10-K 1 aftm_10k-17245.htm AFTERMASTER, INC. 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2017

or

☐ 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	**23-2517953**
(State or other jurisdiction of Incorporation or organization)	(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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging Growth company	☐		

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 second fiscal quarter: $28,225,339. 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 September 28, 2017, the number of shares of Registrant's Common Stock outstanding was 120,687,228.

DOCUMENTS INCORPORATED BY REFERENCE

AFTERMASTER, INC.
(FORMERLY STUDIO ONE MEDIA, INC.)

FORM 10-K

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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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, 2017, there were 118,486,728 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 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.

Aftermaster holds an unparalleled position in the audio technology industry and it is operated by a world-class team of experts with and extensive experience in music and audio technology. The Aftermaster team has produced, engineered and mastered more hit music than any other audio company in the world. We believe that our expertise and technical skills have led us to develop audio technologies unmatched in the audio industry. Aftermaster technologies are both patented and patent pending, and its technologies have won several awards. www.aftermaster.com

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 Company is pleased to report that over the past year, its proprietary Aftermaster technology has begun to gain a marked foothold in the audio industry and that it’s products are receiving recognition and acceptance by consumers in over 65 countries. The revenues for fiscal year ending June 30, 2017 were generated from the sale of our proprietary Aftermaster Pro consumer electronics product, online and professional mastering services, and from studio rentals in Hollywood.

During the year, the Company realized its first “quarter over quarter” sales growth from its Aftermaster technologies. For the quarter ending March 31, 2017, the Company recorded its then highest quarterly sales revenues of $266,621, which was followed by a nearly doubling of revenues to $510,138 in the following quarter ending June 30, 2017. Based on current and forecasted sales, the Company believes that it will continue to see increased sales growth from the sale of its consumer and professional hardware products (subject to having adequate inventory levels to meet demand), studio revenues and its partnerships with third party companies.

Our sales growth has been dominated by the Company’s Aftermaster Pro product, which is its first consumer electronics product completely developed in-house. The Aftermaster Pro recently debuted to consumers on national television on the Home Shopping Network (“HSN”) television show on April 15, 2017. The Aftermaster Pro sales were deemed to be very successful and thousands of additional units were ordered. The product has since been featured on 5 additional HSN programs in June and September and additional programming with HSN has been scheduled for the fourth calendar quarter of 2017.

In June 2017, the Aftermaster Pro also went on sale at Crate and Barrel's "CB2" stores (see below) and is also now available at several other prominent online retail outlets including Amazon.com, Walmart.com, as well as through the Company’s own website, www.aftermasterpro.com. The Company has engaged a well regarded on-line product marketing firm and will begin an online advertising campaign in October 2017 designed to drive buyers to our various online retailers using the ad process that produced highly successful sales metrics during our crowdfunding campaigns.

Despite our recent record growth and proof of product interest by consumers, the Company is currently unable to keep up with the demand for its Aftemaster Pro product. The Company's sales performance has been greatly impacted due to manufacturing and financing challenges, both of which have limited the timing and volume of the rollout of our products. The Company is currently working towards streamlining and stabilizing the manufacturing and financing challenges in order to substantially increase the manufacturing volume and sales of our products.

The Company has also recently expanded its relationship with Tunecore, Inc. TuneCore is considered to be the premier music distribution company for independent artists and has one of the largest music catalogs in the world. We originally partnered with Tunecore in May 2016 to provide the professional hands-on professional music mastering for their independent artist services. Our professional hands-on music mastering service is headed up by Peter Doelle, one of the world's most talented and respected mastering engineers.

On August 28, 2017, the Company entered into an agreement to expand its services to TuneCore and provide its proprietary Promaster instant music-mastering service for Tunecore artists that was previously done by Landr. The service launched on September 25, 2017 and now allows TuneCore customers to have their music mastered on-line instantly, with a quality never before available. The combined agreements now make the Company the exclusive partner for all of the mastering services offered by TuneCore's, providing both professional hands-on and instant mastering services. We expect this relationship will provide additional branding awareness opportunities for Aftermaster's suite of products.

During the past year, the Company has also 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 and professional audio applications. The Aftermaster Studio Pro is a 1 U, 19" rack-mount Aftermaster audio processor that allows a user to enhance any audio playback with Aftermaster to make their sound fuller, clearer, louder and deeper. It will retail for $3,995 and can be seen at www.aftermastermaster.com/products. The Company believes that the worldwide market for this new product is significant, as it can be used in potentially hundreds of thousands of applications worldwide: radio stations, private and public recording studios, churchs, restaurants and bars, sports facilities, high-end residential audio systems, live concerts and concert facilities, hospitals – virtually anyplace where a business wants the audio to sound significantly better than anything they can do in house. The product will be available for pre-sale in October 2017 with expected delivery in December 2017.

The Company engaged Bruce Pivic as Director of Manufacturing. He has over 45 years of experience in manufacturing and broadcasting. Mr. Pivic has a degree in electrical engineering from the University of Wyoming specializing in electronics and product development. His experience with Honeywell/GE product development brings experience in development and manufacturing quality. Mr. Pivic for the past 20 years has been the CEO and manufacturing specialist for Infinity Power and Controls. He is also the owner and CEO of Big Thicket Broadcasting, which operates three FM Radio stations (KQSW, KMRZ, and KSIT) and one AM radio station KRKK. KQSW presently is the first terrestrial radio station using the Aftermaster Pro in their everyday radio broadcasting.

During the year, the Company completed an extensive renovation and subsequently opened a world-class music recording studio originally built by music legend Graham Nash and made famous by Crosby, Stills and Nash in 1977, which is located adjacent to its existing studios in Hollywood at Crossroads of the World. 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 musicians. The Company considers it to be among the finest recording studios in the US, and it began generating revenue in the first quarter of calendar 2017. It is the largest of the six recording studios that Aftermaster now operates at its studio facilities in Hollywood. www.aftermaster.com/studios

Investment Bankers

The recent successful introduction of our Aftermaster Pro has led the Company to engage a respected investment banking firm that specializes in small cap stocks, Maxim Group of New York, to assist the Company in concurrently raising the capital to both extinguish its current debt and to provide the additional growth capital required for the Company to complete an uplisting of its shares to a larger trading platform. Such financing is contingent on market conditions, share price and the performance of the company over the next two fiscal quarters. There is no guarantee that we will raise such capital or complete such an uplisting.

TuneCore Agreement

Aftermaster offers both world-class, professional hands-on mastering services and instant online mastering through its Promaster brand for music, TV and film customers in its facilities in Hollywood, California. Aftermaster's Professional Mastering Division is headed up by Peter Doell, one of the world's foremost mastering engineers. In May 2016, the Company entered into a partnership with TuneCore Digital Music Services to provide professional hands-on mastering services to TuneCore's customers. In September 2017, the Company expanded its relationship with TuneCore and entered into a multi-year agreement to also provide TuneCore with the Company's award-winning Promaster instant online mastering service to TuneCore's artists. The agreement displaced TuneCore's previous relationship with online mastering service, Landr.

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 approximately $987 million from billions of 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 get 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 expsoure, by granting access to unparalleled mastering that meets the industry's highest standards.

Home Shopping Network

On April 15, 2017, the Company introduced its Aftermaster Pro personal re-mastering device on national television on the Home Shopping Network during two 15-minute infomercials. Home Shopping Network is one of the world's largest television retailers. HSN initially purchased 1,000 Aftermaster Pros, and its management team has expessed to the Company that it considered the launch to be a big success. HSN has subsequently issued the Company purchase orders for several thousand more units for sale on-air shows on June 9, 2017 and September 2, 2017. Additional dates are expected to be announced for the quarter ended December 31, 2017. HSN provides a unique format for the Company to showcase the quality of the product, while explaining the unique features and operation of its Aftermaster Pro on national television. The Company expects that Aftermaster Pro will continue to be featured on HSN and by other television shows, online and store based retailers.

Icon Health and Fitness Products

During the year, the Company entered into a consulting and license agreement with ICON Health & Fitness, Inc. ("ICON"), pursuant to which the Company will act as an audio technology development consultant to develop an AfterMaster-based sound module for integration with ICON's exercise equipment. ICON will pay the Company a per module fee and receive a license from the Company to use or sell the modules and use the software relating to each module in its products. The Company will also provide audio tuning services to further enhance the sound quality for ICON's other audio-enabled equipment. The Company has agreed with ICON on a product development schedule, and the companies currently expect to unveil an Aftermaster-equipped premium fitness product at the upcoming Consumer Electronics Show ("CES") in Las Vegas in January 2018.

ICON Health & Fitness, Inc. is the world's largest manufacturer and marketer of home fitness equipment, selling over 10 million audio-enable fitness-related devices annually. ICON manufactures treadmills, elliptical trainers, stationary bicycles, weight machines and benches, and yoga and Pilates equipment. ICON has a wide range of well-known and respected brands, products and technologies, and sells home fitness and health club equipment under the following brands: NordicTrack®, ProForm®, Weider®, Gold's Gym® Home Fitness and FreeMotion®. Its fitness technology brand, including Wi-Fi-enabled fitness equipment and fitness wearables, is iFit®.

CB2 Marketing Agreement

CB2 (a division of Crate and Barrel), a leading lifestyle furniture retailer, and the Company have entered into a multi-year partnership to bring music and lifestyle spaces together like never before. CB2 has unique positioning in the furnishings industry as a modern, affordable and socially responsible brand who regularly offers its sophisticated clientele new and exciting opportunities to better their lifestyle and living environments.

Under the partnership, CB2's customers will receive the chance to purchase the unprecedented leading-edge audio through Aftermaster's revolutionary technology to be showcased with the CB2 platforms in a myriad of ways. As part of its collaborative strategic venture, CB2 began offering the Company's Aftermaster Pro personal audio remastering devices at key store locations across the United States including West Hollywood, New York: Soho, South Beach, Chicago, and Austin. The units retail at $189.99 in stores and online at CB2's website.

In addition, Aftermaster will now be a part of powering CB2's "After Hours" concert series. The "After Hours" events transform CB2 locales into intimate nocturnal music experiences. Just after closing time, the stores play host to a bevy of notable artists as they perform a one-of-a-kind show to an exclusive audience sipping on cocktails in a chic and sophisticated atmosphere. Aftermaster provides enhanced audio capability for these shows with its proprietary technology and offers unrivaled sound in real-time. Attendees may also try the Aftermaster Pro at demo stations throughout the stores during these events. We believe this is another important brand awareness and revenue avenue for the Aftermaster Pro.

Extending this partnership, CB2 also outfitted Aftermaster's famous music recording studios at Crossroads of the World in Hollywood, with a complete makeover of new furniture including "first-to-be-seen" pieces from their latest collection.

Aftermaster Consumer and Professional Electronics Products

The Company has assembled a world-class branding, technical and design team who have designed the the Companies first consumer and professional electronics product. The first consumer electronics product is 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 known direct competition.

The number of existing televisions worldwide is substantial, and a majority of TV owners complain about their TV audio quality, especially the challenge of having to continually adjust the volume because of difficulty hearing dialogue in certain programming. Feedback from thousands of TV owners have provided the Company with valuable data that confirms that no manufacturer is delivering an audio solution with the same sound quality of Aftermaster Pro.

Smaller than an iPhone, Aftermaster Pro transforms the audio of your TV, smartphone, headphones, laptop, tablet, gaming unit, or virtually any audio-enabled device to sound clearer, fuller, deeper, and more exciting. Aftermaster Pro connects easily via HDMI or 3.5mm audio cables with virtually any media source (i.e., cable, satellite box, cell phone, computer, tablet, etc.). When used with a television, Aftermaster Pro raises and clarifies dialogue in programming while significantly enhancing the quality of the overall audio content. This solves the longstanding issue with TV audio of having to continually adjust volume during a TV show to hear dialogue. When used portably with its built-in battery, Aftermaster transforms music and video to standards that we believe are superior to any portable audio enhancement device.

The Company issued an initial purchase order and paid a substantial deposit for the electronic components and manufacturing of the first 100,000 circuit boards, which will allow an assembly manufacturer a significant head start for larger scale unit deliveries. The Company continues to be undercapitalized, which has affects our ability to compete with the majors in the audio world on a head-to-head basis who have inferior products. Subject to the availability of additional capital, the Company expects to complete the assembly of the units related to the aforementioned components purchase orders.

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

The Company recently developed the “Aftermaster Studio Pro” its first product designed for use in commercial and professional audio environments. The new product is a 1 U, 19” rack mounted Aftermaster audio processor that allows a user to enhance any audio playback with Aftermaster technology to make their sound fuller, clearer, louder and deeper. The worldwide market is significant as it can be used in radio stations, private and public recording studios, church’s, restaurants and bars, sports facilities, high-end residential, concerts and concert facilities. For more information visit www.aftermaster.com/products.

ON Semiconductor/Aftermaster Audio Chip and Software

The Company entered into a joint development and marketing agreement with ON Semiconductor ("ON") of Phoenix, Arizona, to commercialize its technology through audio semiconductor chips. ON is a multi-billion dollar, multi-national semiconductor designer and manufacturer.

The agreement called for ON to implement and support our Aftermaster technology in a digital signal processor (“DSP”) semiconductor chip that is being marketed toits current OEM customers, distributors and others. We selected ON as our partner for its technical capabilities, sales support and deep customer pool.

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

Now 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.

Since entering into the agreement, both the Company and ON have identified a number of prospective customers that will be key targets for this new and unprecedented technology. 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. Through the combined relationships of the Company and ON, we hope to generate significant revenues for both parties through the sale of the ON/AfterMaster chips and software licensing.

Promaster

Promaster is our 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 a minimal fee 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. Based on the enormous addressable market for this product, we believe that Promaster has the potential to generate significant revenues for the Company.

Our Promaster on-line music mastering service was recently completely redesigned and launched on September 25, 2017 in conjunction with our new partnership with TuneCore. www.promasterhd.com

Recording and Mastering Studios

Aftermaster operates six (6) recording and mastering studios at its Hollywood California facility. The Company's engineers mix and master music for both independent and high profile artists, including the music for the hit TV show "*Empire*".

The Company recently took over the former recording studio built by music legends Crosby, Stills and Nash in 1977, which is located next to its existing studios. The Company recently completely renovated the studio and installed state-of-the-art equipment. The Company considers the new studio to be one of the finest recording studios in the US and it began generating revenues in the second quarter of 2017. www.aftermaster.com/studios

Adobe Audition

Aftermaster's Promaster on-line audio mastering service has been chosen to be included with Adobe® Audition® CC, a professional audio workstation for mixing, finishing and editing audio/video. The integration of Promaster will allow Adobe Audition CC users to instantly master their original work directly within Adobe Creative Cloud®. Promaster infuses the clearest, deepest sound quality into any recording, which elevates that audio to a studio remastered sound experience. Adobe's Audition CC with Promaster HD will enable its users to substantially cut editing time and enhance original audio work into fuller, deeper, louder and clearer tracks. When ready, users will install the Promaster extension from the Adobe Add-ons marketplace.

The integration of Promaster into Adobe Audition has been delayed due the Company undertaking a complete redesign of its ProMaster website including adding many new features to the platform. The Company expects to complete the integration in the coming months.

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, Paul Wolff, Andrew Wuepper and Shelly Yakus. See www.Aftermaster.com .

The 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 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 worlds most populat artists. Further information on Aftermaster and Aftermaster products can be found at www.Aftermaster.com.

Intellectual Property and Licensing

The Company has been awarded seven patents and seven trademarks with 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. During the year, the Company 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, 2017, we employed eleven full-time employees. We expect to seek additional employees in the next year to support 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 expires on December 31, 2017. The total lease expense for the facility is approximately $17,220 per month, and the total remaining obligations under these leases at June 30, 2017, were approximately 108,350.

We lease a warehouse space located at 8260 E Gelding Drive, Suite 102, Scottsdale, Arizona, 85260. The lease expires on February 28, 2019. The total lease expense for the facility is approximately $1,888 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $37,135.

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 $7,224 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $348,558.

We lease corporate offices located at 7825 E Gelding Drive, Suite 103, Scottsdale, Arizona, 85260. The lease expires on April 30, 2021. The total lease expense for the facility is approximately $3,000 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $121,305.

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, 2016, we had an accumulated deficit of $72,303,551 and negative working capital of $8,871,112. In addition, for the year ended June 30, 2017, we had a loss of approximately $8,518,359 and negative cash flow from operating activities of approximately $4,103,326. The Company has not declared dividends on its common stock, but the Company does have cumulative dividends in arrears through June 30, 2017, of approximately $886,185 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 2017, we entered into thirteen (13) separate promissory notes, and thirty-five (35) Share Purchase Agreements with individual accredited investors and twenty (20) conversions of warrants resulting in net proceeds of $4,387,372 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 sales 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, 2017 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.

Dilution; Dilutive Effect of Future Transactions.

As of June 30, 2017, we had 118,486,728 shares of Common Stock, $0.001 par value, issued and outstanding. We had options outstanding that would permit, if exercised, the issuance of 525,000 additional shares of common stock at an average exercise price of $0.18. We may also issue further shares to certain of our management, directors, officers, employees and consultants in the immediate future. We also had 3,109,044 shares of various classes of Convertible Preferred Stock outstanding, which can be converted to 5,185,092 shares of Common Stock. We had outstanding convertible debt with a face value of 6,778,000, which can be converted into approximately 16,221,037 shares of Common Stock. In addition, we had warrants outstanding that would permit, if exercised, the issuance of 39,927,097 additional shares of Common Stock at an average exercise price of $0.48. Issuing additional shares will result in further dilution to existing shareholders, which could be significant; meaning your percentage ownership of any such merged entity will be significantly less than your percentage ownership in us. If we issue additional shares either outright or through any future options or warrants programs or requires additional financing, further dilution in value and in the percentage ownership represented by the purchaser's investment will occur.

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 expires on December 31, 2017. The total lease expense for the facility is approximately $17,220 per month, and the total remaining obligations under these leases at June 30, 2017, were approximately 108,350.

We lease a warehouse space located at 8260 E Gelding Drive, Suite 102, Scottsdale, Arizona, 85260. The lease expires on February 28, 2019. The total lease expense for the facility is approximately $1,888 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $37,135.

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 $7,224 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $348,558.

We lease corporate offices located at 7825 E Gelding Drive, Suite 103, Scottsdale, Arizona, 85260. The lease expires on April 30, 2021. The total lease expense for the facility is approximately $3,000 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $121,305.

ITEM 3. LEGAL PROCEEDINGS.

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business. The Company is not a party to any litigation. To the best of the knowledge of our management, there are no material litigation matters pending or threatened against us.

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, 2017	High	Low
Quarter Ended June 30, 2017	0.34	0.16
Quarter Ended March 31, 2017	0.42	0.26
Quarter Ended December 31, 2016	0.45	0.32
Quarter Ended September 30, 2016	0.47	0.33

For the Fiscal Year Ending on June 30, 2016	High	Low
Quarter Ended June 30, 2016	0.51	0.34
Quarter Ended March 31, 2016	0.54	0.33
Quarter Ended December 31, 2015	0.87	0.40
Quarter Ended September 30, 2015	0.70	0.40

Stockholders

As of June 30, 2017, 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, 2017, 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 $886,185. See Note 8 of Notes to Consolidated Financial Statements.

Supplemental Disclosure of Non-Cash Investing and Financing Activities for Fiscal Years 2017 and 2016

Fiscal Year 2017

During fiscal year ended June 30, 2017, the Company issued 3,471,666 shares of Common Stock for cash valued at $991,500.

The Company issued 2,150,364 shares of Common Stock for the conversion of notes and accrued interest valued at $438,781.

The Company also issued 650,000 shares of Common Stock as incentive to notes valued at $127,500. The Beneficial Conversion was valued at $30,519.

The Company also issued 300,000 shares of Common Stock, and issued 15,682 shares of Common Stock of payment of $7,841 in accrued dividends.

The Company issued 2,953,057 shares of Common Stock as payment for services and rent valued at $917,152.

The Company issued 3,020,750 shares of Common Stock for the conversion warrants valued at $906,224.

The Company issued 22,000 shares of Common Stock for the extension of two convertible notes valued at $5,910.

As share-based compensation to employees and non-employees, the Company issued 1,237,210 shares of common stock valued at $403,945, based on the market price of the stock on the date of issuance. As interest expense on outstanding notes payable, the Company issued 2,532,655, shares of common stock valued at $783,786 based on the market price on the date of issuance.

Fiscal Year 2016

During fiscal year ended June 30, 2016, the Company issued 2,667,919 shares of Common Stock for the conversion of notes and accrued interest valued at $446,757.

The Company also issued 200,000 shares of Common Stock for the conversion of 100,000 shares of Series A-1 Preferred Stock and issued 59,326 shares of Common Stock of payment of $26,769 in accrued dividends.

The Company also issued 26,000 shares of Common Stock as incentive to notes valued at $10,284 and recorded $22,375 in beneficial conversion features related to new issuances of debt.

The Company issued 496,137 shares of Common Stock as payment for services and rent valued at $225,413.

As share-based compensation to employees and non-employees, the Company issued 812,804 shares of common stock valued at $364,851, based on the market price of the stock on the date of issuance. As interest expense on outstanding notes payable, the Company issued 1,704,803 shares of common stock valued at $762,076 based on the market price on the date of issuance.

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 Years Ended June 30,	
	2017	2016
AfterMaster Revenues	$ 338,725	$ 118,226
Product Revenues	541,259	-
Licensing Revenues	-	1,800,000
Total Revenues	$ 879,984	$ 1,918,226

We currently generate revenue from our operations through three activities: AfterMaster revenues, product revenue and licensing 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, 2017, increased to $338,725, as compared to $118,226 for the comparable fiscal year ended June 30, 2016, the increases were due primarily to an increase in the mastering and remastering of music and licensing by our customers and recognition of deferred revenues from sales.

Product revenues are generated through the sale of the AfterMaster TV Pro. Our product revenues were $541,259 and $0 during the fiscal year ended June 30, 2017 and June 30, 2016.

Licensing revenues are generated by licensing certain technologies, intellectual property, and patents to third parties. Our licensing revenues were $0 and $1,800,000 during the fiscal year ended June 30, 2017 and June 30, 2016.

In the aggregate, total Company revenues decreased to $879,984 for the year ended June 30, 2017, as compared to total revenues of $1,918,226 for the year ended June 30, 2016, due to the licensing contract revenue with bBooth in the prior year.

Cost of Revenues

	For the Years Ended June 30, 2017	2016
Cost of Revenues (excluding depreciation and amortization)	$ 1,250,365	$ 484,507

Cost of sales consists primarily of manufacturing cost of the AfterMaster Pro TV consumer electronic product, AfterMaster Studio Rent, Consultants, senior engineers, and Internet connectivity and excludes depreciation and amortization on the studios. The increase in cost of sales for the years ended June 30, 2017, over the comparable fiscal year, is attributable, primarily, to the Company hiring a new senior engineer and increase in studio rent for new state-of-the-art recording studio. The company had manufacturing cost in the amount of $941,067 for the AfterMaster Pro TV for the year ending June 30, 2017.

Other Operating Expenses

	For the Years Ended June 30, 2017	2016
Depreciation and Amortization Expense	$ 178,071	$ 83,620
Research and Development	221,437	386,949
Advertising and Promotion Expense	45,183	366,740
Legal and Professional Expense	119,520	377,047
Non-Cash Consulting Expense	2,209,950	4,119,978
General and Administrative Expenses	2,956,464	3,590,584
Total	$ 5,730,625	$ 8,924,918

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; advertising and promotion expenses; rent and facilities; and expenses related to the issuance of stock compensation. During the fiscal year ended June 30, 2017, General and administrative expenses decreased by $634.120 as compared to the fiscal year ending June 30, 2016. The decreases in General and administrative expenses is due to decreases in consulting services, public relations and marketing, and traveling expense partially set of by increases in tradeshows and investor relations.

During the fiscal year ended June 30, 2017, Research and Development costs decreased by $165,512, Advertising and Promotion decreased by $321,557, Legal and Professional fees decreased by $257,527 and consulting services decreased by $1,910,028, as compared to the fiscal year ending June 30, 2016. The decreases in Research and Development, and decreases in Advertising and Promotion, and consulting services are primarily due to the design, development and marketing of its Aftermaster Pro consumer hardware product. Legal and Professional fees decrease are primarily to the company only using one attorney on a monthly retainer to handle all the company's legal needs.

Other Income (Expense)

	For the Years Ended June 30, 2017	2016
Interest Expense	$ (1,876,031)	$ (967,721)
Derivative Expense	(376,427)	-
Change in Fair Value of Derivative	(138,693)	4,376,281
Loss on Available for Sale Securities	-	(1,770,000)
Gain (Loss) on Extinguishment of Debt	1,724	232,894
Imairment of assets	(27,926)	-
Total	$ (2,417,353)	$ 1,871,454

The other income (expense) during the fiscal year ended June 30, 2017, totaled $(2,417,353) of net expenses, which consists of change in fair value of derivative, derivative expense, impairment of assets, and interest. During the comparable fiscal year in 2016, other income and expenses totaled $1,871,454. Interest expense has increased primarily due to an increase in non-cash interest expense relating to warrants attached to recent debt discount. These additional borrowings have been used in the development of the AfterMaster HD. Derivative expense has increased and change in fair value of derivatives has decreased due to the issuance of derivative instruments in the current year and the company revaluing the instruments at the end of the current year. Gain on extinguishment of debt decreased in the current year due to having less notes extinguished in the current year.

Net Loss

	For the Years Ended June 30, 2017	For the Years Ended June 30, 2016
Net Loss	$ (8,518,359)	$ (5,619,745)

Due to the Company's cash position, we use our Common Stock and warrants to pay many employees, vendors and consultants as well as to raise capital through incentives attached to our debt offerings. 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 compensation of $1,747,414 and $1,377,442, derivative expense of $376,427 and $0, and gain(loss) on the change in the derivative liability of $(138,693) and $4,376,281 for the fiscal years ended June 30, 2017 and 2016, our net (loss) income would have been $(6,255,825) and $133,978 for fiscal years ended June 30, 2017 and 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company had revenues of $879,984 the fiscal year ended June 30, 2017 as compared to $1,918,226 in the comparable period in 2016. The Company has incurred losses since inception of $72,303,551. At June 30, 2017, the Company had negative working capital of $8,871,112, which was a decrease in working capital of $3,776,958 from June 30, 2016.

The Company had cash of $250,728 as of June 30, 2017, as compared to $394,325 as of June 30, 2016. The company entered into thirty-five (35) Share Purchase Agreements with individual accredited investors resulting in net proceeds of $1,344,648 to the Company compared to twenty-five (25) Share Purchase Agreements with individual accredited investors resulting in net proceeds of $1,382,390 to the Company from the prior year. This amount was partially offset by operational costs, purchases of assets, and payments of obligations from convertible notes, notes, and lease payables.

The Company had prepaid expense of $516,358 as of June 30, 2017, as compared to $1,097,036 as of June 30, 2016. The decrease is due to the Company amortizing the prepaid expenses totaling $2,207,450 over the year ended June 30, 2017, partially offset by the issuance of nine consulting agreements entered into in the current year.

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, 2017, 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 605, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. 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's revenues are generated from AfterMaster products and services, and licensing fees. Revenues related to licensing fees generated per a term sheet with bBooth are recorded when payment is received as there is no current executed agreement in place and the term of use is indefinite, pursuant to which bBooth agreed to acquire exclusive rights to license certain technologies, intellectual property, and patents from AfterMaster.

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.

Using this sequencing policy, all instruments convertible into common stock, including warrants and the conversion feature of notes payable, issued subsequent to August 14, 2014 are derivative liabilities. On August 28, 2015, the Company increased the number of authorized common shares from 100,000,000 to 250,000,000, which removed the derivative using the sequencing policy. The Company again used this sequencing policy, all instruments convertible into common stock, including warrants and the conversion feature of notes payable, issued subsequent to May 10, 2016 until the note was converted on May 20, 2016 were derivative liabilities.

The Company entered into multiple amendments to a note payable to extend the maturity date (the Amendments). The Company agreed to additional $30,000 extension fees which were converted 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. This creates a situation where the Company no longer has shares enough available to "cover" all potential equity issuance obligations during the period of issuance until conversion.

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, 2017 and June 30, 2016 have been audited to the extent indicated in the report by Sadler, Gibb & Associates, 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.

None.

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") 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, 2017 and June 30, 2016, 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 to conduct an extensive review of the Company's internal controls over financial reporting to make that evaluation. As of June 30, 2017 and June 30, 2016, 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, 2017 and June 30, 2016 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 2017. 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.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The directors and executive officers of the Company as of June 30, 2017 were as follows:

Name	Age	Position
Lawrence G. Ryckman	58	Director, President, CEO, Chairman
Mirella Chavez	32	CFO, Director, Secretary, Treasurer
Mark Depew	55	Director, Senior Vice President Finance
Arnie Weintraub	74	Director
Sheldon Yakus	72	Vice President
Aaron Ryckman	30	SVP Business Development
Matthew R. Long	51	Vice President

The directors and officers of our wholly-owned operating subsidiary, MyStudio, Inc., at June 30, 2016 were:

Name	Age	Position
Lawrence G. Ryckman	58	Director, President, CEO, Secretary

The directors and officers of our wholly-owned operating subsidiary, AfterMaster HD Audio Labs, Inc., at June 30, 2016 were:

Name	Age	Position
Lawrence G. Ryckman	58	Director, President, CEO, Secretary

The significant Employees of the Company as of June 30, 2016 were as follows:

Name	Position
Aaron Ryckman	SVP Business Development
Sheldon Yakus	Senior Vice President, Engineering
Matthew R. Long	Vice President, Video Production and Engineering
Ron Gillyard	Senior Vice President of Music and Marketing
Paul Wolff	Senior Vice President of Product 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.

Sheldon "Shelly" Yakus is Senior Vice President, Audio Engineering. He is a renowned music producer, audio engineer/mixer and recording studio designer. He has engineered and mixed recordings for some of the world's best known artists including John Lennon, Stevie Nicks, Alice Cooper, Van Morrison, Tom Petty, Dire Straits, Blue Oyster Cult, Bob Seger, Amy Grant, Don Henley, U2 and Madonna. Known as "Golden Ears," he is also widely respected for his expertise in recording studio design and acoustics. Mr. Yakus co-designed, equipped and supervised construction of the industry leading A&M Music recording studios in Los Angeles and served as vice-president of A&M studios. He was previously vice president of the Record Plant recording studios in New York and a partner at Tongue and Groove Studios in Philadelphia. The music that Mr. Yakus has engineered, produced or mixed has grossed over a billion dollars in sales and in 1999 he was nominated for induction into the Rock and Roll Hall of Fame. Mr. Yakus' career and accomplishments are widely covered in publications such as *Rolling Stone*, *Mix Magazine*, *Audio Engineer* and *Spin* .

Mirella Chavez is Chief Financial Officer, Secretary 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.

Paul Wolff is Senior Vice President of Product Development. Paul has been intimately involved in the professional music and audio industries as an audio engineer and product designer and manufacturer of professional audio products for more than 35 years. He is known within the industry as an expert in engineering, electronic design, DSP processing, mechanical design and packaging for the audio industry. Paul owned and operated two highly coveted and successful audio product companies, API Audio and Tonelux. At API Audio, Paul designed, manufactured and marketed API's legendary recording/mixing consoles to recording studios and production facilities worldwide. At Tonelux, Paul was responsible for the conceptual design, physical design, marketing and manufacturing of some of the world's best sounding and most coveted audio recording and processing hardware components used in high end recording studios (equalizers, compressors, mixers, consoles, etc.). His equipment and technologies have been used in many of the world's top recording and engineering studios for the production of hundreds of hit records.

Ron Gillyard is the Senior Vice President of Music and Marketing. A GRAMMY award winner, Ron Gillyard is a highly respected music industry veteran who has experience in all aspects of the music industry. Ron was formerly President of Urban Music at Interscope Records, Head of Urban Music at Clive Davis', J Records and General Manager of Bad Boy Entertainment and Motown. Over the course of his career, Ron has worked with such artists as Stevie Wonder, Alicia Keys, Mary J. Blige, Sean "Diddy" Combs, 50 Cent and Eminem.

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.

Andrew Wuepper is a Los Angeles based mix engineer, who is credited on albums and singles grossing over 50 million copies worldwide. He has worked with some of the biggest superstars in the Pop and Urban music garnering three Grammy Nomination and honors. Andrew was deeply rooted in the burgeoning local music scene of Seattle, where giants like Nirvanna, Soundgarden and Jimi Hendrix inspired his love for music. He became involved in the underground music scene. Where he wrote and produced music that led to his love for sound design. His natural gift for mixing was as big as his determination and motivation to take his dreams to the next level. In 2006, he secured an internship at one of the most renowned mixing studios in the country, Larrabee Recording Studios, which housed some of the nation's most sought after Mix Engineers under one roof. It was at Larrabee where he quickly climbed the studio ranks garnering the attention of Dave Pensado, who noticed his stealth-like determination, which united talent and hard-work, separating him form among his peers. Andrew would later go on to make a name for himself mixing for superstars such as Jon Legend, Usher, TI, Mary J. Blige, Iggy Azalea, Future and many more. His most prominent accomplishment is currently being fueled by the record breaking success of Purpose by megastar, Justin Bieber, which he co-mixed numerous songs including the growing momentum of leading singles like "Sorry" and "Company".

Matthew R. Long is Vice President, Video Production and Engineering. Matt is an Emmy Award winner and has enjoyed an extensive career as a producer, director, editor, director of photography and writer for television, feature film and video productions. Mr. Long is responsible for developing, producing and managing AfterMaster technology with film and video content.

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, 2016 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.

				Long Term Compensation				
Annual Compensation		**Awards**			**Payouts**			
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Restricted Stock Awards ($)**	**Underlying Options/Shares ($)**	**LTIP Payout ($)**	**All Other Compensation ($)**
Lawrence G. Ryckman,	2017	$ 272,503			$ 70,129	$ -	$ -	$ -
Director, President, CEO, Chairman	2016	$ 256,109	$ 200,000	$ -	$ 64,659	$ -	$ -	$ -
Mirella Chavez	2017	$ 80,000	$ -	$ -	$ 173,376	$ -	$ -	$ -
CFO, Director, Secretary, Treasurer	2016	$ 80,000	$ -	$ -	$ 137,834	$ -	$ -	$ -
Mark Depew	2017	$ 70,000	$ -	$ -	$ 70,129	-	$ -	$ -
Director, Senior Vice President Finance	2016	$ 70,000	$ -	$ -	$ 44,589	$ -	$ -	$ -
Sheldon Yakus,		$ 135,000	$ -	$ -	$ -	$ -	$ -	$ 752.00
Vice President	2016	$ 120,000	$ -	$ -	$ -	$ -		$ 766.00

Outstanding Equity Awards at Fiscal Year-End

Name	**Option Awards**					**Stock Awards**			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
Lawrence G. Ryckman	500,000		-	0.2	09/11/24	-	-	-	-
	200,000	-	-	0.2	04/05/26	-	-	-	-
	2,000,000			0.2	10/01/19				
Justin Timberlake	10,579,665	-	-	0.18	11/01/24	-	-	-	-
Sheldon Yakus	1,000,000			0.45	12/18/20				
Mark Depew	2,000,000			0.2	06/30/18				

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

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Arnie Weintraub	$ -	$ 70,129	$ -	$ -	$ -	$ -	$ 66,847

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, 2017 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 500,000 Grants were made under the Plan. The number of unexercised, outstanding options at June 30, 2017 was 525,000 at an average exercise price of $0.17 per share.

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

The following table sets forth certain information, as of June 30, 2017, 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, 2017, with the number of outstanding common shares at 118,486,728 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:

Title of Class	Beneficial Owner	Title of Class	Number of Shares	Percent of Class (1)
Common	Mirella Chavez 6323 W Desert Hills Dr. Glendale, AZ 85304	Direct (C)	1,924,660	2%
Common	Frank Perrotti, Jr. 305 Spruce Bank Road Hamden, CT 06518	Direct (3)	14,726,909	12.43%
Common	Lawrence G. Ryckman 20202 Pacific Coast Highway, #5 Malibu, California 90265	Indirect (C) (4)	7,592,640	6.41%
Common	Sheldon Yakus 1778 Lantana Drive Miden, NV 89423	Direct (B) (5)	245,797	0.21%
Common	Justin Timberlake 1801 Century Park West Los Angeles, CA 90067	Direct (6)	10,579,655	8.93%
Common	Arnold S. Weintraub 24901 Northwestern Hwy, #311 Southfield, MI 48075	Direct (A)	356,464	0.30%
Common	Mark Depew 1325 Deerbrooke Trail Cheyenne, WY 82009	Direct (C) (7)	2,348,290	1.98%
Series A Convertible Preference Stock	Murray B. Day 549 W. Cresent 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 & Kjellaaug 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		**37,891,876**	**37.22%**

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 118,486,728 shares of Common Stock outstanding as of June 30, 2017, 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) 3,500 shares of Series B Senior Redeemable Convertible Preference Stock; (iii) 13,404 shares of Series C Convertible Preferred Stock; and (iv) 86,640 shares of Series P Convertible Participating 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. Perrotti owns these shares personally and through an entity, FPJ Investments, in which he serves as the manager and has voting control.
4. 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, and option to purchase 2,000,000 shares of Common Stock at $.20 per share
5. Includes an option to purchase 1,000,000 shares of Common Stock at $.45 per share.
6. 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.
7. Includes an option to purchase 2,000,000 shares of Common Stock at $.20 per share.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

From December 2011 to April 2013, the Company issued convertible notes to Frank Perrotti, Jr., a director of the Company, in the aggregate amount of $2,675,000. The notes bear an average interest rate of 11.25% per annum and are convertible, along with all accrued interest, into shares of the Company's Common Stock at $0.50 per share.

From February 2010 to December 2010, the Company issued convertible notes to Frank Perrotti, Jr., a director of the Company, in the aggregate amount of $1,000,000. The notes bear an average interest rate of 12.00% per annum and are convertible, along with all accrued interest, into shares of the Company's Common Stock at $0.50 per share.

On November 3, 2011, the Company issued a convertible note to Frank Perrotti, Jr., a director of the Company, in the amount of $250,000. The note bears an interest rate of 15% per annum and is convertible, along with all accrued interest, into shares of the Company's Common Stock at $0.40 per share.

From April 2011 to October 2011, the Company issued notes to Frank Perrotti, Jr., a director of the Company, for $575,000. The note bears an average interest rate of 9% per annum.

On August 8, 2016, the Company issued notes to the Kayla Depew, a wife 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 August 11, 2016, the Company issued notes to the Rosa Chavez, a mom of the CFO 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 Larry Ryckman, CEO of the Company, for $5,000. The note bears an average interest rate of 0% per annum.

From November 2016 to February 2017, the Company issued notes to Mark Depew, a director of the Company, for $37,500. The note bears an average interest rate of 0% per annum.

On June 5, 2017, the Company issued notes to Mirella Chavez, CFO of the Company, for $10,000. 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, 2017 and 2016:

	2017	2016
Audit Fees (1)	$ 115,000	$ 110,000
Audit-Related Fees (2)	$ -	$ 1,500
Tax Fees (3)	$ -	$ -
All Other Fees (4)	$ -	$ -
Total Fees	$ 115,000	$ 111,500

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, 2017 and 2016 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, 2017 and 2016.

No "audit-related," "tax" and "all other" services in 2017 or 2016, as defined above, were approved by the Audit Committee in reliance on the de minimums 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. McPhilimy, 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.
10.7	Form of Directors and Officers Indemnity Agreement.
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

* Previously filed

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: September 28, 2017

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
/s/ Larry Ryckman Larry Ryckman	President and Director (Principal Executive Officer)	September 28, 2017
/s/ Mirella Chavez Mirella Chavez	Chief Financial Officer	September 28, 2017
/s/ Mark Depew Mark Depew	Director	September 28, 2017
/s/ Arnold S. Weintraub Arnold S. Weintraub	Director	September 28, 2017

AFTERMASTER, INC.

FINANCIAL STATEMENTS

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SADLERGIBB
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of AfterMaster, Inc. ("the Company") as of June 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for each of the years in the two year period ended June 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AfterMaster, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two year period ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the footnotes to the consolidated financial statements, the Company has incurred losses since inception, has a negative working capital, and has accumulated a significant deficit. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in the footnotes to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sadler, Gibb & Associates, LLC

Salt Lake City, UT
September 28, 2017

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AFTERMASTER, INC.
Consolidated Balance Sheets

	June 30, 2017	June 30, 2016
ASSETS		
Current Assets		
Cash	$ 250,728	$ 394,325
Accounts receivable	97,103	11,389
Inventory, net	104,891	-
Available for sale securities	123,600	63,600
Prepaid expenses	507,254	1,078,819
Total Current Assets	1,083,576	1,548,133
Property and equipment, net	266,040	294,557
Intangible assets, net	102,243	99,186
Deposits	33,363	33,363
Prepaid expenses, net of current	9,104	18,217
Total Assets	$ 1,494,326	$ 1,993,456
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and other accrued expenses	$ 459,975	$ 225,001
Accrued interest	185,509	77,335
Deferred revenue	270,623	740,200
Accrued consulting services - related party	22,064	28,561
Lease payable	1,937	984
Derivative Liability	2,145,065	-
Notes payable - related party	610,000	575,000
Notes payable	40,488	40,488
Convertible notes payable - related party, net of discount of $3,818 and $0	3,951,182	3,925,000
Convertible notes payable, net of discount of $549,737 and $22,282, respectively	2,267,845	1,029,718
Total Current Liabilities	9,954,688	6,642,287
Total Liabilities	9,954,688	6,642,287
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 and 2,185,000 shares issued and outstanding, respectively	2,585	2,185
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 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 250,000,000 shares, par value $0.001, 118,486,728 and 102,133,344 shares issued and outstanding, respectively	118,493	102,140
Additional paid In capital	63,627,987	58,997,912
Accumulated other comprehensive income	93,600	33,600
Accumulated Deficit	(72,303,551)	(63,785,192)
Total Stockholders' Deficit	(8,460,362)	(4,648,831)
Total Liabilities and Stockholders' Deficit	$ 1,494,326	$ 1,993,456

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

AFTERMASTER, INC.
Consolidated Statements of Operations and Comprehensive Loss

	For the Years Ended June 30, 2017	2016
REVENUES		
AfterMaster Revenues	$ 338,725	$ 118,226
Product Revenues	541,259	-
Licensing Revenues	-	1,800,000
Total Revenues	879,984	1,918,226
COSTS AND EXPENSES		
Cost of Revenues (Exclusive of Depreciation and Amortization)	1,250,365	484,507
Depreciation and Amortization Expense	178,071	83,620
Research and Development	221,437	386,949
Advertising and Promotion Expense	45,183	366,740
Legal and Professional Expense	119,520	377,047
Non-Cash Consulting Expense	2,209,950	4,119,978
General and Administrative Expenses	2,956,464	3,590,584
Total Costs and Expenses	6,980,990	9,409,425
Loss from Operations	(6,101,006)	(7,491,199)
Other Income (Expense)		
Interest Expense	(1,876,031)	(967,721)
Derivative Expense	(376,427)	-
Change in Fair Value of Derivative	(138,693)	4,376,281
Loss on Available for Sale Securities	-	(1,770,000)
Gain Loss on Extinguishment of Debt	1,724	232,894
Impairment of assets	(27,926)	-
Total Other Income (Expense)	(2,417,353)	1,871,454
Loss Before Income Taxes	(8,518,359)	(5,619,745)
Income Tax Expense	-	-
NET LOSS	$ (8,518,359)	$ (5,619,745)
Preferred Stock Accretion and Dividends	(169,850)	(105,603)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (8,688,209)	$ (5,725,348)
Basic and diluted Loss Per Share of Common Stock	$ (0.08)	$ (0.06)
Weighted Average Number of Shares Outstanding	108,520,687	98,802,908
Other Comprehensive Income, net of tax		
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	(8,688,209)	(5,725,348)
Unrealized gain on AFS Securities	60,000	33,600
COMPREHENSIVE LOSS	$ (8,628,209)	$ (5,691,748)

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	Subscription	Accumulated	Accumulated Other Comprehensive	Total Stockholders
	Shares	Amount	Shares	Amount	Capital	Payable	Deficit	Income	Equity
Balance, June 30, 2015	1,140,044	$ 1,140	95,280,257	$ 95,287	$ 46,314,765	$ 35,000	$ (58,165,447)	$ -	$ (11,719,255)
Preferred Stock Sold for Cash, net of offering costs of $251,610	1,669,000	1,669	-	-	1,415,721	(35,000)	-	-	1,382,390
Share-Based Compensation to Directors and Employees- Common shares	-	-	812,804	812	364,039	-	-	-	364,851
Total Stock Issued for Consulting Services and Rent	-	-	496,137	496	224,917	-	-	-	225,413
Common stock issued as incentive with Convertible debt	-	-	26,000	27	10,258	-	-	-	10,285
Common stock issued for conversion of debt	-	-	2,667,919	2,668	444,089	-	-	-	446,757
Common stock issued for cash conversion of warrants/options	-	-	886,098	886	175,028	-	-	-	175,914
Common stock issued for conversion of cashless preferred stock and dividends	(100,000)	(100)	259,326	259	26,610	-	-	-	26,769
Common stock issued for interest expense	-	-	1,704,803	1,705	760,371	-	-	-	762,076
Accumulated other comprehensive income from Available for Sale Securities	-	-	-	-	-	-	-	33,600	33,600
Beneficial Conversion Feature	-	-	-	-	22,375	-	-	-	22,375
Derivative liability	-	-	-	-	8,452,561	-	-	-	8,452,561

Share-Based Compensation - Warrants and options	-	-	-	-	787,178	-	-	-	787,178
Net loss for the year ended June 30, 2016						-	(5,619,745)	-	(5,619,745)
Balance, June 30, 2016	2,709,044	$ 2,709	102,133,344	$ 102,140	$ 58,997,912	$ -	$ (63,785,192)	$ 33,600	$ (4,648,831)
Conversion of Preferred Stock to Common Stock	**(150,000)**	**(150)**	315,682	316	7,675	-	-	-	7,841

Preferred Sold for Cash, net of offering costs of $196,853	550,000	550	-	-	352,598	-	-	-	353,148
Common Stock Sold for Cash	-	-	3,471,666	3,470	988,030	-	-	-	991,500
Common stock issued for cash conversion of warrants/options	-	-	3,020,750	3,021	903,204	-	-	-	906,225
Share-Based Compensation to Directors and Employees-Common shares	-	-	1,237,210	1,236	402,710	-	-	-	403,946
Total Stock Issued for Consulting Services and Rent	-	-	2,953,057	2,954	914,198	-	-	-	917,152
Common stock issued as incentive with Convertible debt	-	-	650,000	650	126,950	-	-	-	127,600
Common stock issued for conversion of debt	-	-	2,150,364	2,150	436,631	-	-	-	438,781
Common stock issued for interest expense	-	-	2,532,655	2,533	781,253	-	-	-	783,786
Common stock issued for extension of notes	-	-	22,000	23	5,887	-	-	-	5,910
Accumulated other comprehensive income from Available for Sale Securities	-	-	-	-	-	-	-	60,000	60,000
Beneficial Conversion Feature	-	-	-	-	30,519	-	-	-	30,519
Modification of warrants	-	-	-	-	24,001	-	-	-	24,001
Share-Based Compensation - Warrants and options	-	-	-	-	421,000	-	-	-	421,000
Derivative liability, net of conversion of $130,216	-	-	-	-	(764,581)	-	-	-	(764,581)
Net loss for the year ended June 30, 2017	-	-	-	-		-	(8,518,359)	-	(8,518,359)
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)

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

AFTERMASTER, INC.
Statements of Cash Flows

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
OPERATING ACTIVITIES		
Net Loss	$ (8,518,359)	$ (5,619,745)
Adjustments to reconcile net loss to cash from operating activities:		
Depreciation and amortization	178,630	83,620
Share-based compensation - Common Stock	399,495	364,851
Modification of warrants	24,001	-
Share-based compensation - warrants	-	787,178
Common stock issued for services and rent	94,919	49,037
Common stock issued for preferred dividends	-	26,769
Common stock issued to extend the maturity dates on debt	228,911	-
Common stock issued as incentive with Convertible debt	127,500	30,000
Amortization of debt discount and issuance costs	555,733	139,277
Impairment of assets	27,926	-
Dividend expense	7,841	-
(Gain)/Loss on extinguishment of debt	1,724	(232,894)
Derivative expense	376,427	-
Gain (loss) remeasurement of derivative	138,694	(4,376,281)
Loss on Available for Sale Securities	-	1,770,000
Licensing Revenue from the issuance of AFS Securities	-	(1,800,000)
Changes in Operating Assets and Liabilities:		
Accounts receivables	(85,714)	(6,889)
Inventory	(104,891)	-
Other assets	1,768,155	3,500,636
Deposits	-	(19,688)
Accounts payable and accrued expenses	224,014	17,997
Accrued interest	927,741	794,955
Deferred revenue	(469,577)	737,700
Accrued consulting services - related party	(6,497)	(53,706)
Net Cash Used in Operating Activities	(4,103,327)	(3,807,183)
INVESTING ACTIVITIES		
Purchase of property and equipment	(149,296)	(284,556)
Purchase of intangible assets	(31,800)	-
Net Cash Used in Investing Activities	(181,096)	(284,556)
FINANCING ACTIVITIES		
Common Stock issued for cash	991,500	-
Common Stock issued for conversion of options/warrants	906,225	175,914
A-1 Preferred Stock issued for cash	353,148	1,382,390
Proceeds from notes payable - related party	52,500	-
Repayments of notes payable - related party	(17,500)	-
Proceeds from convertible notes payable - related party	60,000	-
Repayments of convertible notes payable - related party	(30,000)	-
Proceeds from convertible notes payable	2,024,000	845,000
Repayments of convertible notes payable	(200,000)	(17,500)
Repayments of notes payable	-	(50,000)
Lease Payable	953	(35,442)

Net Cash Provided by Financing Activities	4,140,826	2,300,362

NET CHANGE IN CASH		(143,597)		(1,791,377)
CASH AT BEGINNING OF PERIOD		394,325		2,185,702
CASH AT END OF PERIOD	$	250,728	$	394,325
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
CASH PAID FOR:				
Interest	$	-	$	-
Taxes	$	-	$	-
NON CASH FINANCING ACTIVITIES:				
Beneficial conversion feature	$	30,519	$	22,375
Conversion of notes and Interest into common stock	$	438,781	$	1,208,833
Conversion of preferred stock for common stock	$	300	$	200
Debt discount	$	26,957	$	-
Conversion of Derivative Liability	$	130,216	$	8,452,561
MTM on AFS securities	$	60,000	$	33,600
Common stock issued with convertible debt	$	33,349	$	10,284
Common stock issued for prepaid expenses	$	822,233	$	176,376
Derivative liability	$	1,760,160	$	13,900
Original Issue Discount	$	127,000	$	115,000
Conversion of accrued interest into common stock	$	783,786	$	-
Warrants issued for prepaid expenses	$	365,244	$	-

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

AFTERMASTER, INC.
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

AfterMaster, Inc., formerly Studio One Media, Inc. (the "Company" or "AfterMaster") was originally organized in Delaware on May 12, 1988, as Dimensional Visions Group, Ltd. The name was changed on January 15, 1998 to Dimensional Visions Incorporated. On February 8, 2006, it changed its name to Elevation Media, Inc., and on March 28, 2006 the Company's name was changed to Studio One Media, Inc. as part of its overall plan to implement its revised business plan.

In April 2006, the Company entered into an agreement to purchase MyStudio HD Recording Studios, Inc. (formerly known as Studio One Entertainment, Inc.), a privately-held Scottsdale, Arizona-based company that designed and manufactured the recording studios currently in use by the Company (the "MyStudio Agreement").

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.

Notes and Other Receivables
Notes and other receivables 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 $0 for the years ended June 30, 2017 and 2016.

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, 2017 and 2016, the Company's cash balances were within the FDIC insurance coverage limits.

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 asserts, 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 year ended June 30, 2017 there was no customer that accounted for a material portion of total revenues, and 2016 there was one customer that accounted for $1,800,000 of total revenues, due to a one-time licensing deal.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation and amortization is 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	5 years
Patterns and Molds	5 years

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
The Company applies 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's revenues are generated from AfterMaster products and services, licensing fees, AfterMaster Pro, sessions revenue, and remastering. Revenues related to licensing fees generated per a term sheet with bBooth are recorded when payment is received as there is no current executed agreement in place and the term of use is indefinite, pursuant to which bBooth agreed to acquire exclusive rights to license certain technologies, intellectual property, and patents from AfterMaster. The key terms of the letter agreement consist of the following:

- bBooth agreed to pay the Company $1,250,000 over 18 months, for a conditional perpetual license of intellectual property (including related patents and other assets), of which, to date, $200,000 has been received;
- bBooth agreed to grant 600,000 shares of our common stock to Studio One, which shares were received on November 10, 2015 valued at $1,800,000 and;
- upon full receipt of the $1,250,000 cash consideration, Bbooth will have the option to purchase six complete MyStudio booths, one fully operational mobile studio and truck, and an interest in its MyStudio TV show, for nominal additional consideration.

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 occured.

Cost of Revenues
The Company’s cost of revenues includes studio lease expense, employee costs, 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 $221,437 and $386,949 during the years ended June 30, 2017 and 2016.

Advertising Expenses
The Company expenses advertising costs in the period in which they are incurred. Advertising expenses were $45,183 and $366,740 for the years ended June 30, 2017 and 2016.

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.

Using this sequencing policy, the Company used this sequencing policy, all instruments convertible into common stock, including warrants and the conversion feature of notes payable, issued subsequent to July 5, 2016 until the note was converted on the same day were derivative liabilities. The Company again used this sequencing policy, all instruments convertible into common stock, including warrants and the conversion feature of notes payable, issued subsequent to August 19, 2016 until the note was converted on August 22, 2016 were derivative liabilities.

The Company entered into multiple amendments to a note payable to extend the maturity date (the Amendments). The Company agreed to additional $30,000 extension fees which were converted 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. This creates a situation where the Company no longer has shares enough available to "cover" all potential equity issuance obligations during the period of issuance until conversion.

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.

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, 2017 and 2016 of $169,850 and $105,603, 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, 2017 and 2016, 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 22,614,408 and 26,492,360 at June 30, 2017 and 2016, 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 2017 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.

Recent Accounting Pronouncements

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 $72,303,551, negative working capital of $8,871,112, 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, 2017 and 2016:

	2017	2016
Furniture and Office Equipment	$ 51,390	$ 47,497
Office Equipment and Computers	413,467	314,706
Studios	255,665	255,665
Vehicles	60,524	60,524
Leasehold Improvements	66,658	47,940
Computer Software	56,232	56,232
Accumulated Depreciation	(637,894)	(488,007)

Net Property and Equipment	$ 266,040	$ 294,557

Depreciation expense for the years ended June 30, 2017 and 2016 was $149,887 and $71,932, respectively. The Company impaired assets totaling $27,926 and $0 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 – INTANGIBLE ASSETS

The Company's intangible assets are comprised of the following on June 30, 2017 and June 30, 2016:

	2017	2016
Patterns and Molds	$ 18,915	$ 18,916
Website Costs	240,415	208,615
Video Backgrounds	16,172	16,172
Accumulated Amortization	(173,259)	(144,517)
Intangible Assets, Net	$ 102,243	$ 99,186

Amortization expense for the years ended June 30, 2017 and 2016 was $28,742 and $11,687, respectively. The Company's future estimated amortization for the above intangible assets are as follows:

Year	Amortization
2018	$ 29,808
2019	28,452
2020	24,847
2021	18,088
2022	1,048
Total	$ 102,243

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. 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, 2017					
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Gross realized gains**	**Gross realized losses**	**Fair value**
Equity securities	$ 63,600	$ 60,000	$ -	$ -	$ -	$ 123,600

	June 30, 2016					
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Gross realized gains**	**Gross realized losses**	**Fair value**
Equity securities	$ 1,800,000	$ 33,600	$ -	$ -	$ (1,770,000)	$ 63,600

NOTE 6 – INVENTORIES

Inventories are stated at the first in first out and consisted of the following:

	June 30, 2017	June 30, 2016
Components	$ 159,017	$ -
Finished Goods	-	-
Allowance / Reserve	(54,126)	-
Totals	$ 104,891	$ -

NOTE 7– NOTES PAYABLE

Convertible Notes Payable
In accounting for its convertible notes payable, 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 – Related Parties
Convertible notes payable due to related parties consisted of the following as of June 30, 2017 and 2016, respectively:

Convertible Notes Payable – Related Parties

	June 30, 2017	June 30, 2016
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, 2017 and June 30, 2016.	$ 3,925,000	$ 3,925,000
$30,000 face value of which $30,000 has been paid.	-	-
$30,000 face value, issued in August 2016, interest rate of 0%, matures January 2017, a gain on extinguishment of debt was recorded totaling $3,818 net unamortized discount of $0 as of June 30, 2017.	26,182	-
Total convertible notes payable – related parties	3,951,182	3,925,000
Less current portion	3,951,182	3,925,000
Convertible notes payable – related parties, long-term	-	$ -

The notes were amended on February 15, 2016 to March 16, 2016. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment"*, and concluded that the extension 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 August 8, 2016, the Company issued a convertible note to a related individual for $30,000 that matures on October 8, 2016. The note bears interest rate of 0% per annum and is convertible into shares of the Company's Common stock at $0.40 per share, as part of the note the company issued options to purchase 21,000 shares of 144 restricted common stock at an exercise price $0.50 for a two-year period. The note was amended on November 15, 2016 to extend the maturity date to January 31, 2017 and again on May 10, 2017 to extend the maturity date to October 1, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment"*, and concluded that the extension did not result in significant and consequential changes to the economic substance of the debt and thus resulted in a extinguishment of the debt and not modification of the debt resulting in a gain on extinguishment of debt of $3,818.

On August 11, 2016, the Company issued a convertible note to a related individual for $30,000 that matures on October 11, 2016. The note bears interest rate of 0% per annum and is convertible into shares of the Company's Common stock at $0.40 per share, as part of the note the company issued options to purchase 21,000 shares of 144 restricted common stock at an exercise price $0.50 for a two-year period. The Company paid $30,000 of principal. The note was amended on November 21, 2016 to extend the maturity date to January 31, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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.

Convertible Notes Payable - Non-Related Parties

Convertible notes payable due to non-related parties consisted of the following as of June 30, 2017, and 2016, respectively:

Convertible Notes Payable - Non-Related Parties

	June 30, 2017	June 30, 2016
$15,000 face value of which $15,000 was converted.	$ -	$ 15,000
$50,000 face value of which $50,000 was converted.	-	50,000
$20,000 face value of which $20,000 was converted.	-	20,000
$7,000 face value, issued in July 2014, interest rate of 6%, matures October 14, 2017, net unamortized discount of $0 as of June 30, 2017 and June 30, 2016, respectively.	7,000	7,000
$100,000 face value of which $100,000 has been paid.	-	100,000
$600,000 face value, issued in November 2015, interest rate of 0%, an OID of $130,000, matures November 2017, net unamortized discount of $0 of June 30, 2017 and June 30, 2016, respectively, of which $200,000 has been paid.	430,000	600,000
$100,000 face value, issued in February 2016, interest rate of 10%, matures March 2018, net unamortized discount of $0 as of June 30, 2017, respectively.	100,000	97,007
$15,000 face value of which $15,000 was converted.	0	14,538
$25,000 face value, issued in February 2016, interest rate of 10%, matures October 15, 2017, net unamortized discount of $0 as of June 30, 2017 respectively.	25,000	21,646
$10,000 face value of which $10,000 was converted.	0	8,618
$100,000 face value, issued in March 2016, interest rate of 10%, matures January 2018, net unamortized discount of $0 as of June 30, 2017 and June 30, 2016, respectively.	100,000	86,235
$10,000 face value, issued in March 2016, interest rate of 10%, matures March 2018, net unamortized discount $0 of June 30, 2017.	10,000	9,674
$50,000 face value, issued in July 2016, interest rate of 0%, matures January 2018, net unamortized discount of $0 of June 30, 2017.	50,000	-
$50,000 face value, issued in August 2016, interest rate of 0%, matures August 2017, a gain on extinguishment of debt was recorded totaling $5,418 as of June 30, 2017.	44,582	-
$1,000,000 face value, issued in September 2016, interest rate of 10%, matures September 2018, net unamortized discount of $0 as of June 30, 2017.	1,000,000	-
$149,000 face value, issued in February 2017, interest rate of 10%, matures November 2017, net amortized discount of $59,741 as of June 30, 2017.	89,260	-
$224,000 face value, issued in February 2017, interest rate of 10%, matures November 2017, net amortized discount of $119,795 as of June 30, 2017.	104,205	-

$258,000 face value, issued in February 2017, interest rate of 12%, matures August 2017, net amortized discount of $48,464 as of June 30, 2017.	209,536	-
$55,000 face value, issued in June 2017, interest rate of 7%, matures January 2018, net amortized discount of $50,631 as of June 30, 2017.	4,369	-
$100,000 face value, issued in June 2017, interest rate of 10%, matures June 2018, net amortized discount of $52,317 as of June 30, 2017.	47,683	-
$265,000 face value, issued in May 2017, interest rate of 10%, matures February 2018, net amortized discount of $218,790 as of June 30, 2017.	46,210	-
Total convertible notes payable – non-related parties	2,267,845	1,029,718
Less current portion	2,267,845	1,029,718
Convertible notes payable – non-related parties, long-term	$ -	$ -

On October 27, 2015, the Company issued a convertible note to an unrelated individual for $100,000 that matures on February 27, 2016. The note bears interest rate of 6% per annum and is convertible into shares of the Company's Common stock at $0.50 per share. The note was amended on May 23, 2016 to extend the maturity date to July 23, 2016 and amended again on November 15, 2016 to extend the maturity date to January 31, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The note was converted on May 12, 2017 at a rate of $0.30 per share for a total of 333,333 shares of common stock plus two sets of 333,333 of warrants with a life of 5 years and conversion rates of $0.40 and $0.60 per share.

On July 26, 2016, the Company issued a convertible note to an unrelated individual for $50,000 that matures on September 26, 2016. The note bears interest rate of 0% per annum and is convertible into shares of the Company's Common stock at $0.40 per share, as part of the note the company issued warrants to purchase 35,000 shares of 144 restricted common stock at an exercise price $0.30 for a two-year period. The note was amended on November 21, 2016 to extend the maturity date to January 31, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension did result in significant and consequential changes to the economic substance of the debt and thus resulted in a extinguishment of the debt and not modification of the debt resulting in a gain on extinguishment of debt of $5,418. The note was amended on September 28, 2017 to extend the maturity date to January 15, 2018, , as additional consideration the Company issued 15,000 shares of common stock valued at $2,398.80

On August 26, 2016, the Company issued a convertible note to an unrelated individual for $50,000 that matures on August 26, 2017. The note bears interest rate of 10% per annum and is convertible into shares of the Company's Common stock at $0.40 per share. The note was amended on September 28, 2017 to extend the maturity date to January 01, 2018. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 September 1, 2016, an unrelated individual converted a convertible note entered into on August 21, 2012, with a principal balance of $50,000 and $20,165 in accrued interest at a rate of $0.25 per share of the Company's Common stock for 280,658 shares.

On September 27, 2016, the Company issued a convertible note to an unrelated individual for $1,000,000 that matures on December 22, 2016. The note was amended subsequently in February 2, 2017 to extend the maturity date to June 30, 2017The fund will be used for the manufacturing of the companies AfterMaster Pro TV box. The note bears interest rate of 10% per annum and is convertible into shares of the Company's Common stock at $0.40, per share, as part of the note the company issued 100,000 shares of 144 restricted common stock for a value of $33,349.

On February 2, 2017, the Company amended the convertible note dated September 27, 2016 for $1,000,000 to extend the maturity date to June 30, 2017 and issued 200,000 warrants valued at $31,780. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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.

The note was amended on September 28, 2017 to extend the maturity date to September 21, 2018, as additional consideration the Company issued 75,000 shares of common stock valued at $11,993 and 400,000 warrants valued at $34,922. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 20, 2015, the Company issued a convertible note to an unrelated company for $600,000 that matures on May 20, 2016. The company paid $200,000 in principle balance leaving a remain balance of $430,000 including the extension fees and is not convertible unless the borrower defaults under the amendment agreement dated January 1, 2017. The note bears 0% interest and had an original issue discount (OID) of $100,000. This note is not convertible unless there is a default event, so no BCF was valued. The Company extended the maturity date for the sixth time by issuing additional $30,000 convertible notes on January 1, 2017 to February 15, 2017 and per the terms of the note there are no derivatives until it becomes convertible on the original note, however the $30,000 addition for the extension is to be considered derivatives. The Lender released a clarification of amendments to convertible promissory notes that explained the $30,000 extension fees are the only portion that is to be considered as convertible and converts within 2 days of issuance. The intent of the amendment agreements were to insure the original note dated November 20, 2015 in the amount of $600,000. Due to the conversion into 145,929 shares of common stock on January 1, 2017 (extension date) and January 3, 2017 (conversion date) sequencing is required on other instruments. Because the terms do not dictate a maximum numbers of convertible shares, the ability to settle these obligations with shares would be unavailable causing these obligations to potentially be settled in cash. This condition creates a derivative liability Under ASC 815-40.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. During the extension and conversion day period no additional convertible instruments were issued, therefore on the extension was considered in the derivative calculation. The Company extended the maturity date for the seventh time by increasing the principal balance by $30,000 on February 27, 2017 to May 6, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The Company extended the maturity date for the eighth time by increasing the principal balance by $30,000 on May 9, 2017 to June 20, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The Company extended the maturity date for the ninth time by increasing the principal balance by $30,000 on June 20, 2017 to August 4, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 February 3, 2017, the Company issued a convertible note to an unrelated company for $258,000 that matures on August 3, 2017. The note bears 12% interest per annum and is convertible into shares of the Company's common stock at 57.5% of the lowest price of the Company's Common Stock during the thirty (30) trading days immediately prior to the conversion date. Additionally, the note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

In conjunction with the note, the Company issued to the holder 550,000 refundable shares of restricted Common Stock to be held in a treasury account and will be returned to the company if the note is paid on or before the due date. The value of the debt discount recorded was $163,749 and the debt discount related to the attached relative fair value of the restricted Common Stock was $94,251, for a total debt discount of $229,046 and was limited to the value of the note.

On February 23, 2017, the Company issued a convertible note to an unrelated company for $149,000 that matures on November 23, 2017. The note bears 10% interest per annum and is convertible into shares of the Company's common stock at lesser of 40% of the average three lowest closing bids 20 days prior to the conversion date. Additionally, the note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On February 23, 2017, the Company issued a convertible note to an unrelated company for $224,000 that matures on November 23, 2017. The note bears 10% interest per annum and is convertible into shares of the Company's common stock at lesser of 40% of the average three lowest closing bids 20 days prior to the conversion date. Additionally, the note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On May 12, 2017, the Company issued a convertible note to an unrelated company for $265,000 that matures on February 17, 2018. The note bears 10% interest per annum and is convertible into shares of the Company's common stock at the lesser of $.31 and 60% of the lowest closing bids 25 days prior to the conversion date. Additionally, the note contains 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.The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On June 13, 2017, the Company issued a convertible note to an unrelated company for $55,000 that matures on January 13, 2018. The note bears 10% interest per annum and is convertible into shares of the Company's common stock at 57.5% of the lowest closing bids 30 days prior to the conversion date. Additionally, the note contains 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.The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

In conjunction with the note, the Company issued to the holder 55,000 warrants to purchase Common The value of the debt discount recorded was $41,150 and the debt discount related to the attached relative fair value of warrants was $8,850, for a total debt discount of $50,000, and a derivative expense of $9,432.

On June 30, 2017, the Company issued a convertible note to an unrelated company for $100,000 that matures on June 30, 2018. The note bears 7% interest per annum and is convertible into shares of the Company's common stock at $.17 per share.

Notes Payable – Related Parties

Notes payable due to related parties consisted of the following as of June 30, 2017 and 2016:

Notes Payable – Related Parties

	June 30, 2017	June 30, 2016
Various term notes with total face value of $627,500 issued from April 11 to June 17, interest rates range from 0% to 15%, net of unamortized discount of $0 as of June 30, 2017 and June 30, 2016, respectively, of which $35,000 has been paid.	$ 610,000	$ 575,000
Total notes payable – related parties	610,000	575,000
Less current portion	610,000	575,000
Notes payable - related parties, long term	$ -	$ -

Notes Payable – Non-Related Parties

Notes payable due to non-related parties consisted of the following as of June 30, 2017 and 2016:

Notes Payable – Non-Related Parties

	June 30, 2017	June 30, 2016
Various term notes with total face value of $40,488 due upon demand, interest rates range from 0% to 14%.	$ 40,488	$ 40,488
Total note payable – non-related parties	40,488	40,488
Less current portion	40,488	40,488
Notes payable – non-related parties, long-term	$ -	$ -

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	3,581,964
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 P Convertible Preferred	600,000	86,640	-
Series S Convertible Preferred	50,000	-	-
Total Preferred Stock	6,325,000	3,109,044	$ 3,616,964

The Company's Series A Convertible Preferred Stock ("Series A Preferred") is convertible into Common Stock at the rate of 0.025 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, 2009 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 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 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 Second 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 fiscal year ended June 30, 2017 the Company issued 550,000 shares of Series A-1 Preferred Stock for $550,000 in cash and paid $196,853 in cash offering costs. The Company had one conversion of 150,000 shares of Series A-1 Preferred Stock for 300,000 shares of Common Stock, and issued 15,682 shares of Common Stock of payment of $7,481 in accrued dividends.

During the fiscal year ended June 30, 2016 the Company issued 1,669,000 shares of Series A-1 Preferred Stock for $1,382,390 in cash, net of $286,610 of issuance costs, respectively. The Company had two conversions of 100,000 shares of Series A-1 Preferred Stock for 200,000 shares of Common Stock, and issued 59,326 shares of Common Stock of payment of $26,769 in accrued dividends.

During the fiscal years ended June 30, 2017 and 2016, the outstanding Preferred Stock accumulated $169,567 and $105,603 in dividends on outstanding Preferred Stock. The cumulative dividends in arrears as of June 30, 2017 were approximately $886,185.

NOTE 9 – COMMON STOCK

Fiscal Year Ended June 30, 2017

The Company has authorized 250,000,000 shares of $0.001 par value per share Common Stock, of which 118,486,728 and 102,133,344 were issued outstanding as of June 30, 2017 and 2016, respectively. The Company amended its articles of incorporation on August 28, 2015 to increase the number of authorized shares to 250,000,000. The activity surrounding the issuances of the Common Stock is as follows:

The Company issued 3,471,666 shares of Common Stock for cash valued at $991,500.

The Company issued 2,150,364 shares of Common Stock for the conversion of notes and accrued interest valued at $438,781.

The Company also issued 650,000 shares of Common Stock as incentive to notes valued at $127,600. The Beneficial Conversion was valued at $30,519.

The Company also issued 300,000 shares of Common Stock for conversion of Preferred Stock, and issued 15,682 shares of Common Stock of payment of $7,841 in accrued dividends.

The Company issued 2,953,057 shares of Common Stock as payment for services and rent valued at $917,152.

The Company issued 3,020,750 shares of Common Stock for the conversion warrants valued at $906,225.

The Company issued 22,000 shares of Common Stock for the extension of two convertible notes valued at $5,910.

As share-based compensation to employees and non-employees, the Company issued 1,237,210 shares of common stock valued at $403,945, based on the market price of the stock on the date of issuance. As interest expense on outstanding notes payable, the Company issued 2,532,655, shares of common stock valued at $783,786 based on the market price on the date of issuance.

Fiscal Year Ended June 30, 2016

The Company issued 2,667,919 shares of Common Stock for the conversion of notes and accrued interest valued at $446,757.

The Company also issued 200,000 shares of Common Stock for the conversion of 100,000 shares of Series A-1 Preferred Stock and issued 59,326 shares of Common Stock of payment of $26,769 in accrued dividends.

The Company also issued 886,098 shares of Common Stock for the conversion warrants valued at $175,914.

The Company also issued 26,000 shares of Common Stock as incentive to notes valued at $10,284 and recorded $22,375 in beneficial conversion features related to new issuances of debt.

The Company issued 496,137 shares of Common Stock as payment for services and rent valued at $225,413.

As share-based compensation to employees and non-employees, the Company issued 812,804 shares of common stock valued at $364,851, based on the market price of the stock on the date of issuance. As interest expense on outstanding notes payable, the Company issued 1,704,803 shares of common stock valued at $762,076 based on the market price on the date of issuance.

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, 2017, the Company issued 500,000 stock purchase options.

During the fiscal year ended June 30, 2016, the Company did not issue any stock purchase options.

The following table summarizes the changes in options outstanding of the Company during the fiscal year ended June 30, 2017.

Date Issued	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Expiration Date (yrs)	Value if Exercised
Balance June 30, 2016	25,000	$ 0.15	$ 0.24	2.00	$ 3,750
Granted	500,000	0.18	0.16	5.00	90,000
Exercised	-	-	-	-	-
Cancelled/Expired	-	-	-	-	-
Outstanding as of June 30, 2017	525,000	$ 0.18	$ 0.16	4.81	$ 93,750

The following table summarizes the changes in options outstanding of the Company during the fiscal year ended June 30, 2016

Date Issued	Number of Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Expiration Date (yrs)	Value if Exercised
Balance June 30, 2015	80,000	$ 0.66	$ 0.59	1.20	$ 52,900
Granted	-	-	-	-	-
Exercised	-	-	-	-	-
Cancelled/Expired	(55,000)	0.89	-	-	(49,150)
Outstanding as of June 30, 2016	25,000	$ 0.15	$ 0.24	2.00	$ 3,750

Stock Purchase Warrants

During the fiscal year ended June 30, 2017, the Company issued warrants to purchase a total of 10,424,998. The Company issued 455,000 warrants in conjunction with four promissory notes executed in February 2017 to June 2017. The warrants were valued using the Black-Scholes pricing model under the assumptions noted below. The Company apportioned value to the warrants based on the relative fair market value of the Common Stock and warrants.

During the fiscal year ended June 30, 2016, the Company issued warrants to purchase a total of 5,172,000. The Company issued 100,000 warrants in conjunction to an employment agreement entered into in July 2015 and 1,244,000 warrants in conjunction with a consulting agreement entered into December 2015 to June 2016. The Company issued 75,000 warrants in conjunction with a promissory note executed in October 2015. The Company issued 50,000 warrants as part of a commission's agreement, 175,000 warrants as part of four advisory agreements. The Company also issued 3,338,000 warrants as part of a private placement and 190,000 warrants as part a finder's fee agreement. The warrants were valued using the Black-Scholes pricing model under the assumptions noted below. The Company apportioned value to the warrants based on the relative fair market value of the Common Stock and warrants.

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

	June 30, 2017	June 30, 2016
Expected volatility	92-126%	106-114%
Expected dividends	0%	0%
Expected term	0-5 Years	2-5 Years
Risk-free interest rate	0.74-1.89%	0.71-1.01%

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, 2017.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Expiration Date (yrs)	Value if Exercised
Outstanding as of June 30, 2016	35,034,550	$ 0.36	$ 0.45	4.31	$ 12,767,108
Granted	10,424,998	0.46	0.18	2.07	4,404,232
Exercised	(3,020,750)	-	-	-	-
Cancelled/Expired	(2,511,701)	0.36	-	-	(2,026,505)
Outstanding as of June 30, 2017	39,927,097	$ 0.38	$ 0.45	3.38	$ 15,144,835

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, 2016.

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Expiration Date (yrs)	Value if Exercised
Outstanding as of June 30, 2015	31,981,778	$ 0.43	$ 0.50	4.98	$ 13,585,289
Granted	5,172,000	0.45	0.33	3.52	2,316,000
Exercised	(813,360)	-	-	-	(630,364)
Cancelled/Expired	(1,175,868)	0.53	-	-	(2,513,817)
Outstanding as of June 30, 2016	35,034,550	$ 0.36	$ 0.45	4.31	$ 12,767,108

NOTE 11 – INCOME TAXES

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

	As of June 30, 2017	As of June 30, 2016
Current		
Federal	$ -	$ -
State	-	-
Total Current	-	-
Deferred		
Federal	-	-
State	-	-
Total Deferred	-	-
Income tax provision	$ -	$ -

A reconciliation of the expected income tax benefit (provision) computed using the federal statutory income tax rate of 34% to the Company's effective income tax rate is as follows:

	As of June 30, 2017	As of June 30, 2016
Income tax benefit based on federal statutory rate	$ 4,914,000)	$ (488,000)
State income tax benefit, net of federal income tax	(475,000)	(487,000)
Change in deferred tax valuation allowance	5,389,000	975,000
Other, net	-	-
Income tax provision	$ -	$ -

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:

	As of June 30, 2017	As of June 30, 2016
Deferred tax assets:		
Debt extinguishment	$ -	$ -
Impairment of fixed assets	-	-
Domestic net operating loss carryforwards	11,671,000	10,475,000
Total gross deferred tax assets	11,671,000	10,475,000
Less valuation allowance on deferred tax assets	(11,671,000)	(10,475,000)
Net deferred tax assets	-	-
Deferred tax liabilities:		
Deferred costs	-	-
Total deferred tax liabilities	-	-
Net deferred taxes	$ -	$ -

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.

The Company files U.S. federal and Arizona income tax returns. Our major tax jurisdictions are U.S. federal and the State of Arizona and are subject to tax examinations for the open years from 2009 through 2012. As of the date of this filing, the Company has not filed its tax return for the fiscal year ended 2012. While none are anticipated, fines and/or penalties may be associated with the delinquent filing.

As of June 30, 2017, and 2016, the Company had net operating loss carry-forwards for federal and state income tax purposes of approximately $32 million and $28 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 2017.

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, 2017, and 2016. The fair values of the derivative instruments are measured each quarter, which resulted in a (loss) gain of $(138,693) and $4,376,280, and derivative expense of $376,427 and $0 during the fiscal years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the fair market value of the derivatives aggregated $2,145,065 and $0, respectively, using the following assumptions: estimated 0.12-5.02 year term, estimated volatility of 86.22-125.67%, and a discount rate of 0.44-1.89%.

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, 2017, are summarized as follows:

	Level 1	Level 2	Level 3 (1)	Total
Fair value of derivatives	$ -	$ -	$ 2,145,065	$ 2,145,065
Securities available-for-sale	$ 123,600	$ -	$ -	$ 123,600

Liabilities measured at fair value on a recurring basis at June 30, 2016, are summarized as follows:

	Level 1	Level 2	Level 3	Total
Fair value of derivatives	$ -	$ -	$ -	$ -
Securities available-for-sale	$ 63,600	$ -	$ -	$ 63,600

(1) Fair value is calculated using the multinomial lattice method.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company may become involved in certain legal proceedings and claims which arise in the normal course of business. The Company is not a party to any litigation. To the best of the knowledge of our management, there are no material litigation matters pending or threatened against us.

On August 4, 2016, the Company received a Demand for Arbitration/Arbitration Notice filed with the National Arbitration and Mediation ("NAM") ON August 1, 2016, by PCG Advisory Group ("PCG") against the Company. The Company settled with PCG on November 11, 2016.

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 expires on December 31, 2017. The total lease expense for the facility is approximately $17,220 per month, and the total remaining obligations under these leases at June 30, 2017, were approximately 108,350.

We lease a warehouse space located at 8260 E Gelding Drive, Suite 102, Scottsdale, Arizona, 85260. The lease expires on February 28, 2019. The total lease expense for the facility is approximately $1,888 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $37,135.

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 $7,224 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $348,558.

We lease corporate offices located at 7825 E Gelding Drive, Suite 103, Scottsdale, Arizona, 85260. The lease expires on April 30, 2021. The total lease expense for the facility is approximately $3,000 per month, and the total remaining obligations under this leases at June 30, 2017, were approximately $121,305.

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

Year	Lease Payments
2018	255,122
2019	141,464
2020	131,475
2021	87,287
2022	-
Total	$ 615,347

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, 2017 were approximately $886,185.

As of the date of this filing, the Company has not filed its tax return for the fiscal year ended 2015, 2016, and 2017.

NOTE 13 - 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, the Company issued 1,625,000 shares of Common Stock for $170,000 in cash as part of a private placement. The Company also issued 75,000 warrants as part of a private placement valued at $6,019. 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 company also issued 120,000 shares of Common Stock for $170,000 in services.

On July 31, 2017, the Company issued a convertible note to an unrelated company for $78,000, which included $75,000 in proceeds and

$3,000 in legal fees, that matures on April 10, 2018. The note bears 12% interest per annum and is 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. The note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On August 2, 2017, the Company issued a convertible note to an unrelated party for $50,000 that matures on August 24, 2017. The note bears 0% interest per annum, in lieu of interest the Company issued 12,000 shares of common stock on August 4, 2017. The note is convertible into shares of the Company's common stock at $0.10 per share. Due to sequencing on February 2, 2017, the Company determined under ASC 815, the Company has determined that the note is to be treated as an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value. The note was amended on September 15, 2017, to extend the maturity date to October 15, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment"*, and concluded that the extension 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. The company pay $16,000 in principal and on September 15, 2017, the note converted the remaining principal of $34,000 for $340,000 shares of common stock.

On August 2, 2017, the Company issued a convertible note to an unrelated company for $60,500, which includes proceeds of $55,000, $5,500 in OID, and $7,250 paid for legal and other fees, that matures on August 2, 2018. The note bears 12% interest per annum and is 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. The note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On August 4, 2017, the Company issued a convertible note to an unrelated party for $10,000 that matures on August 4, 2018. The note bears 0% interest per annum, in lieu of interest the Company issued 3,500 shares of common stock on August 7, 2017. The note is convertible into shares of the Company's common stock at $0.10 per share. Due to sequencing on February 2, 2017, the Company determined under ASC 815, the Company has determined that the note is to be treated as an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On August 15, 2017, the Company issued a convertible note to an unrelated company for $82,250, which included $75,000 in proceeds and $7,250 in legal and other fees, that matures on April 18, 2018. The note bears 12% interest per annum and is convertible into shares of the Company's common stock at 60% the lowest trading price during the previous twenty (2) days to the date of conversion. The note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On August 16, 2017, the Company issued a convertible note to an unrelated company for $53,000, which included $50,000 in proceeds and $3,000 in legal fees, that matures on June 16, 2018. The note bears 12% interest per annum and is 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. The note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On August 25, 2017, the Company issued a note to an unrelated party for $52,000 as part of an Accounts Receivable Financing Agreement, which included $50,000 in proceeds and an OID of $2,000, that matures on October 25, 2017. The note bears 0% interest per annum. As additional consideration the Company also issued 50,000 warrants valued at $6,625. The warrants are considered derivative liabilities under ASC 815-40 under the Company's sequencing policy and were valued using the multinomial lattice model.

On August 31, 2017, the Company issued a note to an unrelated party for $52,000 as part of an Accounts Receivable Financing Agreement, which included $50,000 in proceeds and an OID of $2,000, that matures on October 31, 2017. The note bears 0% interest per annum. As additional consideration the Company also issued 50,000 warrants valued at $6,773. The warrants are considered derivative liabilities under ASC 815-40 under the Company's sequencing policy and were valued using the multinomial lattice model.

On September 8, 2017, the Company issued a convertible note to an unrelated company for $65,000, which included $58,500 in proceeds and $6,500 in OID, that matures on March 8, 2018. The note bears 12% interest per annum and is convertible into shares of the Company's common stock at 55% of either the lowest sales price for common stock on principal market during the twenty-five consecutive trading days including the immediately preceding the conversion date. The note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company’s own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On September 11, 2017, the Company issued a convertible note to an unrelated party for $10,000 that matures on September 11, 2018. The note bears 10% interest per annum. The note is convertible into shares of the Company's common stock at $0.10 per share. Due to sequencing on February 2, 2017, the Company determined under ASC 815, the Company has determined that the note is to be treated as an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value.

On September 19, 2017, the Company issued a note to an unrelated party for $81,000 which included $74,504 in proceeds, $6,000 in OID, and $496 in other fees, that matures on March 19, 2018. The note bears 8% interest per month. As additional consideration the Company is to issue 75,000 shares of common stock within 10 days.

On November 20, 2015, the Company issued a convertible note to an unrelated company for $600,000 that matures on May 20, 2016. The company paid $200,000 in principle balance leaving a remain balance of $430,000 including the extension fees and is not convertible unless the borrower defaults under the amendment agreement dated January 1, 2017. The note bears 0% interest and had an original issue discount (OID) of $100,000. This note is not convertible unless there is a default event, so no BCF was valued. The Company extended the maturity date for the sixth time by issuing additional $30,000 convertible notes on January 1, 2017 to February 15, 2017 and per the terms of the note there are no derivatives until it becomes convertible on the original note, however the $30,000 addition for the extension is to be considered derivatives. The Lender released a clarification of amendments to convertible promissory notes that explained the $30,000 extension fees are the only portion that is to be considered as convertible and converts within 2 days of issuance. The intent of the amendment agreements were to insure the original note dated November 20, 2015 in the amount of $600,000. Due to the conversion into 145,929 shares of common stock on January 1, 2017 (extension date) and January 3, 2017 (conversion date) sequencing is required on other instruments. Because the terms do not dictate a maximum numbers of convertible shares, the ability to settle these obligations with shares would be unavailable causing these obligations to potentially be settled in cash. This condition creates a derivative liability Under ASC 815-40. 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. During the extension and conversion day period no additional convertible instruments were issued, therefore on the extension was considered in the derivative calculation. The Company extended the maturity date for the seventh time by increasing the principal balance by $30,000 on February 27, 2017 to May 6, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The Company extended the maturity date for the eighth time by increasing the principal balance by $30,000 on May 9, 2017 to June 20, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The Company extended the maturity date for the ninth time by increasing the principal balance by $30,000 on June 20, 2017 to August 4, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The Company extended the maturity date for the tenth time by paying additional consideration of $30,000 on August 3, 2017 to September 18, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The Company extended the maturity date for the tenth time by paying additional consideration of $30,000 on September 18, 2017 to November 2, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 February 23, 2017, the Company issued a convertible note to an unrelated company for $149,000 that matures on November 23, 2017. The note bears 10% interest per annum and is convertible into shares of the Company's common stock at lesser of 40% of the average three lowest closing bids 20 days prior to the conversion date. Additionally, the note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value. The Company extended the possibility to convert date by issuing 60,000 warrants valued at $7,813 on September 8, 2017 to November 2, 2017. 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 Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 February 23, 2017, the Company issued a convertible note to an unrelated company for $224,000 that matures on November 23, 2017.

The note bears 10% interest per annum and is convertible into shares of the Company's common stock at lesser of 40% of the average three lowest closing bids 20 days prior to the conversion date. Additionally, the note contains 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. The Company determined under ASC 815, the Company has determined that this percentage discount (variable) exercise price indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to its estimated fair value. The Company extended the possibility to convert date by issuing 90,000 warrants valued at $11,720 on September 8, 2017 to November 2, 2017. 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 Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 August 26, 2016, the Company issued a convertible note to an unrelated individual for $50,000 that matures on August 26, 2017. The note bears interest rate of 10% per annum and is convertible into shares of the Company's Common stock at $0.40 per share. The note was amended on June 30, 2017 to extend the maturity date to October 1, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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. The note was amended again on September 28, 2017 to extend the maturity date to January 1, 2018. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 March 7, 2016, the Company issued a convertible note to an unrelated individual for $100,000 that matures on March 7, 2017. The note bears interest rate of 10% per annum and is convertible into shares of the Company's Common stock at $0.40 per share. The Company valued a BCF related to the note valued at $24,269 and debt discount related to the 10,000 shares of common stock issued with the note at a relative fair value of $4,569. The note was amended again on September 28, 2017 to extend the maturity date to January 15, 2018, as additional consideration the Company issued 25,000 shares of common stock valued at $3,998. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 July 26, 2016, the Company issued a convertible note to an unrelated individual for $50,000 that matures on September 26, 2016. The note bears interest rate of 0% per annum and is convertible into shares of the Company's Common stock at $0.40 per share, as part of the note the company issued warrants to purchase 35,000 shares of 144 restricted common stock at an exercise price $0.30 for a two-year period. The note was amended on September 28, 2017 to extend the maturity date to January 15, 2018, as additional consideration the Company issued 15,000 shares of common stock valued at $2,398.80. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 August 03, 2017 and September 15, 2017, the Company make payments totaling $125,000 for principal on a $258,000 convertible note to an unrelated company.

On September 12, 2017 and September 19, 2017, the Company make payments totaling $35,000 for principal and interest on convertible notes in the amount of $373,000 to unrelated company.

On September 27, 2016, the Company issued a convertible note to an unrelated individual for $1,000,000 that matures on December 22, 2016. The note was amended subsequently in February 2, 2017 to extend the maturity date to June 30, 2017. The fund will be used for the manufacturing of the companies AfterMaster Pro TV box. The note bears interest rate of 10% per annum and is convertible into shares of the Company's Common stock at $0.40, per share, as part of the note the company issued 100,000 shares of 144 restricted common stock for a value of $33,349. The note was amended on September 28, 2017 to extend the maturity date to September 21, 2018, as additional consideration the Company issued 75,000 shares of common stock valued at $11,993 and 400,000 warrants valued at $34,922.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 Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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 February 15, 2016, the Company issued a convertible note to an unrelated individual for $25,000 that matures on February 15, 2017. The note was amended subsequently in September 28, 2017 to extend the maturity date to October 15, 2017. The Company evaluated amendment under ASC 470-50, "*Debt - Modification and Extinguishment*", and concluded that the extension 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.