 and \$210,249 in payments on convertible notes, which was partially offset by the Company entered into twenty-two (22) Share Purchase Agreements with individual accredited investors resulting in net proceeds of \$281,500, seven (7) notes payable resulting in net proceeds of \$375,000, thirteen (13) related notes payable resulting in net proceeds of \$154,000, and thirteen (13) convertible notes payable resulting in net proceeds of \$1,867,350 during the year ended June 30, 2019. The cash provided by financing activities decreased by \$155,834 when compared during the year ended June 30, 2019 as compared to the year ended June 30, 2018. This amount also decreased due to current period operational costs, purchases of assets, and payments of obligations and lease payables.

The Company had prepaid expense of \$311,296 as of June 30, 2019, as compared to \$388,374 as of June 30, 2018. The decrease is due to the Company entering into three consulting agreements prepaid with 15,635,000 shares of common stock valued at \$476,015, a consulting agreement prepaid with 1,000,000 warrants valued at \$16,029, and an advisory agreement in the form of a \$120,000 convertible note payable, offset by amortizing the prepaid expenses totaling \$625,643 over the year ended June 30, 2019.

The future of the Company as an operating business will depend on its ability to obtain sufficient capital contributions and/or financing as may be required to sustain its operations. Management's plan to address these issues includes a continued exercise of tight cost controls to conserve cash and obtaining additional debt and/or equity financing.

As we continue our activities, we will continue to experience net negative cash flows from operations, pending receipt of significant revenues that generate a positive sales margin.

The Company expects that additional operating losses will occur until net margins gained from sales revenue is sufficient to offset the costs incurred for marketing, sales and product development. Until the Company has achieved a sales level sufficient to break even, it will not be self-sustaining or be competitive in the areas in which it intends to operate.

In addition, the Company will require substantial additional funds to continue production and installation of the additional studios and to fully implement its marketing plans.

As of June 30, 2019, the existing capital and anticipated funds from operations were not sufficient to sustain Company operations or the business plan over the next twelve months. We anticipate substantial increases in our cash requirements which will require additional capital to be generated from the sale of Common Stock, the sale of Preferred Stock, equipment financing, debt financing and bank borrowings, to the extent available, or other forms of financing to the extent necessary to augment our working capital. In the event we cannot obtain the necessary capital to pursue our strategic business plan, we may have to significantly curtail our operations. This would materially impact our ability to continue operations. There is no assurance that the Company will be able to obtain additional funding when needed, or that such funding, if available, can be obtained on terms acceptable to the Company.

Recent global events, as well as domestic economic factors, have recently limited the access of many companies to both debt and equity financings. As such, no assurance can be made that financing will be available or available on terms acceptable to the Company, and, if available, it may take either the form of debt or equity. In either case, any financing will have a negative impact on our financial condition and will likely result in an immediate and substantial dilution to our existing stockholders.

Although the Company intends to engage in a subsequent equity offering of its securities to raise additional working capital for operations, the Company has no firm commitments for any additional funding, either debt or equity, at the present time. Insufficient financial resources may require the Company to delay or eliminate all or some of its development, marketing and sales plans, which could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that the expenditures to be made by the Company will result in a profitable business proposed by the Company.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company applies the provisions of FASB ASC 606, *Revenue Recognition in Financial Statements*, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. ASC 606 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. In general, the Company recognizes revenue in accordance with that core principle by applying the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In general, the Company's revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company's revenues are generated from Aftermaster products and services, Aftermaster Pro, sessions revenue, and remastering. Revenues related to Aftermaster Pro sells through consumer retail distribution channels and through our website. For sales through consumer retail distribution channels, revenue recognition occurs when title and risk of loss have transferred to the customer which usually occurs upon shipment to the customers. We established allowances for expected product returns and these allowances are recorded as a direct reduction to revenue. Return allowances are based on our historical experience. Revenues related to sessions and remastering are recognized when the event occurred.

Long-lived Assets – Long-lived tangible assets and definite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company uses an estimate of undiscounted future net cash flows of the assets over the remaining useful lives in determining whether the carrying value of the assets is recoverable. If the carrying values of the assets exceed the expected future cash flows of the assets, the Company recognizes an impairment loss equal to the difference between the carrying values of the assets and their estimated fair values. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets. The evaluation of long-lived assets requires the Company to use estimates.

Share-based Compensation – The Company follows the provisions of FASB ASC 718, "Share-Based Payment," which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Equity instruments issued to non-employees for goods or services are accounted for at fair value and are marked to market until service is complete or a performance commitment date is reached, whichever is earlier. The Company uses the Black-Scholes pricing model for determining the fair value of stock-based compensation. The Company also follows the provisions of FASB ASC 505-50, "Equity-Based Payments to Non-Employees," which addresses the accounting and reporting for both the issuer (that is, the purchaser or grantor) and recipient (that is, the goods or service provider or grantee) for a subset of share-based payment transactions.

Convertible Securities and Derivatives – The Company estimates the fair values of the debt and warrants, and allocates the proceeds pro rata based on these values. The allocation of proceeds to the warrants results in the debt instrument being recorded at a discount from the face amount of the debt and the value allocated to the warrant is recorded to additional paid-in capital.

When the convertible debt or equity instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds from the convertible host instruments are first allocated to the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the convertible instruments themselves, resulting in those instruments being recorded at a discount from their face value.

Derivative Liabilities - The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has a sequencing policy regarding share settlement wherein instruments with the earliest issuance date would be settled first. The sequencing policy also considers contingently issuable additional shares, such as those issuable upon a stock split, to have an issuance date to coincide with the event giving rise to the additional shares.

On February 3, 2017, the company entered into a note payable with an unrelated party at a percentage discount (variable) exercise price which causes the number to be converted into a number of common shares that "approach infinity", as the underlying stock price could approach zero. Additionally, the note contains a ratchet provision. The Company determined under ASC 815, that the embedded conversion feature (if offering of common stock is at no consideration or at a price that is lower than the effective conversion price on the date shares are offered for sale, then a ratchet down of effective exercise price to price per share offered for common stock would be used to determine additional shares to be issued). The Company has determined that this ratchet provision indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative

financial liability.

Accordingly, all convertible instruments issued after February 3, 2017 are considered derivatives according to the Company's sequencing policy.

The Company values these convertible notes payable using the multinomial lattice method that values the derivative liability within the notes based on a probability weighted discounted cash flow model. The resulting liability is valued at each reporting date and the change in the liability is reflected as change in derivative liability in the statement of operations.

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

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements as of and for the fiscal year ended June 30, 2019 and June 30, 2018 have been audited to the extent indicated in the report by Haynie & Company and Sadler, Gibb & Associates, respectively, independent certified public accountants, and have been prepared in accordance with generally accepted accounting principles and pursuant to Regulation S-X as promulgated by the SEC.

The aforementioned financial statements are presented in a separate section of this Report following Part IV.

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

Our auditor for the fiscal year ended June 30, 2019 was the firm of Haynie & Company, 50 West Broadway, Salt Lake City, UT 84201, who were engaged on November 7, 2018.

Our financial statements as of and for the fiscal year ended June 30, 2019 has been audited to the extent indicated in the report by Haynie & Company, independent certified public accountants, and have been prepared in accordance with generally accepted accounting principles and pursuant to Regulation S-X as promulgated by the SEC.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer, President, and Chief Financial Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Certifying Officers have designed such disclosure controls and procedures to ensure that material information is made known to them, particularly during the period in which this Report was prepared.

The Certifying Officers responsible for establishing and maintaining adequate internal control over financial reporting for the Company used the "Internal Control over Financial Reporting Integrated Framework" issued by Committee of Sponsoring Organizations ("COSO") 2013 to conduct an extensive review of the Company's "disclosure controls and procedures" (as defined in the Exchange Act, Rules 13a-15(e) and 15-d-15(e)) as of the end of each of the periods covered by this Report (the "Evaluation Date"). Based upon that evaluation, the Certifying Officers concluded that, as of June 30, 2019 and June 30, 2018, our disclosure controls and procedures were not effective in ensuring that the information we were required to disclose in reports that we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission ("SEC") rules and forms.

The Certifying Officers based their conclusion on the fact that the Company has identified material weaknesses in controls over financial reporting, detailed below. In order to reduce the impact of these weaknesses to an acceptable level, the company has contracted with consultants with expertise in U.S. GAAP and SEC financial reporting standards to review and compile all financial information prior to filing that information with the SEC. However, even with the added expertise of these consultants, we still expect to be deficient in our internal controls over disclosure and procedures until sufficient capital is available to hire the appropriate internal accounting staff and individuals with requisite GAAP and SEC financial reporting knowledge. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Management Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management used the "Internal Control over Financial Reporting Integrated Framework" issued by COSO (2013) to

conduct an extensive review of the Company's internal controls over financial reporting to make that evaluation. As of June 30, 2019, the Company had identified deficiencies in internal controls that constituted material weaknesses in internal controls. Due to these material weaknesses, management concluded that internal controls over financial reporting as of June 30, 2019 were, based on COSO's framework.

The deficiencies are attributed to the fact that the Company does not have adequate resources to address complex accounting issues, as well as an inadequate number of persons to whom it can segregate accounting tasks within the Company so as to ensure the segregation of duties between those persons who approve and issue payment from those persons who are responsible to record and reconcile such transactions within the Company's accounting system. These control deficiencies will be monitored and attention will be given to the matter as we continue to accelerate through our current growth stage.

Management has concluded that these control deficiencies constitute a material weakness that continued throughout fiscal year 2019. In order to reduce the impact of these weaknesses to an acceptable level, we have contracted with consultants with expertise in U.S. GAAP and SEC financial reporting standards to review and compile all financial information prior to filing that information with the SEC. However, even with the added expertise of these consultants, we still expect to be deficient in our internal controls over disclosure and procedures until sufficient capital is available to hire the appropriate internal accounting staff and individuals with requisite GAAP and SEC financial reporting knowledge. There were no significant changes in our internal control over financial reporting or in other factors that occurred during our most recent fiscal year that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

This Annual Report does not include attestation reports of the Company's registered public accounting firms regarding internal controls over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The directors and executive officers of the Company as of June 30, 2019 were as follows:

Name	Age	Position
Lawrence G. Ryckman	60	Director, President, CEO, Chairman
Mirella Chavez	34	CFO, Director, Secretary, Treasurer
Mark Depew	57	Director, Senior Vice President Finance
Arnie Weintraub	76	Director
Aaron Ryckman	32	SVP Business Development

The directors and officers of our wholly-owned operating subsidiary, MyStudio, Inc., at June 30, 2019 were:

Name	Age	Position
Lawrence G. Ryckman	60	Director, President, CEO, Secretary

The directors and officers of our wholly-owned operating subsidiary, AfterMaster HD Audio Labs, Inc., at June 30, 2019 were:

Name	Age	Position
Lawrence G. Ryckman	60	Director, President, CEO, Secretary

The significant Employees of the Company as of June 30, 2019 were as follows:

Name	Position
Aaron Ryckman	SVP Business Development
Pete Doell	Senior Mastering Engineer
Ari Blitz	Senior Engineer

Directors serve until the next annual meeting or until their successors are qualified and elected. Officers serve at the discretion of the Board of Directors.

Lawrence (Larry) Ryckman is a Director and President and CEO of the Company. Mr. Ryckman was the Founder, President & CEO of AfterMaster HD Audio, Inc. and MyStudio, Inc., both wholly-owned subsidiaries of AfterMaster, Inc. He is an award-winning businessman with extensive experience in the music, audio and entertainment industries. He served as President & CEO of American Artists, Inc., a film, video and music production and distribution company; as Owner and President of the Calgary Stampeder Football Club of the Canadian Football League; and was Co-Founder, President & CEO of QSound, Inc., which develops proprietary audio technologies for the entertainment industry. QSound grew from a start-up to a NASDAQ-listed, internationally recognized participant in the entertainment audio technology industry with numerous patents. His personal mastering and corporate mixing credits include some of the most popular artists including Lady Gaga, Madonna, Michael Jackson, Sting and many others. Mr. Ryckman has negotiated partnerships with many national and international companies including ON Semiconductor, Simon Cowell's "The X-Factor, Mark Burnett Productions, Guitar Center, JVC, Nintendo, Coca-Cola, Hard Rock International and the GRAMMY Foundation.

Mirella Chavez is Chief Financial Officer and Treasurer of the Company. Ms. Chavez has a Bachelor of Science in Accounting and Marketing from DeVry University. She has been with AfterMaster, Inc. since October 2006.

Peter Doell is one of the most talented and best-known mastering engineers in the world. Pete has more than 35 years of experience and has mastered and engineered hundreds of chart-topping records, film scores and TV spots. Doell has served as a first-call engineer with some of the most prestigious and acclaimed studios including Universal Mastering, Sunset Sound, Capitol Studios, and Sony Pictures. Some of Doell's credits include: Josh Groban, Frank Sinatra, Kurupt, John Waite, Glenn Frye, Celine Dion, Dave Coz, Miss Saigon, Miles Davis, Brian McKnight, Toto, Dwight Yoakam, Marilyn Manson, Los Lobos, Harry Connick Jr., The Beach Boys, Dashboard Confessional, Willie Nelson and Sheryl Crow. He has also worked on feature film scores including *Road To Perdition* and *Black Hawk Down*, and mastered the music for prominent TV productions such as American Idol and The Voice.

Mark Depew is Senior Vice President and on the board of director of Aftermaster, Inc. He has been with AfterMaster, Inc. since December 2016.

Arnie Weintraub on the board of director of Aftermaster, Inc. Arnie is also the IP attorney for Aftermaster, Inc.

Arron Ryckman is Senior Executive Vice President of the Company. Mr. Ryckman has been with Aftermaster, Inc. since June 2010.

Indemnification of Directors and Officers

The Certificate of Incorporation and Bylaws of the Company provide that the Company will indemnify and advance expenses, to the fullest extent permitted by the Delaware General Corporation Law, to each person who is or was a director, officer or agent of the Company, or who serves or served any other enterprise or organization at the request of the Company (an "Indemnitee"). Under Delaware law, to the extent that an Indemnitee is successful on the merits of a suit or proceeding brought against him or her by reason of the fact that he or she was a director, officer or agent of the Company, or serves or served any other enterprise or organization at the request of the Company, the Company will indemnify him or her against expenses (including attorneys' fees) actually and reasonably incurred in connection with such action. If unsuccessful in defense of a third-party civil suit or a criminal suit, or if such a suit is settled, an Indemnitee may be indemnified under Delaware law against both (i) expenses, including attorneys' fees, and (ii) judgments, fines and amounts paid in settlement if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action, had no reasonable cause to believe his other conduct was unlawful. If unsuccessful in defense of a suit brought by or in the right of the Company, where the suit is settled, an Indemnitee may be indemnified under Delaware law only against expenses (including attorneys' fees) actually and reasonably incurred in the defense or settlement of the suit if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Company except that if the Indemnitee is adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Company, he or she cannot be made whole even for expenses unless a court determines that he or she is fully and reasonably entitled to indemnification for such expenses. Also under Delaware law, expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of the suit, action or proceeding upon receipt of an undertaking by or on behalf of the officer or director to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Company. The Company may also advance expenses incurred by other employees and agents of the Company upon such terms and conditions, if any, that the Board of Directors of the Company deems appropriate. Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, in the opinion of the Commission, such indemnification is against public policy as expressed in Delaware law and is therefore unenforceable.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act, requires the Company's directors and named executive officers, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership of our common stock and our other equity securities with the SEC. Based on a review of the public record, we believe that during the year ended June 30, 2019 all current Officers and Directors have file the required reports on a timely basis under Section 16(a) of the Exchange Act.

Code of Ethics

The Company maintains a Code of Ethics (the "Code") that was filed as Exhibit 14 with its Annual Report on Form 10-KSB for 2004 filed on November 15, 2004. The Code applies to the Chief Executive, financial and accounting officers, controller and persons performing similar functions. If the Company amends the Code or grants a waiver from the Code with respect to the foregoing persons, it will post that amendment or waiver on its website.

Audit Committee

The Company's Audit Committee consists of Arnie Weintraub. Neither of those members has been designated by the Board or the Audit Committee as an "audit committee financial expert." The Board is seeking to fill a board seat with an independent Board member that would fulfill that qualification.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the total compensation earned by or paid to the Company's officers for the last two fiscal years.

Name and Principal Position	Fiscal Year	Long Term Compensation						
		Annual Compensation	Awards	Payouts		Underlying Options/Shares (\$)	LTIP Payout (\$)	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)			
Lawrence G. Ryckman, Director, President, CEO, Chairman	2019	\$184,047	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ 25,000
	2018	\$244,403	\$ -	\$ -	\$ 60,000	\$ -	\$ -	-
Mirella Chavez CFO, Director, Secretary, Treasurer	2019	\$ 80,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	-
	2018	\$ 80,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	-
Mark Depew Director, Senior Vice President Finance	2019	\$ 10,000	\$ -	\$ -	\$ 60,000	\$ -	\$ -	\$ 25,000
	2018	\$111,635	\$ -	\$ -	\$ 60,000	\$ -	\$ -	-
Sheldon Yakus, Vice President	2019	\$ 45,000	\$ -	\$ 2,176	\$ -	\$ -	\$ -	-
	2018	\$ 94,480	\$ -	\$ -	\$ -	\$ -	\$ -	-

Compensation of Directors

Our non-employee Directors receive reimbursement for expenses of attendance for each scheduled meeting that requires physical attendance. Effective July 1, 2010, each Director receives restricted common shares valued at the greater of (i) fifteen thousand (15,000) shares of Common Stock, or (ii) such number of shares as shall be determined by dividing the sum of fifteen thousand dollars (\$15,000) by the per share price calculated at seventy five percent (75%) of the average of the closing prices of the Company's Common Stock for the ten (10) trading days prior to the date such payment is due, for each quarter year service to the Company. Compensation for our directors for our last completed fiscal year is set forth below, with the exception of Directors who are also Officers whose compensation is disclosed above.

Director Compensation

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Non-Qualified Deferred Compensation Earnings (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Arnie	2019						
Weintraub	\$ -	\$ 77,500	\$ -	\$ -	\$ -	\$ -	\$ 77,500
	2018						
	\$ -	\$ 70,129	\$ -	\$ -	\$ -	\$ -	\$ 70,129

Employment and Related Agreements

The Company has no employment agreements with any of its current management.

Change in Control

The Company is not aware of any arrangements which may result in a change in control of the Company.

Equity Compensation Plans

As of June 30, 2019, our equity compensation plans were as follows:

2009 Long-Term Stock Incentive Plan

On June 10, 2009, the Board of Directors approved the 2009 Long-Term Stock Incentive Plan (the "2009 Plan"). The purpose of the 2009 Plan was to advance the interests of the Company by encouraging and enabling acquisition of a financial interest in the Company by employees and other key individuals. The 2009 Plan was intended to aid the Company in attracting and retaining key employees, to stimulate the efforts of such individuals and to strengthen their desire to remain with the Company. A maximum of 1,500,000 shares of the Company's Common Stock was reserved for issuance under stock options to be issued under the 2009 Plan. The Plan permits the grant of Incentive Stock Options, Non-Statutory Stock Options and Restricted Stock Awards. The 2009 Plan is administered by the Board of Directors or, at its direction, the Compensation Committee comprised of officers of the Company. As of June 30, 2011, the Company had granted options to fifteen employees to purchase, in the aggregate, 727,000 shares of the Company's Common Stock. The exercise period for each of the grants was two to five years from the date of grant and the average exercise price was \$0.88. During the year ended June 30, 2010, one employee exercised the option to purchase 28,571 shares for \$10,000. During the year ended June 30, 2011, one employee exercised the option to purchase 20,000 shares for \$10,400, or \$0.52 per share. During the year ended June 30, 2013, 85,000 shares expired. No Grants were made under the Plan during the fiscal year ended June 30, 2013. During the year ended June 30, 2014, 257,000 shares expired and 25,000 Grants were made under the Plan. The number of unexercised, outstanding options at June 30, 2014 was 381,429 at an average exercise price of \$0.87 per share. During the year ended June 30, 2015, 301,429 shares expired and 0 Grants were made under the Plan. The number of unexercised, outstanding options at June 30, 2015 was 80,000 at an average exercise price of \$0.66 per share. During the year ended June 30, 2016, 812,804 shares expired and 0 Grants were made under the Plan. The number of unexercised, outstanding options at June 30, 2016 was 25,000 at an average exercise price of \$0.15 per share. During the year ended June 30, 2017, 0 shares expired and 0 Grants were made under the Plan. The number of unexercised, outstanding options at June 30, 2017 was 25,000 at an average exercise price of \$0.15 per share.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information, as of June 30, 2019, concerning shares of the Company's Common Stock held by (1) each stockholder known to own beneficially more than five percent of any class of the Company's voting securities as of June 30, 2019, with the number of outstanding common shares at 279,507,995 at such time, (A) each of the Company's directors, (B) each of the executive officers, and (C) all of the directors and executive officers as a group:

<u>Title of Class</u>	<u>Beneficial Owner</u>	<u>Title of Class</u>	<u>Number of Shares</u>	<u>Percent of Class (1)</u>
Common	Mirella Chavez 6323 W Desert Hills Dr. Glendale, AZ 85304	Direct (C)	9,022,549	3%
Common	Lawrence G. Ryckman 20202 Pacific Coast Highway, #5 Malibu, California 90265	Indirect (C)	10,281,096	3.68%
Common	Sheldon Yakus 1778 Lantana Drive Minden, NV 89423	Direct (B)	245,797	0.09%
Common	Justin Timberlake 1801 Century Park West Los Angeles, CA 90067	Direct	10,579,655	3.79%
Common	Arnold S. Weintraub 24901 Northwestern Hwy, #311 Southfield, MI 48075	Direct (A)	3,594,675	1.29%
Common	Mark Depew 1325 Deerbrooke Trail Cheyenne, WY 82009	Direct (C)	3,978,831	1.42%
Series H Preference Stock	Lawrence G. Ryckman 20202 Pacific Coast Highway, #5 Malibu, California 90265	Direct (1) (C)	2	40.00%
Series H Preference Stock	Mark Depew 1325 Deerbrooke Trail Cheyenne, WY 82009	Direct (1) (C)	2	40.00%
Series A Convertible Preference Stock	Murray B. Day 549 W. Crescent Palo Alto, CA 94301	Direct	5,000	32.26%
Series A Convertible Preference Stock	Elliot Leferts 60 McNear Drive San Rafael, CA 9490	Direct	3,000	19.35%
Series A Convertible Preference Stock	Harriet Lloyd 1200 California St. San Francisco, CA 94109	Direct	2,500	16.13%
Series A Convertible Preference Stock	Richard Matza 454 Burr Rd. Southbury, CT 06488	Direct	2,500	16.13%
Series A Convertible Preference Stock	Richard Oliver 25466 Adobe Lane Los Altos, CA 94022	Direct	2,500	16.13%

Series B Senior Redeemable Convertible Preference Stock	J. Patrick Carter 2448 E. 81st Street, #4550 Tulsa, OK 74137	Direct	1,500	42.86%
Series B Senior Redeemable Convertible Preference Stock	Robert Stillman 2440 Virginia Ave NW, Apt. D 1206 Washington, DC 20037	Direct	2,000	57.14%
Series C Convertible Preferred Stock	John Arrilaga, TTEE 2560 Mission College Blvd., #101 Santa Clara, CA 95054	Direct	2,068	15.43%
Series C Convertible Preferred Stock	Paul Essi 2450 One Cleveland Center Cleveland, OH 44114	Direct	1,171	8.74%
Series C Convertible Preferred Stock	Thomas Fersti P.O. Box 284 761 State St. Millington, MI 48746	Direct	3,592	26.80%
	Marton & Kjellaug Klepp 12 Day Road Armonk, NY 10504	Direct	1,825	13.62%
Series C Convertible Preferred Stock	Gustavo Nicolich P.O. Box 60040 Palo Alton, CA 94306	Direct	1,097	8.18%
Series C Convertible Preferred Stock	Richard Perry, TTEE 2200 Cowper Street Palo Alto, CA 94301	Direct	2,068	15.43%
Series P Convertible Participating Preferred Stock	Robert Huskins 42 Shady Vista Rd. Rolling Hills Estates, CA 90274	Direct	67,741	78.19%
Series P Convertible Participating Preferred Stock	Roderick Thompson Address unknown	Direct	18,899	21.81%
	Officers and Directors as a Group		37,820,068	

1. The number and percentage of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares, which the individual has the right to acquire within 60 days through the exercise of any stock option or other right. The persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes to this table.

2. The above table is based on 279,507,995 shares of Common Stock outstanding as of June 30, 2019, and based on the following shares of other voting stock outstanding as of such date: (i) 15,500 shares of Series A Convertible Preference Stock; (ii) 2,585,000 shares of Series A-1 Convertible Preference Stock; (iii) 3,500 shares of Series B Senior Redeemable Convertible Preference Stock; (iv) 13,404 shares of Series C Convertible Preferred Stock; and (v) 86,640 shares of Series P Convertible Participating Preferred Stock; (vi) 2 shares of Series H Preferred Stock. Shares of Common Stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for purposes of computing the percentage of any other person.

3. Mr. Ryckman owns these shares personally and through two entities, Maverick Investments and Sundance. The amount listed here includes an option to purchase 500,000 shares of Common Stock at \$.20 per share, option to purchase 200,000 shares of Common Stock at \$.20 per share, option to purchase 2,000,000 shares of Common Stock at \$.20 per share and option to purchase 2,000,000 shares of Common Stock at \$.05 per share

4. Includes an option to purchase 1,000,000 shares of Common Stock at \$.45 per share.

5. Tennman Brands, LLC owns 10,579,665 warrants to purchase shares of Common Stock at an exercise price of \$0.18 per share. Justin Timberlake is the beneficial owner of Tennman Brands, LLC and, upon exercise of the warrants, would exercise voting control of the common stock underlying the warrants.

6. Includes an option to purchase 2,000,000 shares of Common Stock at \$.05 per share.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Various term notes with total face value of \$3,925,000 issued from February 2010 to April 2013, interest rates range from 10% to 15%, net of unamortized discount of \$0 as of June 30, 2018, of which \$3,925,000 was extinguished.

On August 8, 2016, the Company issued notes to a daughter of a director of the Company, for \$30,000. The note bears an interest rate of 0% per annum and is convertible into shares of the Company's Common Stock at \$0.40 per share.

On November 15, 2016, the Company issued notes to a director and officer of the Company, for \$5,000. The note bears an average interest rate of 0% per annum.

From November 2016 to June 2019, the Company issued notes to a director and officer of the Company, a director of the Company, for \$354,500. The note bears an average interest rate of 0% per annum.

Future Transactions

All future affiliated transactions are expected to be made or entered into on terms that are no less favorable to the Company than those that can be obtained from any unaffiliated third party. A majority of the independent, disinterested members of the Company's Board of Directors are asked to approve future affiliated transactions. The Company believes that of the transactions described above have been on terms at least as favorable to it as could have been obtained from unaffiliated third parties as a result of arm's length negotiations.

Conflicts of Interest

In accordance with the laws applicable to the Company, its Directors are required to act honestly and in good faith with a view to the Company's best interests. In the event that a conflict of interest arises at a meeting of the Board of Directors, a Director who has such a conflict is expected to disclose the nature and extent of his interest to those present at the meeting and to abstain from voting for or against the approval of the matter in which he has a conflict.

Director Independence

Our Common Stock trades on the OTC Bulletin Board. As such, we are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of the board of directors be independent.

Since we are not currently subject to corporate governance standards relating to the independence of our directors, we choose to define an “independent” director in accordance with the NASDAQ Global Market’s requirements for independent directors (NASDAQ Marketplace Rule 4200). The NASDAQ independence definition includes a series of objective tests, such as that a director is not an employee of the company and has not engaged in various types of business dealings with the company. We presently do not have a compensation committee, nominating committee, executive committee of our Board of Directors, stock plan committee or any other committees, except for an Audit Committee.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following is a summary of the aggregate fees billed to Registrant by its principal accountant(s) for professional services rendered for the fiscal years ended June 30, 2019 and 2018:

	2019	2018
Audit Fees (1)	\$ 110,000	\$ 122,000
Audit-Related Fees (2)	\$ -	\$ -
Tax Fees (3)	\$ -	\$ -
All Other Fees (4)	\$ -	\$ -
Total Fees	\$ 110,000	\$ 122,000

1. **Audit Fees.** Consists of fees billed for professional services rendered for the audits of Registrant’s financial statements for the fiscal years ended June 30, 2019 and 2018 and for review of the financial statements included in Registrant’s Quarterly Reports on Form 10-Q for those fiscal years.

2. **Audit-Related Fees.** Consists of fees billed for services rendered to Registrant for audit-related services, which generally include fees for audit and review services in connection with proposed spin-off transactions, separate audits of employee benefit and pension plans, and ad hoc fees for consultation on financial accounting and reporting standards.

3. **Tax Fees.** Consists of fees billed for services rendered to Registrant for tax services, which generally include fees for corporate tax planning, consultation and compliance.

4. **All Other Fees.** Consists of fees billed for all other services rendered to Registrant, which generally include fees for consultation regarding computer system controls and human capital consultations. No services were performed related to financial information systems design and implementation for the fiscal years ended June 30, 2019 and 2018.

No “audit-related,” “tax” and “all other” services in 2019 or 2018, as defined above, were approved by the Audit Committee in reliance on the de minimis exception to the preapproval requirements under federal securities laws and regulations.

Pre-Approval of Services of Principal Accounting Firm

The Audit Committee’s written policy is to pre-approve all audit and permissible non-audit services provided by Registrant’s principal accounting firm (independent auditor). These services may include audit services, audit-related services, tax services and other permissible non-audit services. Any service incorporated within the independent auditor’s engagement letter, which is approved by the Audit Committee, is deemed pre-approved. Any service identified as to type and estimated fee in the independent auditor’s written annual service plan, which is approved by the Audit Committee, is deemed pre-approved up to the dollar amount provided in such annual service plan.

During the year, the principal accounting firm may also provide additional accounting research and consultation services required by, and incident to, the audit of Registrant’s financial statements and related reporting compliance. These additional audit-related services are pre-approved up to the amount approved in the annual service plan approved by the Audit Committee. The Audit Committee may also pre-approve services on a case-by-case basis during the year.

The Audit Committee’s approval of proposed services and fees are noted in the meeting minutes of the Audit Committee and/or by signature of the Audit Committee on the engagement letter. The principal accounting firm of Registrant and management are periodically requested to summarize the principal accounting firm services and fees paid to date, and management is required to report whether the principal accounting firm’s services and fees have been pre-approved in accordance with the required pre-approval process of the Audit Committee.

Non-Audit Services

The Audit Committee of the Board of Directors has considered whether the provision of non-audit services by the Registrant's principal accountants is compatible with maintaining auditor independence.

ITEM 15. EXHIBITS

The following Exhibits are incorporated by reference:

Exhibit No.	Description
3.1	Articles of Incorporation, dated May 12, 1988. (a)
3.1	Certificate of Amendment of Articles of Incorporation of Dimensional Visions Incorporated, dated January 16, 2006. (f)
3.2	Certificate of Amendment of Articles of Incorporation of Elevation Media, Inc., dated March 24, 2006. (f)
3.2	Bylaws. (a)
3.3	Certificate of Amendment of Certificate of Incorporation of Dimensional Visions Incorporated dated January 22, 2004. (f)
4.1	Certificate of Designation of Series A Convertible Preferred Stock, dated December 12, 1992. (a)
4.1	Form of Warrant issued to Participants in 2007 Private Placements. (g)
4.2	Certificate of Designation of Series B Convertible Preferred Stock, dated December 22, 1993. (a)
4.3	Certificate of Designation of Series P Convertible Preferred Stock, dated September 11, 1995. (a)
4.4	Certificate of Designation of Series S Convertible Preferred Stock, dated August 28, 1995. (a)
4.5	Certificate of Designation of Series C Convertible Preferred Stock, dated November 2, 1995. (a)
4.6	Certificate of Designation of Series D and Series E Convertible Preferred Stock, dated August 25, 1999. (a)
4.7	Form of Warrant Agreement to Debt Holders, dated January 15, 1998. (a)
4.8	Form of Warrant Agreement to Debt Holders, dated April 8, 1998. (a)
4.9	Form of Warrant Agreement to Participants in Private Placement, dated April 8, 1998. (a)
4.10	Pledge Agreement with Dale Riker and Russ Ritchie, dated January 11, 2001. (b)
4.11	Investment Agreement with Swartz Private Equity, LLC, dated December 13, 2000. (b)
4.12	Merrill Lynch Portfolio Reserve Loan and Collateral Account Agreement, dated January 12, 2002. (b)
10.1	1996 Equity Incentive Plan. (a)
10.1	Stock Purchase Agreement between Studio One Entertainment, Inc. and Dimensional Visions Incorporated, dated March 29, 2006 (g)
10.2	1999 Stock Option Plan. (a)
10.2	Exchange Agreement between AfterMaster, Inc., and Studio One Entertainment, Inc., dated April 16, 2007. (g)
10.3	Employment Agreement with John D. McPhelimy, dated January 1, 2001. (c)
10.3	Accord and Satisfaction between Dimensional Visions, Inc. and Russell H. Ritchie, Dale E. Riker, Suntine Enterprises, LLC, and Cornerstone Wireless Communications, LLC, dated October 11, 2006. (g)
10.4	Employment Agreement with Bruce D. Sandig, dated July 1, 2001. (c)
10.5	Settlement Agreement and Release between the Company and Russell H. Ritchie, Dale E. Riker, Suntine Enterprises, LLC, and Cornerstone Wireless Communications, LLC, dated April 30, 2003. (d)
10.6	2009 Long-Term Incentive Plan. (i)
10.7	Form of Directors and Officers Indemnity Agreement. (i)
14	Dimensional Visions, Inc. Code of Ethics. (e)
21.1	Subsidiaries of the Registrant (h)

- (a) Incorporated by reference from the Company's Registration Statement on Form SB-2, dated June 19, 2000 (Registration No. 333-30368).
- (b) Incorporated by reference from the Company's Registration Statement on Form SB-2, dated July 10, 2001 (Registration No. 333-56804).
- (c) Incorporated by reference from the Company's Amendment No. 1 to Annual Report on Form 10-KSB, dated February 22, 2002.
- (d) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2003, filed October 15, 2003.
- (e) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2004, filed November 15, 2004.
- (f) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2006, filed September 29, 2006.
- (g) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2007, filed September 28, 2007, and Form 10-K/A for the fiscal year ended June 30, 2007, filed May 27, 2008.

- (h) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2008, filed September 29, 2008.
- (i) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2009, filed October 15, 2009.
- (j) Incorporated by reference from the Company's Annual Report, Form 10-KSB for fiscal year ended June 30, 2010, filed October 12, 2010

The following Exhibits are filed herewith:

- [31.1 Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
 - [31.2 Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
 - [32.1 Certification of Chief Executive Officer pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
 - [32.2 Certification of Chief Financial Officer pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* XBRL Instance Document
101.SCH*XBRL Taxonomy Extension Schema
101.CAL*XBRL Taxonomy Extension Calculation Linkbase
101.DEF*XBRL Taxonomy Extension Definition Linkbase
101.LAB*XBRL Taxonomy Extension Label Linkbase
101.PRE*XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AFTERMASTER, INC.

Date: October 15, 2019

By: /s/ Larry Ryckman

Larry Ryckman
President & Chief Executive Officer

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

Signature	Title	Date
<u>/s/ Larry Ryckman</u> Larry Ryckman	President and Director (Principal Executive Officer)	October 15, 2019
<u>/s/ Mirella Chavez</u> Mirella Chavez	Chief Financial Officer	October 15, 2019
<u>/s/ Mark Depew</u> Mark Depew	Director	October 15, 2019
<u>/s/ Arnold S. Weintraub</u> Arnold S. Weintraub	Director	October 15, 2019

AFTERMASTER, INC.
FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Aftermaster, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Aftermaster, Inc. (the Company) as of June 30, 2019, and the related consolidated statement of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended June 30, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019, and the results of its operations and its cash flows for the year ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Consideration of the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a deficit in stockholders' equity, negative working capital, and revenues insufficient to cover operating costs. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
October 15, 2019

We have served as the Company's auditor since 2018.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of AfterMaster, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of AfterMaster, Inc. (“the Company”) as of June 30, 2018, the related consolidated statements of operations, stockholders’ deficit, and cash flows for the year ended June 30, 2018 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2018, and the results of its operations and its cash flows for the year ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ Sadler, Gibb & Associates, LLC

We served as the Company’s auditor from 2013 to 2018.

Salt Lake City, UT
October 15, 2018

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AFTERMASTER, INC.
Consolidated Balance Sheets

	<u>June 30,</u> 2019	<u>June 30,</u> 2018
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 366,129	\$ 390,191
Accounts receivable, net	24,226	203,720
Inventory, net	306,762	-
Prepaid expenses	<u>311,296</u>	<u>388,374</u>
Total Current Assets	<u>1,008,413</u>	<u>982,285</u>
Property and equipment, net	60,817	143,360
Deposits	<u>24,217</u>	<u>25,117</u>
Total Assets	<u>\$ 1,093,447</u>	<u>\$ 1,150,762</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 1,957,550	\$ 1,592,257
Accrued interest	921,033	351,189
Deferred revenue	3,921	2,400
Accrued consulting services - related party	161,124	70,621
Derivative Liability	5,009,094	2,815,520
Notes payable - related party	230,000	76,000
Notes payable, net of discount of \$992 and \$77,090, respectively	1,053,758	642,910
Convertible notes payable - related party, net of discount of \$0 and \$4,422, respectively	119,500	115,078
Convertible notes payable, net of discount of \$1,024,700 and \$812,306, respectively	<u>4,443,837</u>	<u>2,959,457</u>
Total Current Liabilities	13,889,817	8,625,432
Total Liabilities	<u>13,899,817</u>	<u>8,625,432</u>
Commitments and Contingencies		
Stockholders' Deficit		
Convertible preferred stock, Series A; \$0.001 par value; 100,000 shares authorized, 15,500 shares issued and outstanding	16	16
Convertible preferred stock, Series A-1; \$0.001 par value; 3,000,000 shares authorized, 2,585,000 shares issued and outstanding, respectively	2,585	2,585
Convertible preferred stock, Series B; \$0.001 par value; 200,000 shares authorized, 3,500 shares issued and outstanding	3	3
Convertible preferred stock, Series C; \$0.001 par value; 1,000,000 shares authorized, 13,404 shares issued and outstanding	13	13
Convertible preferred stock, Series D; \$0.001 par value; 375,000 shares authorized, 130,000 shares issued and outstanding	130	130
Convertible preferred stock, Series E; \$0.001 par value; 1,000,000 shares authorized, 275,000 shares issued and outstanding	275	275
Convertible preferred stock, Series H; \$0.001 par value; 5 shares authorized, 2 shares issued and outstanding	-	-

Convertible preferred stock, Series P; \$0.001 par value; 600,000 shares authorized, 86,640 shares issued and outstanding	87	87
Convertible preferred stock, Series S; \$0.001 par value; 50,000 shares authorized, -0- shares issued and outstanding	-	-
Common stock, authorized 513,407,666 shares, par value \$0.001, 275,507,995 and 133,446,521 shares issued and outstanding, respectively	275,629	133,742
Common stock to be issued, 3,885,000 and 28,841,381, respectively	3,885	28,553
Additional paid In capital	72,770,496	68,916,676
Accumulated Deficit	<u>(85,859,489)</u>	<u>(76,556,750)</u>
Total Stockholders' Deficit	<u>(12,806,370)</u>	<u>(7,474,670)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 1,093,447</u>	<u>\$ 1,150,762</u>

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

AFTERMASTER, INC.
Consolidated Statements of Operations

	For the Years Ended June 30,	
	2019	2018
REVENUES		
AfterMaster Revenues	\$ 601,812	\$ 517,689
Product Revenues	<u>374,510</u>	<u>1,131,812</u>
Total Revenues	<u>976,322</u>	<u>1,649,501</u>
COSTS AND EXPENSES		
Cost of Revenues (Exclusive of Depreciation and Amortization)	823,449	1,565,798
Depreciation and Amortization Expense	84,448	158,505
Research and Development	5,623	15,771
Advertising and Promotion Expense	77,570	258,257
Legal and Professional Expense	69,524	94,102
Non-Cash Consulting Expense	773,512	296,005
General and Administrative Expenses	<u>3,069,730</u>	<u>3,637,201</u>
Total Costs and Expenses	<u>4,903,534</u>	<u>6,025,639</u>
Loss from Operations	<u>(3,927,534)</u>	<u>(4,376,138)</u>
Other Income (Expense)		
Interest Expense	(3,092,387)	(3,178,179)
Derivative Expense	(2,288,380)	(2,787,712)
Change in Fair Value of Derivative	5,562	1,161,227
Gain Available for Sale Securities	-	240,000
Gain on Extinguishment of Debt	-	4,762,594
Impairment of assets	<u>-</u>	<u>(74,991)</u>
Total Other Income (Expense)	<u>(5,375,205)</u>	<u>122,939</u>
Loss Before Income Taxes	(9,302,739)	(4,253,199)
Income Tax Expense	-	-
NET LOSS	<u>\$ (9,302,739)</u>	<u>\$ (4,253,199)</u>
Preferred Stock Accretion and Dividends	<u>(226,696)</u>	<u>(225,468)</u>
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	<u>\$ (9,529,435)</u>	<u>\$ (4,478,667)</u>
Basic and diluted Loss Per Share of Common Stock	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Weighted Average Number of Shares Outstanding	<u>187,188,131</u>	<u>131,144,651</u>

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

AFTERMASTER, INC.
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock		Additional Paid In Capital	Common Stock to be Issued	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance, June 30, 2017	3,109,044	\$ 3,109	118,486,728	\$ 118,493	\$ 63,627,987	\$ -	\$(72,303,551)	\$ 93,600	\$ (8,460,362)
Common Stock Sold for Cash, net of offering costs of \$4,750	-	-	16,200,000	2,841	626,551	13,358	-	-	642,750
Share-Based Compensation to Directors and Employees- Common shares	-	-	4,501,592	2	349,446	4,501	-	-	353,949
Total Stock Issued for Consulting Services and Rent	-	-	1,415,000	245	105,875	1,170	-	-	107,290
Common stock issued as charitable contribution	-	-	100,000	100	6,900	-	-	-	7,000
Common stock issued as incentive with Convertible debt	-	-	6,098,101	267	311,161	5,833	-	-	317,261
Common stock issued for conversion of debt	-	-	28,928,570	26,344	807,905	2,584	-	-	836,833
Common stock issued for interest expense	-	-	1,280,162	-	216,348	1,280	-	-	217,628
Common stock issued for extension of notes	-	-	115,000	-	16,782	115	-	-	16,897
Common Stock cancelled in extinguishment of debt	-	-	(14,837,251)	(14,550)	14,838	(288)	-	-	-
Accumulated other comprehensive income from Available for Sale Securities	-	-	-	-	-	-	-	(93,600)	(93,600)
Beneficial Conversion Feature Share-Based Compensation - Warrants and options	-	-	-	-	188,521	-	-	-	188,521
Derivative liability	-	-	-	-	(16,532)	-	-	-	(16,532)
Net loss for the year ended June 30, 2018	-	-	-	-	2,660,894	-	-	-	2,660,894
	-	-	-	-	-	-	(4,253,199)	-	(4,253,199)
Balance, June 30, 2018	<u>3,109,044</u>	<u>\$ 3,109</u>	<u>162,287,902</u>	<u>\$ 133,742</u>	<u>\$ 68,916,676</u>	<u>\$ 28,553</u>	<u>\$(76,556,750)</u>	<u>\$ -</u>	<u>\$(7,474,670)</u>
Common Stock Sold for Cash, net of offering costs of \$0	-	-	28,150,000	28,150	253,350	-	-	-	281,500
Share-Based Compensation to Directors and Employees- Common shares	-	-	19,851,843	19,851	377,535	-	-	-	397,386
Total Stock Issued for Consulting Services and Rent	-	-	15,635,000	11,750	460,130	3,885	-	-	475,765
Preferred H stock issued for conversion of debt	2	-	-	-	198,116	-	-	-	198,116
Common stock issued for conversion of debt	-	-	50,583,250	50,583	436,213	-	-	-	486,796
Common stock issued for interest expense	-	-	3,000,000	3,000	87,000	-	-	-	90,000
Common Stock Issued from stock to be issued	-	-	-	28,553	-	(28,553)	-	-	-
Derivative liability	-	-	-	-	2,041,476	-	-	-	2,041,476
Net loss for the year ended June 30, 2019	-	-	-	-	-	-	(9,302,739)	-	(9,302,739)
Balance, June 30, 2019	<u>3,109,046</u>	<u>\$ 3,109</u>	<u>279,507,995</u>	<u>\$ 275,629</u>	<u>\$ 72,770,496</u>	<u>\$ 3,885</u>	<u>\$(85,859,489)</u>	<u>\$ -</u>	<u>\$(12,806,370)</u>

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

AFTERMASTER, INC.
Consolidated Statements of Cash Flows

	For the Years Ended June 30,	
	2019	2018
OPERATING ACTIVITIES		
Net Loss	\$ (9,302,739)	\$ (4,253,199)
Adjustments to reconcile net loss to cash from operating activities:		
Depreciation and amortization	84,448	158,507
Share-based compensation - Common Stock	397,386	353,949
Share-based compensation - warrants and options	-	246,868
Share based compensation - preferred stock	148,116	-
Common stock issued for charitable contribution	-	7,000
Common stock issued as incentive with convertible debt	-	16,897
Warrants issued as incentive to modify derivative instruments	68,854	-
Amortization of debt discount and issuance costs	2,086,956	1,856,791
Impairment of assets	-	74,991
(Gain)/Loss on extinguishment of debt	-	(4,762,594)
Derivative expense	2,288,380	2,787,712
(Gain)/Loss remeasurement of derivative	(5,562)	(1,161,227)
Gain on Available for Sale Securities	-	(240,000)
Changes in Operating Assets and Liabilities:		
Accounts receivables	179,492	(106,617)
Inventory	(306,762)	104,891
Other assets	688,872	235,274
Deposits	900	8,246
Accounts payable and accrued expenses	365,297	1,250,908
Accrued interest	747,083	968,372
Deferred revenue	1,521	(268,223)
Accrued consulting services - related party	140,503	48,557
	<u>(2,417,256)</u>	<u>(2,672,897)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,907)	(5,425)
Sale of available for sale securities	-	270,000
Purchase of intangible assets	-	(3,150)
	<u>(1,907)</u>	<u>261,425</u>
FINANCING ACTIVITIES		
Common Stock issued for cash	281,500	642,750
Proceeds from notes payable	375,000	950,000
Repayments of notes payable	(72,500)	(255,000)
Proceeds from notes payable - related party	154,000	119,500
Repayments of notes payable - related party	-	(278,500)
Proceeds from convertible notes payable - related party	-	89,500
Proceeds from convertible notes payable	1,867,350	2,022,122
Repayments of convertible notes payable	(210,249)	(737,500)
Lease Payable	-	(1,937)
	<u>2,395,101</u>	<u>2,550,935</u>
NET CHANGE IN CASH	(24,062)	139,463
CASH AT BEGINNING OF PERIOD	<u>390,191</u>	<u>250,728</u>

CASH AT END OF PERIOD	\$ <u>366,129</u>	\$ <u>390,191</u>
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

CASH PAID FOR:

Interest	\$ 234,378	\$ 186,860
Taxes	\$ -	\$ -

NON CASH FINANCING ACTIVITIES:

Beneficial conversion feature	\$ -	\$ 188,521
Conversion of notes and Interest into common stock	\$ 576,796	\$ 217,628
Conversion of related party payables into preferred stock	\$ 50,000	\$ -
Derivative Liability	\$ 1,867,350	\$ 1,406,506
Conversion of Derivative Liability	\$ 2,041,476	\$ 2,660,894
Market To Market on Available For Sale securities	\$ -	\$ 64,800
Common stock issued with notes payable	\$ -	\$ 317,261
Common stock issued with convertible debt	\$ -	\$ 836,833
Common stock issued for prepaid expenses	\$ 475,765	\$ 107,290
Convertible notes payable issued for prepaid expenses	\$ 120,000	\$ -
Cancellation of common shares as part of settlement of debt	\$ -	\$ 14,838
Original Issue Discount	\$ 241,396	\$ 281,765
Common stock issued from stock to be issued	\$ 28,553	\$ -
Assignment of Debt	\$ 11,238	\$ 16,532
Conversion of accrued interest into common stock	\$ -	\$ 8,570
Warrants issued for prepaid expenses	\$ 16,029	\$ -

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

AFTERMASTER, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

AfterMaster, Inc., (the “Company” or “AfterMaster”) was originally organized in Delaware on May 12, 1988,

Aftermaster, Inc. is an audio technology company located in Hollywood, California and Scottsdale, Arizona. The Company’s wholly-owned subsidiaries include Aftermaster HD Audio Labs, Inc. and MyStudio, Inc.

The Company and its subsidiaries are engaged in the development and commercialization of proprietary (patents issued and pending), leading-edge audio and video technologies and products for professional and consumer use, including Aftermaster® Audio, ProMaster™, Aftermaster Pro™, Aftermaster Studio Pro and MyStudio®. The Company also operates recording and mastering studios at its Hollywood facilities.

Accounting Basis

The Company’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Company has elected a June 30 fiscal year end.

Principles of Consolidation

The consolidated financial statements include the accounts of AfterMaster and its subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates are made in relation to the allowance for doubtful accounts and the fair value of certain financial instruments.

Accounts Receivables

Accounts receivable are stated at amounts management expects to collect. An allowance for doubtful accounts is provided for uncollectible receivables based upon management’s evaluation of outstanding accounts receivable at each reporting period considering historical experience and customer credit quality and delinquency status. Delinquency status is determined by contractual terms. Bad debts are written off against the allowance when identified. Allowance for doubtful accounts were \$41,184 and \$0 as of June 30, 2019 and 2018, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. As of June 30, 2019, and 2018, the Company’s cash balances were within the FDIC insurance coverage limits.

Inventories

Inventories consist of finished goods and component parts, which are purchased from contract manufacturers and component suppliers. Inventories are stated at the lower of cost or net realizable value. We assess the valuation of inventory and periodically write down the value for estimated excess and obsolete inventory and based upon estimates of future demand and market conditions.

Fair Values, Inputs and Valuation Techniques for Financial Assets and Liabilities Disclosures

The fair value measurements and disclosure guidance defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Company has categorized its recurring basis financial assets and liabilities into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The levels of the fair value hierarchy are described below:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, for substantially the full term of the asset. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and inputs other than quoted prices that are observable in the marketplace for the asset. The observable inputs are used in valuation models to calculate the fair value for the asset.
- Level 3 inputs are unobservable but are significant to the fair value measurement for the asset, and include situations where there is little, if any, market activity for the asset. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

Disclosures for Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

The Company's financial instruments mainly consist of cash, receivables, current assets, accounts payable and accrued expenses and debt. The carrying amounts of its cash, receivables, current assets, accounts payable, accrued expenses and current debt approximates fair value due to the short-term nature of these instruments.

Concentration of Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash. Our cash balances are maintained in accounts held by major banks and financial institutions located in the United States. The Company occasionally maintains amounts on deposit with a financial institution that are in excess of the federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

For the years ended June 30, 2019 and 2018 there was no customer that accounted for a material portion of total revenues.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization are calculated using the straight-line method over the expected useful life of the asset, after the asset is placed in service. The Company generally uses the following depreciable lives for its major classifications of property and equipment:

Description	Useful Lives
Office Equipment and Computers	5 years
Computer Software	5 years
Furniture and Office Equipment	5 years
Vehicles	5 years
Leasehold Improvements	Shorter of Useful Life or Lease Term
Studios	5 years

Expenditures associated with upgrades and enhancements that improve, add functionality, or otherwise extend the life of property and equipment are capitalized, while expenditures that do not, such as repairs and maintenance, are expensed as incurred.

Intangible Assets

Intangible assets consist of intellectual property, website costs, video backgrounds, and patterns and molds. The Company's intellectual property includes purchased patents and trademarks as well as other proprietary technologies. Website costs are costs incurred to develop the Company's website. Video backgrounds are the costs incurred to develop video backgrounds for use in the Company's recording studios. Patterns and molds are for the design and construction of the studios. The Company amortizes intangible assets over the following useful lives:

Description	Weighted-Average Amortization Period
Intellectual Property	5 years
Website Costs	5 years

Video Backgrounds
Patterns and Molds

5 years
5 years

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Long-Lived Assets

Long-lived tangible assets and definite-lived intangible assets are reviewed for possible impairment annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company uses both an estimate of undiscounted future net cash flows of the assets over the remaining useful lives and a replacement cost method when determining their fair values. If the carrying values of the assets exceed the fair value of the assets, the Company recognizes an impairment loss equal to the difference between the carrying values of the assets and their fair values. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets. The evaluation of long-lived assets requires the Company to use estimates of future cash flows. However, actual cash flows may differ from the estimated future cash flows used in these impairment tests.

Revenue Recognition

For the year ended June 30, 2018, The Company applied the provisions of FASB ASC 605, Revenue Recognition in Financial Statements, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. ASC 605 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. In general, the Company recognizes revenue related to goods and services provided when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured.

The Company applies the provisions of FASB ASC 606, *Revenue Recognition in Financial Statements*, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. ASC 606 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. In general, the Company recognizes revenue in accordance with that core principle by applying the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In general, the Company's revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

The Company's revenues are generated from Aftermaster products and services, Aftermaster Pro, sessions revenue, and remastering. Revenues related to Aftermaster Pro sells through consumer retail distribution channels and through our website. For sales through consumer retail distribution channels, revenue recognition occurs when title and risk of loss have transferred to the customer which usually occurs upon shipment to the customers. We established allowances for expected product returns and these allowances are recorded as a direct reduction to revenue. Return allowances are based on our historical experience. Revenues related to sessions and remastering are recognized when the event occurred.

Disaggregation of Revenue

The table below presents disaggregated revenue from contracts with customers by customer geography and contract-type. We believe this disaggregation best depicts the nature, amount, timing and uncertainty of our revenue and cash flows that may be affected by industry, market and other economic factors:

For the Year Ended June 30, 2019			
Geography	Professional services	Transaction based	Total
North America	\$ 601,812	\$ 374,510	\$ 976,322
International	-	-	-
Total	\$ 601,812	\$ 374,510	\$ 976,322

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On July 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2018. Results for reporting periods beginning after July 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. We did not record a change to accumulated deficit as of July 1, 2018 due to the immaterial cumulative impact of adopting Topic 606.

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Revenue is recognized when obligations under the terms of a contract with our customers are satisfied; generally, this occurs with the transfer of control of our products to our customers. Transfer of control to the customer for products generally occurs at the

point in time when products have been shipped to our customer by third party carriers as this represents the point in time when the customer has a present obligation to pay and physical possession including title and risk of loss have been transferred to the customer.

The Company accounts for a contract with a customer when there is an approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of the consideration is probable. The Company's distinct performance obligations consist mainly of transferring control of its products identified in the contracts, purchase orders or invoices and implied PCS services.

Transaction prices are typically based on contracted rates. Generally, payment is due from customers within 60 days of the invoice date and the contracts do not have significant financing components or include extended payment terms.

The timing of revenue recognition, billing and cash collections results in billed accounts receivable, deferred revenue, and customer deposits on the Consolidated Balance Sheets. Accounts receivable are recognized in the period the Company's right to the consideration is unconditional. Our contract liabilities consist of advance payments (Customer deposits) recognized primarily related to deferred revenue. We classify customer deposits as a current liability, and deferred revenue as a current or noncurrent liability based on the timing of when we expect to fulfill these remaining performance obligations. The current portion of deferred revenue is included in other current liabilities and the noncurrent portion is included in other long-term liabilities in our consolidated balance sheets.

There was no impact from adopting Topic 606 on the Company's condensed consolidated financial statements.

Cost of Revenues

The Company's cost of revenues includes studio lease expense, employee costs, component and finished goods expense, and other nominal amounts. Costs associated with products are recognized at the time of the sale. Costs incurred to provide services are recognized as cost of sales as incurred. Depreciation is not included within cost of revenues.

Research and Development

The Company follows the policy of expensing its research and development costs in the period in which they are incurred in accordance with ASC 730, *Accounting for Research and Development Costs*. The Company incurred research and development expenses of \$5,623 and \$15,771 during the years ended June 30, 2019 and 2018.

Advertising Expenses

The Company expenses advertising costs in the period in which they are incurred. Advertising expenses were \$77,570 and \$258,257 for the years ended June 30, 2019 and 2018.

Share-Based Compensation

The Company follows the provisions of ASC 718, *Share-Based Payment*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The Company uses the Black-Scholes pricing model for determining the fair value of share-based compensation.

The Company also follows the provisions of FASB ASC 505-50, "Equity-Based Payments to Non-Employees," which addresses the accounting and reporting for both the issuer (that is, the purchaser or grantor) and recipient (that is, the goods or service provider or grantee) for a subset of share-based payment transactions. ASC 505-50 requires equity instruments issued to non-employees for goods or services are accounted for at fair value and are marked to market until service is complete or a performance commitment date is reached, whichever is earlier.

Convertible Securities and Derivatives

The Company estimates the fair values of the debt and warrants, and allocates the proceeds pro rata based on these values. The allocation of proceeds to the warrants results in the debt instrument being recorded at a discount from the face amount of the debt and the value allocated to the warrant is recorded to additional paid-in capital.

When the convertible debt or equity instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds from the convertible host instruments are first allocated to the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the convertible instruments themselves, resulting in those instruments being recorded at a discount from their face value.

Derivative Liabilities

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has a sequencing policy regarding share settlement wherein instruments with the earliest issuance date would be settled first. The sequencing policy also considers contingently issuable additional shares, such as those issuable upon a stock split, to have an issuance date to coincide with the event giving rise to the additional shares.

On February 3, 2017, the company entered into a note payable with an unrelated party at a percentage discount (variable) exercise price which causes the number to be converted into a number of common shares that "approach infinity", as the underlying stock price could approach zero. Accordingly, all convertible instruments issued after February 3, 2017 are considered derivatives according to the Company's sequencing policy.

The Company values these convertible notes payable using the multinomial lattice method that values the derivative liability within the notes based on a probability weighted discounted cash flow model. The resulting liability is valued at each reporting date and the change in the liability is reflected as change in derivative liability in the statement of operations.

Loss Per Share

Basic loss per Common Share is computed by dividing losses attributable to Common shareholders by the weighted-average number of shares of Common Stock outstanding during the period. The losses attributable to Common shareholders was increased for accrued and deemed dividends on Preferred Stock during the years ended June 30, 2019 and 2018 of \$226,696 and \$225,468, respectively.

Diluted earnings per Common Share is computed by dividing loss attributable to Common shareholders by the weighted-average number of Shares of Common Stock outstanding during the period increased to include the number of additional Shares of Common Stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding convertible Preferred Stock, stock options, warrants, and convertible debt. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's Common Stock can result in a greater dilutive effect from potentially dilutive securities.

For the years ended June 30, 2019 and 2018, all of the Company's potentially dilutive securities (warrants, options, convertible preferred stock, and convertible debt) were excluded from the computation of diluted earnings per share as they were anti-dilutive. The total number of potentially dilutive Common Shares that were excluded were 353,963,947 and 134,603,706 at June 30, 2019 and 2018, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

ASC 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a return. ASC 740 provides guidance on the measurement, recognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. Under this pronouncement, the Company recognizes the financial

statement benefit of a tax position only after determining that a position would more likely than not be sustained based upon its technical merit if challenged by the relevant taxing authority and taken by management to the court of the last resort. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant tax authority.

The Company's policy is to recognize both interest and penalties related to unrecognized tax benefits in income tax expense. Interest and penalties on unrecognized tax benefits expected to result in payment of cash within one year are classified as accrued liabilities, while those expected beyond one year are classified as other liabilities. The Company has not recorded any interest and penalties since its inception.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state tax jurisdictions. The tax years for 2012 to 2019 remain open for federal and/or state tax jurisdictions. The Company is currently not under examination by any other tax jurisdictions for any tax years.

Investments

Our available for securities are considered Level 1. Realized gains and losses on these securities are included in "Other income (expense) – net" in the consolidated statements of income using the specific identification method. Unrealized gains and losses, on available-for-sale securities are recorded in accumulated other comprehensive income (accumulated OCI). Unrealized losses that are considered other than temporary are recorded in other income (expense) – net, with the corresponding reduction to the carrying basis of the investment. All available for sale securities were sold during the current year.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02—Leases (Topic 842), requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except for short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The Company is evaluating the effect that the updated standard will have on its financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company is evaluating the effect that the updated standard will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. The new ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost. The new ASU will be effective for the Company beginning in the fiscal quarter of 2020, and early adoption is permitted. The Company is evaluating the effect that the updated standard will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The amendment modifies, removes, and adds certain disclosure requirements on fair value measurements. The ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. We are currently evaluating the impact of ASU No. 2018-13 on our consolidated financial statements.

Management has considered all recent accounting pronouncements issued since the last audit of our consolidated financial statements. The Company's management believes that these recent pronouncements will not have a material effect on the Company's consolidated financial statements.

NOTE 2 – GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has an accumulated deficit of \$85,859,489 negative working capital of \$12,891,404, and currently has revenues which are insufficient to cover its operating costs, which raises substantial doubt about its ability to continue as a going

concern. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern.

The future of the Company as an operating business will depend on its ability to (1) obtain sufficient capital contributions and/or financing as may be required to sustain its operations and (2) to achieve adequate revenues from its ProMaster and AfterMaster businesses. Management's plan to address these issues includes, (a) continued exercise of tight cost controls to conserve cash, (b) obtaining additional financing, (c) more widely commercializing the AfterMaster and ProMaster products, and (d) identifying and executing on additional revenue generating opportunities.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

NOTE 3 – PROPERTY AND EQUIPMENT

The Company's property and equipment are comprised of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and Office Equipment	\$ 25,478	\$ 25,478
Office Equipment and Computers	183,083	189,087
Studios	74,719	260,543
Vehicles	-	31,399
Leasehold Improvements	49,936	60,084
Computer Software	66	66
Accumulated Depreciation	<u>(272,464)</u>	<u>(423,297)</u>
Net Property and Equipment	<u>\$ 60,818</u>	<u>\$ 143,360</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$84,448 and \$128,105, respectively. The Company impaired assets totaling \$0 for the years ended June 30, 2019 and 2018, respectively.

NOTE 4 – INTANGIBLE ASSETS

The Company's intangible assets were \$0 as of June 30, 2019 and 2018, respectively.

Amortization expense for the years ended June 30, 2019 and 2018 was \$0 and \$30,402, respectively. The Company impaired intangible assets totaling \$0 and \$74,991 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 – SECURITIES AVAILABLE-FOR-SALE

On November 10, 2014, the Company received 600,000 shares of b Booth stock as part of an Asset License agreement with b Booth valued at \$1,800,000. At the end of the second quarter of 2016, we concluded that the severity in the decline in market values of these assets to a value of \$30,000 had led to gross realized loss totaling \$1,770,000 in 2015. On February 22, 2018, the Company sold the 600,000 shares to the CEO of b Booth in exchange for \$270,000, which included \$250,000 in cash and \$20,000 in commissions fees. The Company realized a gain on sale of the available for sale securities of \$240,000 (Sales price of \$270,000 less the adjusted asset value of \$30,000). The following table presents the amortized cost, gross unrealized gains, gross unrealized losses, and fair market value of available-for-sale equity securities, nearly all of which are attributable to the Company's investment in b Booth stock, as follows:

		June 30, 2019				
		Amortized cost	Gross unrealized losses	Gross realized gains	Purchase Price	Fair value
Equity securities		\$ -	\$ -	\$ -	\$ -	\$ -
		June 30, 2018				
		Amortized cost	Gross unrealized losses	Gross realized gains	Purchase Price	Fair value
Equity securities		\$ 123,600	\$ (93,600)	\$ 240,000	\$ (270,000)	\$ -

NOTE 6 – INVENTORIES

Inventories consist of finished goods and component parts, which are purchased from contract manufacturers and component suppliers. Inventories are stated at the lower of cost or net realizable value and consisted of the following:

	June 30, 2019	June 30, 2018
Components	\$ -	\$ -
Finished Goods	306,762	-
Allowance / Reserve	-	-
Totals	<u>\$ 306,762</u>	<u>\$ -</u>

NOTE 7 – NOTES PAYABLE*Convertible Notes Payable*

In accounting for its convertible notes payable where derivative accounting does not apply, proceeds from the sale of a convertible debt instrument with Common Stock purchase warrants are allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at time of issuance. The portions of the proceeds allocated to the warrants are accounted for as paid-in capital with an offset to debt discount. The remainder of the proceeds are allocated to the debt instrument portion of the transaction as prescribed by ASC 470-25-20. The Company then calculates the effective conversion price of the note based on the relative fair value allocated to the debt instrument to determine the fair value of any beneficial conversion feature ("BCF") associated with the convertible note in accordance with ASC 470-20-30. The BCF is recorded to additional paid-in capital with an offset to debt discount. Both the debt discount related to the issuance of warrants and related to a BCF is amortized over the life of the note.

Convertible notes payable due to related parties consisted of the following as of June 30, 2019 and 2018, respectively:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
\$30,000 face value, issued in August 2016, interest rate of 0% and is convertible into shares of the Company's Common stock at \$0.40 per share, matured June 30, 2019, net unamortized discount of \$0 as of June 30, 2019 and 2018, respectively.	\$ 30,000	\$ 30,000
Various term notes with total face value of \$89,500 issued from September 2017 to February 2018, interest rates of 0% and are convertible into shares of the Company's common stock at \$0.10 per share, matured from January 2019 to June 30, 2019, net unamortized discount of \$0 and \$4,422 as of June 30, 2019 and 2018, respectively. The note is currently in default.	<u>89,500</u>	<u>85,078</u>
Total convertible notes payable – related parties	119,500	115,078
Less current portion	<u>119,500</u>	<u>115,078</u>
Convertible notes payable – related parties, long-term	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2019, four notes were amended to extend the maturity dates. The Company evaluated the amendments under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that three of the extensions did not result in significant and consequential changes to the economic substance of the debt and thus resulted in a modification of the debt and not extinguishment of the debt. One extension resulted in significant and consequential changes to the economic substance, however the effect was not material.

Convertible Notes Payable – Non-Related Parties

Convertible notes payable due to non-related parties consisted of the following as of June 30, 2019 and 2018, respectively:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Various term notes with total face value of \$2,049,000, issued from July 2014 to March 2018, interest rates from 0% to 10% and are convertible into shares of the Company's common stock from \$0.10 to \$0.40 per share, matured from October 2018 to June 2019, net unamortized discount of \$0 and \$132,256 as of June 30, 2019 and 2018, respectively. The notes are currently in default.	\$ 2,049,000	\$ 1,916,744
Two Term notes with total face value of \$373,000, issued in February 2017, interest rates of 10% and are convertible into shares of the Company's common stock at lesser of 40% of the average three lowest closing bids twenty (20) days prior to the conversion date or \$0.40 per share, matured June 2018, with additional extension fees of \$81,000 added to principal. A total of \$187,403 has been converted and \$80,000 has been paid. The note is currently in default.	186,597	177,848
\$265,000 face value, issued in May 2017, interest rate of 10% and is convertible into shares of the Company's common stock at the lesser of \$0.31 or 60% of the lowest closing bids twenty-five (25) days prior to the conversion date, matured February 2018, of which \$116,328 was converted. The note is currently in default.	104,845	200,412

Two term notes with total face value of \$131,000 face value, issued on July 2017 and August 2017, interest rates of 12% and are convertible into shares of the Company's common stock at 61% of the lowest two trading prices during the fifteen (15) trading day period ending to the date of conversion, matured May 2018 and June 2018, of which \$72,000 was converted. The note is currently in default.	59,000	59,000
\$115,000 face value, issued in November 2017, interest rate of 10% and is convertible into shares of the Company's common stock at 57.5% of the lowest closing bids thirty (30) days prior to the conversion per share, matured August 2018, net unamortized discount of \$0 and \$50,584 as of June 30, 2019 and 2018, respectively. The note is currently in default.	115,000	64,416
\$100,000 face value, issued in November 2017, interest rate of 10% and is convertible into shares of the Company's common stock at 57.5% of the lowest closing bids twenty (20) days prior to the conversion per share, matured November 2018, net unamortized discount of \$0 and \$39,452 as of June 30, 2019 and 2018, respectively, \$100,000 was transferred to a new note.	-	60,548
\$53,000 face value, issued in November 2017, interest rate of 12% and is convertible into shares of the Company's common stock at 61% of the lowest closing bids fifteen (15) days prior to the conversion per share, matured July 2018, net unamortized discount of \$0 and \$4,649 as of June 30, 2019 and 2018, respectively, \$53,000 was converted.	-	13,821
\$115,000 face value, issued in January 2018, interest rate of 10% and is convertible into shares of the Company's common stock at the lesser of \$0.12 and 57.5% of the lowest trading price during the prior thirty (30) days, matured October 2018, net unamortized discount of \$0 and \$42,967 as of June 30, 2019 and 2018, respectively. The note is currently in default.	115,000	72,033
\$75,075 face value, issued in February 2018, interest rate of 12% and is convertible into shares of the Company's common stock at 55% of the lowest sales price for common stock on principal market during the twenty-five (25) consecutive trading days including the immediately preceding the conversion date, matured November 2018, net unamortized discount of \$0 as of June 30, 2019 and 2018, of which \$75,075 was transferred to two new notes.	-	75,075
\$26,000 face value, issued from an assignment in March 2018, interest rate of 12% and is convertible into shares of the Company's common stock at 60% the lowest trading price during the previous twenty (20) days to the date of conversion, matured October 2018, net unamortized discount of \$0 as of June 30, 2019 and 2018, of which \$26,000 has been paid.	-	26,000
\$150,000 face value, issued in April 2018, interest rate of 10% and is convertible into shares of the Company's common stock at the lesser of \$0.05 or 57.5% of the lowest closing bids twenty (20) days prior to the conversion date, matured January 2019, net unamortized discount of \$0 and \$105,818 as of June 30, 2019 and 2018, respectively. The note is currently in default.	160,000	44,182

Two term notes with total face value of \$415,000 face value, issued from an assignment in April 2018 of \$370,000 in principal and an OID of \$45,000, interest rates of 10% and are convertible into shares of the Company's common stock at a rate of 55% of the average trading price for the prior three (3) trading days, matured April 2019, net unamortized discount of \$0 and \$48,000 as of June 30, 2019 and 2018, respectively, of which \$223,198 has been converted. The notes are currently in default.	191,802	143,802
Various term notes with total face value of \$502,504, issued from May 2018 to June 2018, interest rates of 12% and are convertible into shares of the Company's common stock at 61% of the lowest two trading prices during the fifteen (15) trading day period ending to the date of conversion, matured from October 2018 to June 2019, net unamortized discount of \$0 and \$388,579 as of June 30, 2019 and 2018, of which \$69,898 has been converted and \$164,499 has been paid. The note is currently in default.	268,137	89,925
\$15,651 face value, issued in June 2018, interest rate of 12% and is convertible into shares of the Company's common stock at 60% of the lowest trading price during the previous twenty (20) days to the date of conversion, matured June 30, 2019. The note is currently in default.	15,651	15,651
\$120,000 face value, issued in July 2018 for prepaid services, interest rate of 15% and is convertible into shares of the Company's common stock at 70% of the lowest closing price during the twenty (20) days prior to the conversion per share, matures July 2019. The note is currently in default.	120,000	-
\$39,759 face value, issued from an assignment in August 2018, interest rate of 12% and is convertible into shares of the Company's common stock at 55% of the lowest sales price for common stock on principal market during the twenty-five (25) consecutive trading days including the immediately preceding the conversion date, matured November 2018, net unamortized discount of \$0 as of June 30, 2019. The note is currently in default.	39,759	-
\$23,000 face value, issued in August 2018 of \$20,000 in principal and an OID of \$3,000, interest rate of 12% and is convertible into shares of the Company's common stock at 55% of the average of the three (3) lowest closing price during the 25 days prior to the conversion per share, matures August 2019, net unamortized discount of \$3,214 as of June 30, 2019.	19,786	-
Various term notes total value of \$1,115,646 face value, issued from August 2018 to December 2018, of which \$995,500 in principal and an OID of \$160,146, interest rates of 10% and are convertible into shares of the Company's common stock at equal the lesser of \$0.12 and 70% of the lowest trading price for the common stock during the thirty (30) trading day period ending on the latest complete trading day prior to the conversion date, matures from August 2019 to December 2019, net unamortized discount of \$273,843 as of June 30, 2019.	838,053	-
Two term notes total value of \$64,850, issued in August 2018, of which \$61,850 in principal and an OID of \$3,000, interest rate of 12% and is convertible into shares of the Company's common stock at 61% of the lowest trading price for the prior fifteen (15) trading days including the immediately preceding the conversion date, matures August 2019, net unamortized discount of \$6,998 as of June 30, 2019.	57,852	-

\$89,000 face value, issued in March 2019 of \$80,000 in principal and an OID of \$9,000, interest rate of 10% and is convertible into shares of the Company's common stock at 58% of the lowest trading price for the common stock during the twenty-five (25) trading day period ending on the latest complete trading day prior to the conversion date, matures March 2020, net unamortized discount of \$65,899 as of June 30, 2019.	23,101	-
Various term notes with total value of \$562,500, issued from March 2019 to June 2019, of which \$535,500 in principal and an OID of \$27,000, interest rates of 12% and are convertible into shares of the Company's common stock at 58% of the lowest trading price for the common stock during the twenty (20) trading day period ending on the latest complete trading day prior to the conversion date, matures from March 2020 and June 2020, net unamortized discount of \$509,344 as of June 30, 2019.	53,156	-
Two term notes with total value of \$154,000, issued in April 2019 and June 2019, of which \$143,000 in principal and an OID of \$11,000, interest rates of 12% and is convertible into shares of the Company's common stock at 60% of the lowest trading price for the common stock during the twenty (20) trading day period ending on the latest complete trading day prior to the conversion date, matures April 2020, net unamortized discount of \$134,435 as of June 30, 2019.	19,565	-
\$38,500 face value, issued in April 2019 of \$31,500 in principal and an OID of \$7,000, interest rate of 12% and is convertible into shares of the Company's common stock at the lesser of 55% of the lowest trading price for the common stock during the twenty (20) trading day period ending on the latest complete trading day prior to the issuance date or 55% of the lowest trading price for the common stock during the twenty (20) trading day period ending on the latest complete trading day prior to the conversion date, matures February 2020, net unamortized discount of \$30,967 as of June 30, 2019.	<u>7,533</u>	<u>-</u>
Total convertible notes payable – non-related parties	4,443,837	2,959,457
Less current portion	<u>4,443,837</u>	<u>2,959,457</u>
Convertible notes payable – non-related parties, long-term	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2019, ten convertible notes were amended to extend the maturity dates. The Company evaluated the amendments under ASC 470-50, “*Debt - Modification and Extinguishment*”, and concluded that nine of the extensions did not result in significant and consequential changes to the economic substance of the debt and thus resulted in a modification of the debt and not extinguishment of the debt. One extension resulted in significant and consequential changes to the economic substance, however the effect was not material.

Forbearance Agreements

In connection with the 22 Convertible Notes with four lenders dated from February 23, 2017 through December 7, 2018, with a remaining principal and accrued interest balance as of April 19, 2019 totaling \$2,403,251 (“the Outstanding Notes”), the Company entered into a Forbearance Agreement, dated as of May 16, 2019 (the “Forbearance Agreement”), pursuant to which the lenders agreed to refrain and forbear from exercising and enforcing its remedies under the Outstanding Notes until September 13, 2019. The lenders agreed to forebear from exercising certain default rights with respect to the Notes for a period of 120 days from May 16, 2019 in exchange for the for monthly payments, with the first month totaling of \$87,505, of which \$54,003 applied to principal, \$4,599 applied to accrued interest of the most recently funded note, and \$28,903 as an additional forbearance fee accounted as interest. The remaining three-monthly payments in the amount of \$77,605, of which \$54,003 applied to principal, \$4,599 applied to accrued interest of the most recently funded note, and \$19,003 as an additional forbearance fee accounted as interest. At the end of the 120-day period the Company had an option to extend and additional 120 days. In connection with the Forbearance Agreement, on May 16, 2019, the Company issued a three-year common stock purchase warrant to purchase 4,523,805 shares of the Company's Common Stock, exercisable at a price of \$0.05 per share.

During the year ended June 30, 2019, various holders of the notes above converted \$410,795 of principal, \$74,501 of accrued interest, and \$1,500 of conversion fees into 50,583,250 shares of common stock.

During the year ended June 30, 2019, the Company made cash payment of \$210,249 toward principal various notes discussed above.

Notes Payable – Related Parties

Notes payable due to related parties consisted of the following as of June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
\$5,000 face value, issued in November 2016, interest rate of 0%, which is due on demand.	\$ 5,000	\$ 5,000
Various term notes with total face value of \$213,000, issued from February 2017 to April 2019, interest rates of 0%, matured June 30, 2019. The notes are currently in default.	213,000	71,000
\$12,000 face value, issued in June 2019, interest rate of 0%, matures June 2020.	<u>12,000</u>	<u>-</u>
Total notes payable – related parties	230,000	76,000
Less current portion	<u>230,000</u>	<u>76,000</u>
Notes payable - related parties, long term	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2019, three notes were amended to extend the maturity dates. The Company evaluated the amendments under ASC 470-50, “Debt - Modification and Extinguishment”, and concluded that two of the extensions did not result in significant and consequential changes to the economic substance of the debt and thus resulted in a modification of the debt and not extinguishment of the debt. One extension resulted in significant and consequential changes to the economic substance, however the effect was not material.

From July 23, 2018 through June 4, 2019, the Company issued notes to a related party for a total of \$154,000 that all mature from June 30, 2019 to February 14, 2019. The notes bear 0% interest per annum. The Company evaluated the notes for imputed interest and found it to be immaterial.

Notes Payable – Non-Related Parties

Notes payable due to non-related parties consisted of the following as of June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Various term notes with a total face value of \$252,250 issued from August 2017 to June 2019, of which \$250,000 in principal and an OID of \$2,250, interest rate of 0%, matured from December 2018 to July 2019 net of unamortized discount of \$992 and \$0 as of June 30, 2019 and 2018, respectfully. A total of \$41,500 has been paid on principal. The notes are currently in default.	\$ 209,758	\$ 52,000
Two term notes with a total face value of \$102,000 issued from August 2017 to March 2018, interest rate of 10%, matured from December 2018 through February 2019 net of unamortized discount of \$0 and \$4,901 as of June 30, 2019 and 2018, respectively. The note is currently in default.	102,000	97,099
Two term notes with total face value of \$107,000, issued in September 2017 and March 2019, interest rate of 8% per month, matured September 2018 and April 2019 net of unamortized discount of \$0 as of June 30, 2019 and 2018. The notes are currently in default.	107,000	81,000
\$225,000 face value, issued in March 2018, interest rate of 30%, matured March 2019 net of unamortized discount of \$0 and \$62,512 as of June 30, 2019 and 2018, respectively. The note is currently in default.	225,000	162,488
\$260,000 face value, issued in June 2018, an additional \$21,000 was added to principal by the noteholder, interest rate of 0%, matured December 2018 net of unamortized discount of \$0 and \$9,677 as of June 30, 2019 and 2018, respectively, of which \$31,000 has been paid. The note is currently in default.	250,000	250,323
\$160,000 face value, issued in November 2018, interest rate of 5% per month, matured February 2019 net of unamortized discount of \$0 as of June 30, 2019. The note is currently in default.	<u>160,000</u>	<u>-</u>
Total note payable – non-related parties	1,053,758	642,910
Less current portion	<u>1,053,758</u>	<u>642,910</u>
Notes payable – non-related parties, long-term	<u>\$ -</u>	<u>\$ -</u>

During the year ended June 30, 2019, five notes were amended to extend the maturity date. The Company paid \$72,500 and issued 100,000 one-year warrants with a conversion price of \$.03 per share of common stock as additional consideration to extend three of the notes. The Company evaluated the amendment under ASC 470-50, “*Debt - Modification and Extinguishment*”, and concluded that the extensions did not result in significant and consequential changes to the economic substance of the debt and thus resulted in a modification of the debt and not extinguishment of the debt.

NOTE 8 – CONVERTIBLE PREFERRED STOCK

The Company has authorized 10,000,000 shares of \$0.001 par value per share Preferred Stock, of which the following were issued outstanding:

	Shares Allocated	Shares Outstanding	Liquidation Preference
Series A Convertible Preferred	100,000	15,500	\$ -
Series A-1 Convertible Preferred	3,000,000	2,585,000	3,663,824
Series B Convertible Preferred	200,000	3,500	35,000
Series C Convertible Preferred	1,000,000	13,404	-
Series D Convertible Preferred	375,000	130,000	-
Series E Convertible Preferred	1,000,000	275,000	-
Series H Preferred	5	2	-
Series P Convertible Preferred	600,000	86,640	-
Series S Convertible Preferred	50,000	-	-
Total Preferred Stock	<u>6,325,005</u>	<u>3,109,046</u>	<u>\$ 3,698,824</u>

The Company's Series A Convertible Preferred Stock ("Series A Preferred") is convertible into Common Stock at the rate of 0.025 per share of Common stock for each share of the Series A Preferred. Dividends of \$0.50 per share annually from date of issue, are payable from retained earnings, but have not been declared or paid.

The Company's Series A-1 Senior Convertible Redeemable Preferred Stock ("Series A-1 Preferred") is convertible at the rate of 2 shares of Common Stock per share of Series A-1 Preferred. The dividend rate of the Series A-1 Senior Convertible Redeemable Preferred Stock is 6% per share per annum in cash, or commencing on June 30, 2019 in shares of the Company's Common Stock (at the option of the Company).

Due to the fact that the Series A-1 Preferred has certain features of debt and is redeemable, the Company analyzed the Series A-1 Preferred in accordance with ASC 480 and ASC 815 to determine if classification within permanent equity was appropriate. Based on the fact that the redeemable nature of the stock and all cash payments are at the option of the Company, it is assumed that payments will be made in shares of the Company's Common Stock and therefore, the instruments are afforded permanent equity treatment.

The Company's Series B Convertible 8% Preferred Stock ("Series B Preferred") is convertible at the rate of 0.067 per share of Common Stock for each share of Series B Preferred. Dividends from date of issue are payable on June 30 from retained earnings at the rate of 8% per annum but have not been declared or paid.

The Company's Series C Convertible Preferred Stock ("Series C Preferred") is convertible at a rate of 0.007 share of Common Stock per share of Series C Preferred. Holders are entitled to dividends only to the extent of the holders of the Company's Common Stock receive dividends.

The Company's Series D Convertible Preferred Stock ("Series D Preferred") is convertible at a rate of 0.034 share of Common Stock per share of Series D Preferred. Holders are entitled to a proportionate share of any dividends paid as though they were holders of the number of shares of Common Stock of the Company into which their shares of are convertible as of the record date fixed for the determination of the holders of Common Stock of the Company entitled to receive such distribution.

The Company's Series E Convertible Preferred Stock ("Series E Preferred") is convertible at a rate of 0.034 share of Common Stock per share of Series E Preferred. Holders are entitled to a proportionate share of any dividends paid as though they were holders of the number of shares of Common Stock of the Company into which their shares of are convertible as of the record date fixed for the determination of the holders of Common Stock of the Company entitled to receive such distribution.

The Company's Series H Preferred Stock shall not be convertible into the Corporation's Common Stock, nor shall such shares have any liquidation or dividend preference over the Corporation's Common Stock. Series H Preferred Stock shall have the right to take action by written consent or vote based on the number of votes equal to four times the number of votes of all outstanding shares of capital stock of the Corporation such that the holders of outstanding shares of Series H Preferred Stock shall always constitute eighty percent (80%) of the voting rights of the Corporation.

The Company's Series P Convertible Preferred Stock ("Series P Preferred") is convertible at a rate of 0.007 share of Common Stock for each share of Series P Preferred. Holders are entitled to dividends only to the extent of the holders of the Company's Common Stock receive dividends.

In the event of a liquidation, dissolution or winding up of the affairs of the Company, holders of Series A Preferred Stock, Series P Convertible Preferred Stock, Series C Convertible Preferred Stock have no liquidation preference over holders of the Company's Common Stock. Holders of Series B Preferred Stock have a liquidation preference over holders of the Company's Common Stock and the Company's Series A Preferred Stock. Holders of Series D Preferred Stock are entitled to receive, before any distribution is made with respect to the Company's Common Stock, a preferential payment at a rate per each whole share of Series D Preferred Stock equal to \$1.00. Holders of Series E Preferred Stock are entitled to receive, after the preferential payment in full to holders of outstanding shares of Series D Preferred Stock but before any distribution is made with respect to the Company's Common Stock, a preferential payment at a rate per each whole share of Series E Preferred Stock equal to \$1.00. Holders of Series A-1 Preferred Stock are superior in rank to the Company's Common Stock and to all other series of Preferred Stock heretofore designated with respect to dividends and liquidation.

The activity surrounding the issuances of the Preferred Stock is as follows:

During the year ended June 30, 2019 the Company has not issued any shares of Series A-1 Preferred.

On February 5, 2019, the Company issued 1 share of its Series H Preferred Stock to both the Company's CEO and director and the Company's Senior Vice President and director in consideration of \$50,000 of accrued and unpaid wages, the Company's failure to timely pay current and past salaries. The issuance was made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act as there was no general solicitation, and the transaction did not involve a public offering. The shares were valued at \$198,116 and the remaining \$148,116 was recorded additional compensation. The Company used an outside valuation firm who applied traditional valuation techniques and methodologies in determining the fair value of the Company's Series H Preferred Stock, including market, income, and cost valuation approaches. The valuation firm also utilized commonly accepted allocation methods in determining the final value of the Company's Series H Preferred Stock.

During the fiscal year ended June 30, 2018 the Company did not issue shares of Series A-1 Preferred.

During the years ended June 30, 2019 and 2018, the outstanding Preferred Stock accumulated \$226,696 and \$225,468 in dividends on outstanding Preferred Stock. The cumulative dividends in arrears as of June 30, 2019 were approximately \$1,361,102.

NOTE 9 – COMMON STOCK

On February 8, 2019, the Company increased the number of authorized shares of Common Stock from 250,000,000 up to 1,000,000,000 shares in the sole discretion of the board. The Company has authorized 503,407,666 shares of \$0.001 par value per share Common Stock, of which 279,507,995 issued (of which 3,885,000 are to be issued) as of June 30, 2019. The activity surrounding the issuances of the Common Stock is as follows:

Fiscal Year Ended June 30, 2019

The Company issued 28,150,000 shares of Common Stock for \$281,500 in cash as part of a private placement

The Company issued 50,583,250 shares of Common Stock for the conversion of notes and accrued interest valued at \$486,796.

The Company issued 15,635,000, of which 3,885,000 are to be issued shares of Common Stock as payment for services valued at \$475,765.

As share-based compensation to employees and non-employees, the Company issued 19,851,843 shares of common stock valued at \$397,386, based on the market price of the stock on the date of issuance.

As part of a provision in a note payable, the Company issued 3,000,000 shares of common stock valued at \$90,000 based on the market price on the date of issuance.

Fiscal Year Ended June 30, 2018

The activity surrounding the issuances of the Common Stock is as follows:

The Company agreed to issue 16,200,000 shares of Common Stock for \$642,750 in cash as part of a private placement, net of \$4,750 of issuance costs, respectively.

The Company agreed to issue 28,928,570 shares of Common Stock for the conversion of notes and accrued interest valued at \$836,833.

The Company agreed to issue 6,098,101 shares of Common Stock as incentive with convertible notes valued at \$317,261.

The Company agreed to issue 1,415,000 shares of Common Stock for the prepaid consulting services and rent valued at \$107,290.

The Company agreed to issue 115,000 shares of Common Stock for the extension of two convertible notes valued at \$16,897.

The Company issued 100,000 shares of Common Stock issued as charitable contributions valued at \$7,000.

As share-based compensation to employees and non-employees, the Company issued 4,501,592 shares of common stock valued at \$353,949, based on the market price of the stock on the date of issuance.

As interest expense on outstanding notes payable, the Company agreed to issue 1,280,162 shares of common stock valued at \$217,628 based on the market price on the date of issuance.

As part of a debt extinguishment, the note holder agreed to cancel 14,837,251 shares of common stock.

NOTE 10 – STOCK PURCHASE OPTIONS AND WARRANTS

The Board of Directors on June 10, 2009 approved the 2009 Long-Term Stock Incentive Plan. The purpose of the 2009 Long-term Stock Incentive Plan is to advance the interests of the Company by encouraging and enabling acquisition of a financial interest in the Company by employees and other key individuals. The 2009 Long-Term Stock Incentive Plan is intended to aid the Company in attracting and retaining key employees, to stimulate the efforts of such individuals and to strengthen their desire to remain with the Company. A maximum of 1,500,000 shares of the Company's Common Stock is reserved for issuance under stock options to be issued under the 2009 Long-Term Stock Incentive Plan. The Plan permits the grant of incentive stock options, nonstatutory stock options and restricted stock awards. The 2009 Long-Term Stock Incentive Plan is administered by the Board of Directors or, at its direction, a Compensation Committee comprised of officers of the Company.

Stock Purchase Options

During the fiscal year ended June 30, 2019, the Company did not issue any stock purchase options, and 25,000 expired.

During the fiscal year ended June 30, 2018, the Company did not issue stock purchase options.

The following table summarizes the changes in options outstanding of the Company during the fiscal year ended June 30, 2019.

<u>Date Issued</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Expiration Date (yrs.)</u>	<u>Value if Exercised</u>
Balance June 30, 2018	525,000	\$ 0.05	\$ 0.16	3.81	\$ 28,750
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Cancelled/Expired	(25,000)	0.15	-	-	(3,750)
Outstanding as of June 30, 2019	<u>500,000</u>	<u>\$ 0.05</u>	<u>\$ 0.17</u>	<u>3.00</u>	<u>\$ 25,000</u>

The following table summarizes the changes in options outstanding of the Company during the fiscal year ended June 30, 2018

<u>Date Issued</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Expiration Date (yrs.)</u>	<u>Value if Exercised</u>
Balance June 30, 2017	525,000	\$ 0.18	\$ 0.16	4.81	\$ 93,750
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Cancelled/Expired	-	-	-	-	-
Outstanding as of June 30, 2018	<u>525,000</u>	<u>\$ 0.05</u>	<u>\$ 0.16</u>	<u>3.81</u>	<u>\$ 28,750</u>

The intrinsic value of the options outstanding as of June 30, 2019 and 2018 totaled \$81,500 and \$0, respectively.

Stock Purchase Warrants

During the fiscal year ended June 30, 2019, the Company issued warrants to purchase a total of 10,422,782, in conjunction with issuance of four promissory notes, valued at \$282,194, 1,000,000 warrants as compensation for consulting services valued at \$16,029, and 4,523,805 warrants issued in connection with the Forbearance Agreements valued at \$68,854. The warrants are considered derivative liabilities under ASC 815-40 under the Company's sequencing policy and were valued using the multinomial lattice model.

During the fiscal year ended June 30, 2018, the Company issued warrants to purchase a total of 6,675,000, consisting of 75,000 warrants as part of a private placement valued at \$6,019, 100,000 warrants as part of two AR financing agreements executed on August 2017 valued at \$13,398, 150,000 warrants as part additional consideration of a promissory note on November 2017 valued at \$12,560 and an additional 150,000 warrants to modify the note later in November 2017 valued at \$12,570, 150,000 warrants as part additional consideration of a promissory note on January 2018 valued at \$11,056, 1,000,000 warrants were for facilitating the sales of booth stock on February 2018 valued at 63,041, 550,000 warrants in conjunction with extension of three promissory notes valued at \$54,491, and 4,500,000 warrants as compensation for consulting services valued at \$183,828. The warrants are considered derivative liabilities under ASC 815-40 under the Company's sequencing policy and were valued using the multinomial lattice model.

The following table presents the assumptions used to estimate the fair values of the stock warrants and options granted:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Expected volatility	125-322%	105-304%
Expected dividends	0%	0%
Expected term	0-5 Years	0-5 Years
Risk-free interest rate	1.71-3.05%	0.96-2.73%

The following table summarizes the changes in warrants outstanding issued to employees and non-employees of the Company during the fiscal year ended June 30, 2019.

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Expiration Date (yrs.)</u>	<u>Value if Exercised</u>
Balance June 30, 2018	41,759,597	\$ 0.32	\$ 0.40	3.01	\$ 13,291,022
Granted	15,946,587	0.06	0.03	3.90	180,199
Exercised	-	-	-	-	-
Cancelled/Expired	<u>(15,805,466)</u>	<u>0.50</u>	<u>-</u>	<u>-</u>	<u>(7,162,231)</u>
Outstanding as of June 30, 2019	<u>41,900,718</u>	<u>\$ 0.15</u>	<u>\$ 0.36</u>	<u>3.43</u>	<u>\$ 6,308,991</u>

The following table summarizes the changes in warrants outstanding issued to employees and non-employees of the Company during the fiscal year ended June 30, 2018.

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Expiration Date (yrs.)</u>	<u>Value if Exercised</u>
Outstanding as of June 30, 2017	39,927,097	\$ 0.38	\$ 0.45	3.38	\$ 15,144,835
Granted	6,675,000	0.08	0.05	4.38	534,250
Exercised	-	-	-	-	-
Cancelled/Expired	<u>(4,842,500)</u>	<u>0.49</u>	<u>-</u>	<u>-</u>	<u>(2,388,063)</u>
Outstanding as of June 30, 2018	<u>41,759,597</u>	<u>\$ 0.32</u>	<u>\$ 0.40</u>	<u>3.01</u>	<u>\$ 13,291,022</u>

The intrinsic value of the warrants outstanding as of June 30, 2019 and 2018 totaled \$5,596,679 and \$11,244,802, respectively.

NOTE 11 – INCOME TAXES

The components of the income tax (benefit) provision are as follows:

	June 30, 2019	As of June 30, 2018
Current		
Federal	\$ -	\$ -
State	-	-
Total Current	<u>-</u>	<u>-</u>
Deferred		
Federal	-	-
State	-	-
Total Deferred	<u>-</u>	<u>-</u>
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of the expected income tax benefit (provision) computed using the federal statutory income tax rate of 21% to the Company’s effective income tax rate is as follows:

	June 30, 2019	As of June 30, 2018
Income tax benefit based on federal statutory rate	\$ (6,071,000)	\$ (11,780,000)
State income tax benefit, net of federal income tax	(1,196,000)	(462,000)
Change in deferred tax valuation allowance	7,267,000	12,242,000
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary differences that give rise to significant portions of the Company’s deferred tax assets and deferred tax liabilities are presented below:

	June 30, 2019	As of June 30, 2018
Deferred tax assets:		
Impairment of fixed assets	\$ -	\$ 74,991
Domestic net operating loss carryforwards	8,497,000	10,286,000
Total gross deferred tax assets	8,497,000	10,360,991
Less valuation allowance on deferred tax assets	(8,497,000)	(10,360,991)
Net deferred tax assets	<u>-</u>	<u>-</u>
Deferred tax liabilities:		
Deferred costs	-	-
Total deferred tax liabilities	<u>-</u>	<u>-</u>
Net deferred taxes	<u>\$ -</u>	<u>\$ -</u>

Deferred income taxes result from temporary differences between income tax and financial reporting computed at the effective income tax rate. The Company has established a valuation allowance against its net deferred tax assets due to the uncertainty surrounding the realization of such assets. Management periodically evaluates the recoverability of the deferred tax assets. At such time it is determined that it is more likely than not that deferred tax assets are realizable, the valuation allowance will be reduced.

As of June 30, 2019, and 2018, the Company had net operating loss carry-forwards for federal and state income tax purposes of approximately \$50 million and \$42 million, respectively. Such carryforwards may be used to reduce taxable income, if any, in future year subject to limitations of Section 382 of the Internal Revenue Code for federal income and Arizona tax purposes. The Company believes an ownership change may have occurred, as defined by Sections 382 and 383 of the Internal Revenue Code, which could result in the forfeiture of a significant portion of its net operating loss carry-forwards. The Company is not using any tax attributes in the current year, but will analyze whether a change occurred and the related impact on its gross deferred tax assets, if needed. As the Company's analysis is not complete, the impact to its gross deferred tax assets is uncertain. If not utilized, the federal and state net operating loss carry-forwards will begin expiring in 2019.

NOTE 12 – FINANCIAL INSTRUMENTS

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has estimated the fair value of these embedded derivatives for convertible debentures and associated warrants using a multinomial lattice model as of June 30, 2019, and 2018. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of \$5,562 and \$1,161,227, and derivative expense of \$2,288,380 and \$2,787,712 during the fiscal years ended June 30, 2019 and 2018, respectively. As of June 30, 2019, and 2018, the fair market value of the derivatives aggregated \$5,009,094 and \$2,815,520, respectively, using the following assumptions: estimated 5-0 year estimated term, estimated volatility of 322.14 -124.95%, and a discount rate of 3.05-1.71%.

NOTE 13 – FAIR VALUE MEASUREMENTS

For asset and liabilities measured at fair value, the Company uses the following hierarchy of inputs:

- Level one — Quoted market prices in active markets for identical assets or liabilities;
- Level two — Inputs other than level one inputs that are either directly or indirectly observable; and
- Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Liabilities measured at fair value on a recurring basis at June 30, 2019, are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fair value of derivatives	\$ -	\$ -	\$ 5,009,094	\$ 5,009,094
Series H Preferred Stock	\$ -	\$ 198,116	\$ -	\$ 198,116

Liabilities measured at fair value on a recurring basis at June 30, 2018, are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fair value of derivatives	\$ -	\$ -	\$ 2,815,520	\$ 2,815,520

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business.

1. Subsequent to the year end, the Company became a defendant in an employment related lawsuit filed by a former employee, who was terminated for cause in October 2018. The Company believes it is without merit and has filed a defense and Motion to move the matter to Arbitration. The complaint revolves around alleged unpaid commissions and the Company does not consider it to be material.

2. In May 2019, a Company subsidiary was named in a lawsuit filed in the Superior Court of Arizona County of Maricopa by the Company's prior manufacturer, Infinity Power and Controls, LLC. (Infinity), alleging non-payment of invoices totaling \$414,000 and an undetermined amount of parts inventory. On July 5, 2019, the Company was added as a defendant in the action. Infinity was the Company's manufacturer until they were dismissed in December 2018, due to quality and reliability issues, which resulted in unacceptable product returns. On July 2, 2019, the Company commenced an action against Infinity Power and Controls LLC in the United States District Court Central District of California for Breach of Contract, Negligence and Fraud. The lawsuit asks for direct and punitive damages of \$30 million from Infinity. As both a plaintiff and defendant in matters relating to its prior manufacturer, the Company believes it sustained substantial damage from the poor-quality product manufactured by Infinity.

Lease Agreements

We lease offices in Hollywood, California (located at 6671 Sunset Blvd., Suite 1520, 1518 and 1550, Hollywood, California, 90028) for corporate, research, engineering and mastering services. The lease expired on December 31, 2017 and now is on a month to month basis. The total lease expense for the facility is approximately \$20,574 per month, and the total remaining obligations under these leases at June 30, 2019, were approximately \$0.

We lease warehouse space located at 8260 E Gelding Drive, Suite 102, Scottsdale, Arizona, 85260. The lease expired on January 31, 2019 and now is on a month to month basis. The total lease expense for the facility is approximately \$1,993 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$0.

We lease corporate offices located at 7825 E Gelding Drive, Suite 101, Scottsdale, Arizona, 85260. The lease expires on April 30, 2021. The total lease expense for the facility is approximately \$7,450 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$163,895.

We lease corporate offices located at 7825 E Gelding Drive, Suite 103, Scottsdale, Arizona, 85260. The lease expired on February 22, 2019 and the Company did not renew the lease. The total lease expense for the facility was approximately \$3,000 per month, and the total remaining obligations under this lease at June 30, 2019, were approximately \$0.

Below is a table summarizing the annual operating lease obligations over the next 5 years:

Year	Lease Payments
2020	\$ 89,397
2021	74,498
2022	-
2023	-
2024	-
Total	\$ 163,895

Other

The Company has not declared dividends on Series A or B Convertible Preferred Stock or its Series A-1 Convertible Preferred Stock. The cumulative dividends in arrears through June 30, 2019 were approximately \$1,361,102.

NOTE 15 – RELATED PARTY TRANSACTIONS

Various term notes with total face value of \$3,925,000 issued from February 2010 to April 2013, interest rates range from 10% to 15%, net of unamortized discount of \$0 as of June 30, 2018, of which \$3,925,000 was extinguished.

On August 8, 2016, the Company issued a convertible note to a daughter of a director of the Company, for \$30,000 as of June 30, 2019 and 2018. The note bears an interest rate of 0% per annum and is convertible into shares of the Company's Common Stock at \$0.40 per share.

From September 2017 to June 2019, the Company issued convertible notes to a director and officer of the Company for \$89,500 as of June 30, 2019 and 2018. The notes bear an average interest rate of 0% per annum and is convertible into shares of the Company's Common Stock at \$0.10 per share.

On November 15, 2016, the Company issued notes to a director and officer of the Company, for \$5,000. The note bears an average interest rate of 0% per annum.

From February 2017 to June 2019, the Company issued notes to a director and officer of the Company for \$225,000 and \$71,000 as of June 30, 2019 and 2018, respectively. The notes bear an average interest rate of 0% per annum.

As share-based compensation to employees and non-employees, the Company issued 19,851,843 and 4,501,592 shares of common stock valued at \$397,386 and \$353,949 for years ended June 30, 2019 and 2018, respectively, based on the market price of the stock on the date of issuance.

The company has accrued consulting services in the amount of \$306,124 and \$130,621 payable to directors for services rendered for years ended June 30, 2019 and 2018, respectively.

NOTE 16 - SUBSEQUENT EVENTS

In accordance with ASC 855, Company's management reviewed all material events through the date of this filing and determined that there were the following material subsequent events to report:

From July through September 2019, the Company issued 18,700,000 shares of Common Stock for \$187,000 in cash as part of a private placement. As part of a private placement the Company also issued 74,800,000 warrants to purchase shares of Common Stock. As share-based compensation to employees and non-employees, the Company issued 8,328,043 shares of common stock valued at \$91,608, based on the market price of the stock on the date of issuance. The Company also issued 1,000,000 warrants as part of a 90-day advisory agreement.

On August 16, 2019, the Company amended a note to extend the maturity dates for an extension fee of \$1,500. The Company evaluated the amendments under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extensions did not result in significant and consequential changes to the economic substance of the debt and thus resulted in a modification of the debt and not extinguishment of the debt.

On November 15, 2018, the Company issued a note to an unrelated party for \$160,000 face value that matured in February 2019. The note bears interest rate of 5% per month. On July 9, 2019, the Lender assigned principal of \$160,000 and accrued interest of \$35,704 to an unrelated party.

From July through August 2019, the Company issued three notes to a related party for a total of \$40,000 that matures on June 30, 2020. The notes bear 0% interest per annum.

On July 12, 2019, the Company issued a convertible note to an unrelated company for \$33,000 which includes proceeds of \$27,250 and \$5,750 in OID that matures in July 2020. The note bears 12% interest per annum and is convertible into shares of the Company's common stock at the lesser of 55% of the lowest volume weighted average price of common stock during the twenty (20) days prior to the issuance date and 55% of the lowest volume weighted average price of common stock during the twenty (20) days prior to the conversion date.

On August 2, 2019, the Company issued a convertible note to an unrelated company for \$89,000 that matures in August 2020, of which \$80,000 in principal and an OID of \$9,000, interest rate of 10% and is convertible into shares of the Company's common stock equal to the lesser of 58% of the lowest Trading Price for the Common Stock during the twenty-five (25) Trading Day or the lowest closing bid price for the twenty-five (25) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. As additional consideration, the Company issued 100,000 warrants to purchase a total of 100,000 warrants to purchase shares of Common Stock.

On September 30, 2019, the Company issued a note to an unrelated party for \$51,000 that matures on June 30, 2020, of which \$50,000 in principal and an OID of \$1,000. The notes bear 0% interest per annum.

On September 30, 2017, the Company issued a note to an unrelated party for \$81,000 face value that matured in September 2018. The note bears interest rate of 8% per month. On December 31, 2017, the Company issued a convertible note to an unrelated party for \$20,000 face value that matured in December 2018. The note bears interest rate of 10% per annum and is convertible into shares of the Company's common stock for \$0.10 per share. On March 29, 2018, the Company issued a note to an unrelated party for \$225,000 face value that matured in March 2019. The note bears interest rate of 30% per annum. On June 29, 2018, the Company issued a note to an unrelated party for \$260,000 face value that matured in December 2018. The note bears interest rate of 0% per annum. On July 9, 2019, the Company assigned a note to an unrelated party for \$195,704 face value that that is due on demand. The note bears interest rate of 5% per month. On September 30, 2019, the Lender assigned a total principal of \$771,704 and accrued interest of \$98,500 an unrelated party. The Lender also added \$30,000 in facilitation fees and \$10,000 OID to the principal balance bringing the total principal balance to \$910,204 due April 30, 2021 with a fixed interest rate of 15% annual