Max Sound Corp
Form 10-Q
November 14, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

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

For the transition period from ______to______.

Commission file number 000-51886

MAX SOUND CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**26-3534190**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

8837 Villa La Jolla Drive, Unit 12109,

La Jolla, California	92039
(Address of principal executive offices)	(Zip Code)

(800) 327-6293

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (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 period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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 (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock. As of November 14, 2016, the registrant had 850,560,382 shares, par value $0.00001 per share, of common stock issued and outstanding.

MAX SOUND CORPORATION

FORM 10-Q

for the period ended September 30, 2016

INDEX

PART I-- FINANCIAL INFORMATION

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “proj “potential,” “continue” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

CERTAIN TERMS USED IN THIS REPORT

When this report uses the words “we,” “us,” “our,” and the “Company,” they refer to Max Sound Corporation, and “SEC” refer to the Securities and Exchange Commission.

PART I Ð FINANCIAL INFORMATION

Item 1. Financial Statements

MAX SOUND CORPORATION

CONTENTS

Max Sound Corporation

Condensed Balance Sheets

ASSETS

	September 30, 2016 (UNAUDITED)	December 31, 2015
Current Assets		
Cash	$ 9,448	$ 211,064
Prepaid expenses	62,230	82,681
Debt offering costs - net	25,476	36,699
Total Current Assets	97,154	330,444
Property and equipment, net	76,977	130,961
Other Assets		
Security deposit	413	413
Intangible assets	1,008,036	1,092,621
Total Other Assets	1,008,449	1,093,034
Total Assets	$ 1,182,580	$ 1,554,439
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 1,829,760	$ 1,393,074
Accrued expenses	334,746	257,457
Accrued expenses - related party	473	473
Demand Note	40,000	—
Derivative liability	6,042,391	3,684,184
Convertible note payable, net of debt discount of $1,379,313 and $2,658,213 respectively	3,657,610	1,976,639
Total Current Liabilities	11,904,980	7,311,827
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized,		

No shares issued and outstanding	—	—
Series, A Convertible Preferred stock, $0.00001 par value; 10,000,000 shares authorized,		
5,000,000 and 0 shares issued and outstanding, respectively	50	50
Common stock, $0.00001 par value; 1,650,000,000 shares authorized,		
847,363,298 and 422,310,693 shares issued and outstanding, respectively	8,472	4,222
Additional paid-in capital	62,649,884	58,052,946
Treasury stock	(519,575)	(519,575)
Accumulated deficit	(72,861,231)	(63,295,031)
Total Stockholders' Deficit	(10,722,400)	(5,757,388)
Total Liabilities and Stockholders' Deficit	$ 1,182,580	$ 1,554,439

See accompanying notes to condensed unaudited financial statements.

Max Sound Corporation

Condensed Statements of Operations

(UNAUDITED)

	For the Three Months Ended, September 30, 2016	For the Three Months Ended, September 30, 2015	For the Nine Months Ended, September 30, 2016	For the Nine Months Ended, September 30, 2015
Revenue	$—	$—	$—	$—
Operating Expenses				
General and administrative	157,362	611,463	899,267	2,228,127
Consulting	20,750	117,889	160,582	362,438
Professional fees	57,909	653,340	287,662	990,617
Website development	—	18,000	28,000	33,000
Compensation	198,000	238,046	608,000	707,346
Total Operating Expenses	434,021	1,638,738	1,983,511	4,321,528
Loss from Operations	(434,021)	(1,638,738)	(1,983,511)	(4,321,528)
Other Income / (Expense)				
Other income	—	75,754	36,532	96,464
Loss on inventory write off	—	—	—	(29,275)
Interest expense	(70,462)	(242,959)	(234,607)	(391,295)
Derivative Expense	(830,265)	20,284	(3,335,677)	(1,013,997)
Amortization of debt offering costs	(21,471)	(33,705)	(79,471)	(75,634)
Loss on debt settlement	—	125,953	(316,270)	—
Amortization of debt discount	(1,065,142)	(887,126)	(3,912,707)	(2,819,974)
Change in fair value of embedded derivative liability	183,215	(167,717)	259,512	1,002,237
Total Other Income / (Expense)	(1,804,125)	(1,109,516)	(7,582,688)	(3,231,474)
Provision for Income Taxes	—	—	—	—
Net Loss	$(2,238,146)	$(2,748,254)	$(9,566,199)	$(7,553,002)
Net Loss Per Share - Basic and Diluted	$(0.00)	$(0.01)	$(0.01)	$(0.02)
Weighted average number of shares outstanding during the year Basic and Diluted	836,376,412	336,161,408	752,906,044	335,750,797

See accompanying notes to condensed unaudited financial statements.

Max Sound Corporation

Condensed Statements of Cash Flows

(UNAUDITED)

	For the Nine Months Ended,	
	September 30, 2016	September 30, 2015
Cash Flows From Operating Activities:		
Net Loss	$(9,566,199)	$(7,553,002)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation/Amortization	60,383	58,872
Stock and stock options issued for services	105,894	249,946
Warrants issued for services	91,556	—
Amortization of intangible assets	84,585	790,769
Amortization of debt offering costs	79,471	77,472
Amortization of debt discount	3,912,707	2,819,974
Change in fair value of derivative liability	(259,512)	(1,002,237)
Gain/(Loss) on debt extinguishment	(35,200)	(96,462)
Derivative Expense	3,335,677	1,013,997
Changes in operating assets and liabilities:		
(Increase)/Decrease in inventory	—	29,275
(Increase)/Decrease in prepaid expenses	20,451	9,370
Increase/(Decrease) accounts payable	422,180	1,037,483
Increase/(Decrease) in accrued expenses	259,537	357,903
Increase/(Decrease) in accrued expenses - related party	—	24,000
Net Cash Used In Operating Activities	(1,488,470)	(2,182,640)
Cash Flows From Investing Activities:		
Purchase of property equipment	(6,398)	(8,789)
Net Cash Used In Investing Activities	(6,398)	(8,789)
Cash Flows From Financing Activities:		
Proceeds from stockholder loans / lines of credit	—	268,045
Repayment from stockholder loans / lines of credit	—	(388,000)
Repayment of convertible note	(1,197,096)	(231,000)
Proceeds from issuance of convertible note, less offering costs and OID costs paid	2,550,348	2,357,225
Proceeds from note payable	—	170,000
Repayment of note payable	(60,000)	—
Net Cash Provided by Financing Activities	1,293,252	2,176,270
Net Decrease in Cash	(201,616)	(15,159)
Cash at Beginning of Year	211,064	35,747

Cash at End of Year	$9,448	$20,588
Supplemental disclosure of cash flow information:		
Cash paid for interest	$—	$—
Cash paid for taxes	$—	$—
Supplemental disclosure of non-cash investing and financing activities:		
Shares issued in conversion of convertible debt and accrued interest	$1,129,849	$4,418,964
Reclass of convertible debt to demand note	$100,000	$—

See accompanying notes to condensed unaudited financial statements.

MAX SOUND CORPORATION

NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2016

(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Organization and Basis of Presentation

Max Sound Corporation (the "Company") was incorporated in Delaware on December 9, 2005, under the name 43010, Inc. The Company business operations are focused primarily on developing and launching audio technology software.

Effective March 1, 2011, the Company filed with the State of Delaware a Certificate of Amendment of Certificate of Incorporation changing our name from So Act Network, Inc. to Max Sound Corporation.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission applicable to interim financial information and with instructions to Form 10Q and Articles of Regulations S-X. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal and recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 30, 2015.

On August 9, 2016 the Company has moved a level down from OTCQB to OTC Pink Current Information where it is within the continued standards and pricing requirements as found in Section 2 of the OTCQB Eligibility Standards. The company's services, which remain active and are paid current with OTC Markets through the end of 2016, may re-apply at any time after a price increase to meet all of the OTCQB Eligibility Standards to be moved back to the higher OTCQB marketplace.

(B) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(C) Cash and Cash Equivalents

For purposes of the cash flow statements, the Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. As of September 30, 2016 and December 31, 2015, the Company had no cash equivalents.

(D) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful life of three to five years.

(E) Research and Development

The Company has adopted the provisions of FASB Accounting Standards Codification No. 350, *Intangibles - Goodwill & Other* ("ASC Topic 350"). Costs incurred in the planning stage of a website are expensed as research and development while costs incurred in the development stage are capitalized and amortized over the life of the asset, estimated to be three years. Expenses subsequent to the launch have been expensed as website development expenses.

(F) Concentration of Credit Risk

The Company at times has cash in banks in excess of FDIC insurance limits. The Company had $0 in excess of FDIC insurance limits as of September 30, 2016 and 2015.

(G) Revenue Recognition

The Company recognized revenue on arrangements in accordance with FASB Codification Topic 605, “Revenue Recognition” (“ASC Topic 605”). Under ASC Topic 605, revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured. The Company has not yet commenced revenue generating activities.

(H) Inventories

Inventory consists primarily of finished goods and is valued at the lower of cost or market. Cost is determined using the weighted average method and average cost is recomputed after each inventory purchase or sale. Inventory is periodically reviewed in order to identify obsolete or damaged inventory and impaired values. For the year ended December 31, 2015, the inventory was impaired and valued at $0. The Company had no inventory as of September 30, 2016.

(I) Identifiable Intangible Assets

ASC 350 prescribes a two-step process for impairment testing of goodwill and intangibles with indefinite lives, which is performed annually, as well as when an event triggering impairment may have occurred. ASC 350 also allows preparers to qualitatively assess goodwill impairment through a screening process, which would permit companies to forgo Step 1 of their annual goodwill impairment process. This qualitative screening process will hereinafter be referred to as "Step 0". Goodwill and intangible assets deemed to have an indefinite life are tested for impairment on an annual basis, or earlier when events or changes in circumstances suggest the carrying amount may not be fully recoverable. The Company has elected to perform its annual assessment on $16,796,237 of intangible assets. For the year ended December 31, 2015, $15,703,616 impairment loss has been recorded due to a change in business model, this being significantly impacted by the impairment of Liquid Spins assets, as digital music sales are no longer relevant in today’s market for the following assets:

	Cost, net	Impairment Loss	Amortization for nine months ended	Balance as of September 30, 2016

			September 30, 2016	
Trademarks	$7,500,000	$(6,630,419)	(65,219)	804,362
Distribution rights	7,372,561	(7,372,561)	—	—
Licensing Rights	1,923,401	(1,700,393)	(19,364)	203,644
Other	275	(243)	(2)	30
	$16,796,237	(15,703,616)	(84,585)	1,008,036

As of September 30, 2016 and December 31, 2015, $804,362 and $869,581, respectively, of costs related to registering a trademark and acquiring technology rights [audio technology known as Max Audio Technology (MAXD)] have been capitalized. It has been determined that the trademark and technology rights have an indefinite useful life and are not subject to amortization. However, the trademark and technology rights will be reviewed for impairment annually or more frequently if impairment indicators arise. As a result of this review, the Company recorded an impairment loss of $6,630,419 that is recorded as impairment loss on intangible asset for the year ended December 31, 2015.

On November 15, 2012, the Company acquired the rights to assets and audio technology known as Liquid Spins, Inc. through a share exchange, whereby the Company issued 24,752,475 shares of common stock for their rights in Liquid Spins technology. As of September 30, 2016 and December 31, 2015, $0 and $0, respectively, of costs related to this intangible remain capitalized. The technology was placed in service on August 23, 2013 with a useful life of 10 years. During 2015, the Company reviewed the intangible asset for impairment and determined that certain items had been impaired due to obsolescence. During 2015 fiscal year, a $7,372,562 impairment loss was recorded against certain Distribution Rights acquired during 2012 fiscal year.

On May 19, 2014, the Company entered into an agreement with VSL Communications to acquire the rights to intellectual property titled “Optimized Data Transmission System and Method” (“ODT”) through a cash payment of $500,000 in addition to a share issuance, whereby the Company issued 10,000,000 shares of common stock, valued at $1,000,000 ($0.10/share). In exchange, the Company received a perpetual, exclusive, worldwide license to the ODT technology for all fields of use. In addition, the Company issued 1,000,000 shares of common stock, valued at $120,000 ($0.12/share), as compensation for the introduction and identification of a seller based on the agreement dated April 10, 2014. As of September 30, 2016 and December 31, 2015, $173,742 and $187,830, respectively, of costs related to the “ODT” intangible asset remains capitalized. The technology will be reviewed for impairment annually or more frequently if impairment indicators arise. As a result of this review, the Company recorded an impairment loss of $1,432,170 that is recorded as impairment loss on intangible asset for the year ended December 31, 2015. In connection with this agreement, the Company is obligated to make an additional five (5) payments totaling $1,000,000 to be made every 30 days, with the thirty (30) day periods to be waived if fund raising occurs on an anticipated faster time line. The payments of additional cash are contingent on the following funding criteria:

The Company shall pay set increments of cash based on a percentage of gross funds received through funds raised. The Company shall pay 20% of such monies as soon as they are received.

In connection with the acquisition agreements entered on May 19, 2014 to acquire “Optimized Data Transmission System and Method” (“ODT”), we recorded a liability and expensed $1,096,501 royalty cost for funds raised through September 30, 2016

The Company shall act as the exclusive agent to facilitate and negotiate any opportunities on behalf of ODT to Companies, Organizations and other qualified entities. Upon any closing, ODT shall receive 50% of gross dollars and the Company shall receive the other 50% at the time of a completion of any transaction opportunity, including legal settlements after subtracting applicable contingent legal fees. The term of the agreement is for the life of the acquired intellectual property. As a result of this review, the Company recorded an impairment loss of $6,630,419 on intangible asset during the year ended December 31, 2015

On August 11, 2014, the Company and VSL simultaneously filed trade secret and patent infringement actions against Google, Inc. and its subsidiaries, YouTube, LLC and On2 Technologies, Inc., relating to proprietary and patented technology owned by Vedanti Systems Limited, a subsidiary of VSL. The patent infringement complaint was brought in U.S. District Court for the District of Delaware and the trade secret suit was filed in Superior Court of California, County of Santa Clara. The lawsuits contend that, in 2010, while Google was in discussions with Vedanti about the possibility of acquiring Vedanti's patented digital video streaming techniques and other proprietary methods, Google gained access to and received technical guidance regarding Vedanti’s proprietary codec, a computer program capable of encoding and decoding a digital data stream or signal. The complaints allege that soon after the two companies initiated negotiations, Google began implementing Vedanti's technology into its own WebM/VP8 video codec without informing Vedanti, and without compensating Vedanti for its use. Plaintiffs are seeking a permanent injunction against Google, compensatory damages, as well as treble damages. As exclusive agent to VSL to enforce all rights with respect to the subject technology, the Company has hired Grant & Eisenhofer, PA to represent the Company and VSL in the suits. On November 24, 2015 the District Court entered an order granting the Google defendants’ motion to dismiss. The Company timely filed its notice of appeal with the appeals court on February 22, 2016. The two issues on appeal are, (i) whether the district court erred by granting the Google defendants’ motion to dismiss the Company’s lawsuit on the ground that the Company lacked standing to sue the Google defendants for infringement of the 339 patent, and (ii) whether the district court erred by denying the Company’s motion for leave to amend the complaint and add as a party VSL, a former licensee of the 339 patent to cure any defect in prudential standing to the extent VSL is a necessary party. These cases will be vigorously prosecuted and the Company believes it has a good likelihood of success.

On May 22, 2014, the Company entered into a five (5) year agreement to acquire the rights to intellectual property titled “Engineered Architecture” (“EA Technology”) through a cash payment of $50,000 in addition to a share issuance, whereby the Company issued 4,000,000 shares of common stock, valued at $394,000 ($0.0985/share). In exchange, the Company received for the term of the agreement, the exclusive worldwide right to use the EA Technology. As of September 30, 2016 and December 31, 2015, $29,901 and $35,178, respectively of costs related to this intangible remains capitalized. The technology will be reviewed for impairment annually or more frequently if impairment indicators arise. As a result of this review, the Company recorded an impairment loss of $268,223 on intangible asset for the year ended December 31, 2015.

In connection with this agreement, the Company is obligated to make an additional five (5) payments totaling $500,000 to be made every 30 days, with the thirty (30) day periods to be waived if fund raising occurs on an anticipated faster time line. The payments of additional cash are contingent on the following funding criteria:

The Company shall pay set increments of cash based on a percentage of gross funds received through funds raised. The Company shall pay 10% of such monies as soon as they are received.

In connection with funds raised through September 30, 2016, the Company recorded a liability and expensed $548,255 as royalty cost, related to the 10% fee, as of September 30, 2016, $40,000 has been paid. The remaining liability as of September 30, 2016, is $528,423 and is included in accounts payable.

The Company shall act as the exclusive agent to facilitate and negotiate any opportunities on behalf of EA Technology to Companies, Organizations and other qualified entities. Upon any closing, EA shall receive 50% of gross dollars and the Company shall receive the other 50% at the time of a completion of any transaction opportunity, including legal settlements after subtracting applicable contingent legal fees. In the event the Company sublicenses EA to other entities, profits shall be split evenly 50%/50%.

(J) Impairment of Long-Lived Assets and Intangible Assets with Definite Life

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets, such as technology rights, be reviewed for impairment annually, or whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. The Company recorded $0, $0 and $15,703,617 in impairment of the intangible asset for the three and nine months ended September 30, 2016 and the year ended December 31, 2015, respectively (See Note 1J).

(K) Loss Per Share

In accordance with accounting guidance now codified as FASB ASC Topic 260, *"Earnings per Share,"* Basic earnings (loss) per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential of shares of common stock outstanding during the period including stock options or warrants, using the treasury stock method (by using the average stock price for the period to determine the number of shares assumed to be purchased from the exercise of stock options or warrants), and convertible debt or convertible preferred stock, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive. Because of the Company's net losses, the effects of stock warrants and stock options would be anti-dilutive and accordingly, is excluded from the computation of earnings per share.

The computation of basic and diluted loss per share for the years ended September 30, 2016 and 2015 excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

	September 30, 2016	September 30, 2015
Stock Warrants (Exercise price - $0.25 - $.52/share)	20,770,690	—
Stock Options (Exercise price - $0.10 - $.50/share)	2,866,652	—
Convertible Debt (Exercise price - $0.017 - $.0817/share)	468,236,372	342,659,020
Series A Convertible Preferred Shares ($0.0/share)	125,000,000	125,000,000
Total	616,873,714	467,659,020

(L) Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 ("ASC 740-10-25") Income Taxes. Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company's federal income tax returns are no longer subject to examination by the IRS for the years prior to 2011, and the related state income tax returns are no longer subject to examination by state authorities for the years prior to 2010.

(M) Business Segments

The Company operates in one segment and therefore segment information is not presented.

(N) Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, Interest–Imputation of Interest (Subtopic 835-30) (“ASU 2015-03”), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-03 on its balance sheets.

All other newly issued accounting pronouncements but not yet effective have been deemed either immaterial or not applicable.

(O) Fair Value of Financial Instruments

The carrying amounts on the Company’s financial instruments including accounts payable, derivative liability, convertible note payable, and note payable, approximate fair value due to the relatively short period to maturity for these instruments.

We adopted accounting guidance for financial and non-financial assets and liabilities (ASC 820). The adoption did not have a material impact on our results of operations, financial position or liquidity. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

The following are the major categories of liabilities measured at fair value on a recurring basis: as of September 30, 2016 and December 31, 2015, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	June 30, 2016 Fair Value Measurement Using				December 31, 2015 Fair Value Measurement Using			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Derivative Liabilities	—	5,918,066	—	5,918,066	—	3,684,184	—	3,684,184

(P) Stock-Based Compensation

In December 2004, the FASB issued FASB Accounting Standards Codification No. 718, Compensation - Stock Compensation. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively.

Equity instruments (“instruments”) issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 718. FASB Accounting Standards Codification No. 505, Equity Based Payments to Non-Employees defines the measurement date and recognition period for such instruments. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

(Q) Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. These reclassifications had no impact on the Company's net loss or cash flows.

(R) Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model.

(S) Original Issue Discount

For certain convertible debt issued, the Company provides the debt holder with an original issue discount. The original issue discount is recorded to debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

(T) Debt Issue Costs and Debt Discount

The Company may pay debt issue costs, and record debt discounts in connection with raising funds through the issuance of convertible debt. These costs are amortized to interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

(U) Licensing & Distribution

On June 20, 2015, the Company entered into a license agreement with Santok LTD of United Kingdom (“Santok). The term of the agreement is three years. Santok will pay the Company a royalty fee of $1.50 for each licensed product. Santok guarantees to the Company a minimum total of 150,000 cumulative licensed product installation with a minimum total guaranteed value of $225,000 over the three years of the agreement. If the total royalty paid is less than the guaranteed value, Santok will pay the difference.

On July 13, 2015, the Company entered into a license agreement with Luna Mobile, Inc. of United States ("Luna). The term of the agreement is three years. Luna will pay the Company a royalty fee of $1.50 for each licensed product manufactured and sold. As of September 30, 2016 Luna Mobile continues to seek to distribute its products.

NOTE 2 GOING CONCERN

As reflected in the accompanying condensed unaudited financial statements, the Company had a net loss of $9,441,874 for the nine months ended September 30, 2016, has an accumulated deficit of $72,736,906 as of September 30, 2016, and has negative cash flow from operations of $1,488,470 for the nine months ended September 30, 2016.

As the Company continues to incur losses, transition to profitability is dependent upon the successful commercialization of its products and achieving a level of revenues adequate to support the Company's cost structure.

The Company may never achieve profitability, and unless and until it does, the Company will continue to need to raise additional cash. Management intends to fund future operations through additional private or public debt or equity offerings. Based on the Company's operating plan, existing working capital at December 31, 2015 was not sufficient to meet the cash requirements to fund planned operations through December 31, 2016 without additional sources of cash. The Company continues to explore various financing alternatives, including debt and equity financings and strategic partnerships, as well as trying to generate revenue. However, at this time, the Company has no commitments to obtain any additional funds, and there can be no assurance such funds will be available on acceptable terms or at all. If the Company is unable to obtain additional funding and improve its operations, the Company's financial condition and results of operations may be materially adversely affected and the Company may not be able to continue operations. This raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and do not include adjustments that might result fromthe outcome of this uncertainty.

NOTE 3 DEBT AND ACCOUNTS PAYABLE

Debt consists of the following:

	As of September 30, 2016	As of December 31, 2015
Line of credit - related party	$473	$473

Convertible debt	5,036,923	4,634,852
Less: debt discount	(1,379,313)	(2,658,213)
Convertible debt - net	3,657,610	1,976,639
Demand note	40,000	
Total current debt	3,698,083	$1,977,112

(A) – Line of credit – related party

Line of credit with the principal stockholder consisted of the following activity and terms:

	Principal	Interest Rate	Maturity
Balance - December 31, 2015	$ 473		
Borrowings during the nine months ended September 30, 2016	—	4 %	September 26, 2016
Interest accrual	—		
Repayments	—		
Balance - September 30, 2016	$ 473		

Accounts payable consists of the following**:**

	As of September 30, 2016	As of December 31, 2015
Accounts Payable	$214,492	$338,978
Royalty Payable	1,615,268	1,054,096
Total accounts payable and royalty payable	$1,829,760	$1,393,074

Accounts payable for the year ended included royalty payments due to VSL agreement entered into on August 11, 2014 in the amount of $1,086,845 and EA Technology agreement entered into on May 22, 2014 in the amount of $528,423 for a total payable of $1,615,268 See Note 1 (J).

(B) Loan Payable – Related Party

On September 17, 2015, the Company received $170,000 from a related party. Pursuant to the terms of the note, the note is bearing an original issuance discount in the amount of $10,000 and is due on or before October 31, 2015. As of December 31, 2015, the balance of the note was repaid and remaining balance is $0.

(C) Convertible Debt

During the nine months ended September 30, 2016 and 2015, the Company issued convertible notes totaling $2,682,148, less the original issue discount and debt issue costs of $131,800, for net proceeds of $2,550,348 and $2,357,225, respectively.

On October 7, 2015, the Company issued 1,000,000 warrants in connection with the entry into certain convertible debenture agreements. Warrant vests immediately and expire on October 7, 2018 with an exercise price of $0.12.

On October 26, 2015, the Company issued 1,000,000 warrants in connection with the entry into certain convertible debenture agreements. Warrant vests immediately and expire on October 26, 2018 with an exercise price of $0.12.

The convertible notes issued for year ended September 30, 2016 and year ended December 31, 2015, consist of the following terms:

		Nine months ended September 30, 2016 Amount of **Principal Raised**	Year ended December 31, 2015 Amount of **Principal Raised**
Interest Rate		0% - 10%	0% - 10%
Default interest rate		14% - 22%	14% - 22%
Maturity		February 26, 2015 –March 10, 2018	February 26, 2015 - November 23, 2017
Conversion terms 1	65% of the “Market Price”, which is the average of the lowest three (3) trading prices for the common stock during the ten (10) trading day period prior to the conversion.	3,412,400	2,104,000
Conversion terms 2	65% of the “Market Price”, which is the one lowest trading prices for the common stock during the ten (10) trading day period prior to the conversion.	465,416	420,410
Conversion terms 3	70% of the “Market Price”, which is the average of the lowest three (3) trading prices for the common stock during the fifteen (15) trading day period prior to the conversion.	paid on conversion	111,111
Conversion terms 4	75% of the “Market Price”, which is the average of the lowest three (3) trading prices for the common stock during the ten (10) trading day period prior to the conversion.	765,000	787,778
Conversion terms 5	60% of the “Market Price”, which is the lowest trading prices for the common stock during the fifteen (15)	paid on conversion	35,000

	trading day period prior to the conversion.		
Conversion terms 6	Conversion at $0.10 per share	Paid on conversion	135,200
Conversion terms 7	60% of the "Market Price", which is the lowest trading prices for the common stock during the ten (10) trading day period prior to the conversion.	90,000	282,000
Conversion terms 8	65% of the "Market Price", which is the two lowest trading prices for the common stock during the ten (10) trading day period prior to the conversion.	172,725	390,778
Conversion terms 9	65% of the "Market Price", which is the two lowest trading prices for the common stock during the fifteen (15) trading day period prior to the conversion.	78,750	150,250
Conversion terms 10	65% of the "Market Price", which is the one lowest trading prices for the common stock during the fifteen (15) trading day period prior to the conversion.	paid on conversion	218,325
Conversion terms 11	60% of the "Market Price", which is the two lowest trading prices for the common stock during the twelve (12) trading day period prior to the conversion.	52,632	—
	Convertible Debt	5,036,923	4,634,852
	Less: Debt Discount	(1,379,313)	(2,658,213)
	Convertible Debt - net	$3,657,610	$1,976,639

The debt holders are entitled, at their option, to convert all or part of the principal and accrued interest into shares of the Company's common stock at conversion prices and terms discussed above. The Company classifies embedded conversion features in these notes and warrants as a derivative liability due to management's assessment that the Company may not have sufficient authorized number of shares of common stock required to net-share settle or due to the existence of a ratchet due to an anti-dilution provision. See Note 4 regarding accounting for derivative liabilities.

During the nine months ended September 30, 2016, the Company converted debt and accrued interest, totaling $1,129,849 into 413,052,605 shares of common stock

During the nine months ended September 30, 2015, the Company converted debt and accrued interest, totaling $4,418,964 into 154,673,471 shares of common stock.

Convertible debt consisted of the following activity and terms:

Convertible Debt Balance as of December 31, 2015	4,634,852	4% - 10%	February 26, 2015 - November 23, 2017
Borrowings during the nine months ended September 30, 2016	2,673,853	8% - 10%	
Non-Cash Reclassification of accrued interest converted	55,163		

Repayments	(1,197,096)		
Conversion of debt to into 413,052,605 shares of common stock with a valuation of $1,129,849 ($0.00143 - $0.01056/share) including the accrued interest of $55,163	(1,129,849)		
Reclassification into a demand note	—		
Convertible Debt Balance as of September 30, 2016	5,036,923	4% - 10%	February 26, 2015 - March 10, 2018

(D) Debt Issue Costs

During the nine months ended September 30, 2016, the Company paid debt issue costs totaling $51,939.

The following is a summary of the Company's debt issue costs:

	As of September 30, 2016	As of December 31, 2015
Debt issue costs	$231,624	163,375
Accumulated amortization of debt issue costs	(206,148)	(126,676)
Debt issue costs - net	$25,476	36,699

During the nine months ended September 30, 2016 and 2015 the Company amortized $79,471 and $75,634 of debt issue costs, respectively.

(E) Debt Discount & Original Issue Discount

During the nine months ended September 30, 2016 and December 31, 2015, the Company recorded debt discounts totaling $2,633,807 and $5,323,857, respectively.

The debt discount and the original issue discount recorded in 2016 and 2015 pertains to convertible debt that contains embedded conversion options that are required to be bifurcated and reported at fair value and original issue discounts.

The Company amortized $3,912,707 and $2,819,974 during the nine months ended September 30, 2016 and 2015, respectively, to amortization of debt discount expense.

	As of September 30, 2016	As of December 31, 2015
Debt discount	$9,679,045	7,042,922
Accumulated amortization of debt discount	(8,299,732)	(4,384,709)
Debt discount - Net	$1,379,313	2,658,213

NOTE 4 DERIVATIVE LIABILITIES

The Company identified conversion features embedded within convertible debt issued in 2016 and 2015 and warrants issued in 2016 and 2015. The Company has determined that the features associated with the embedded conversion option should be accounted for at fair value as a derivative liability.

As a result of the application of ASC No. 815, the fair value of the conversion feature is summarized as follow:

	Commitment Date	**Re-measurement Date**
Expected dividends:	—	—
Expected volatility:	133% - 262%	157% -283%
Expected term:	0.41 - 2 Years	0.12–2.65 Years
Risk free interest rate:	0.06% - 1.31%	0.12% - .0.88%

The Company recorded the debt discount to the extent of the gross proceeds raised, and expensed immediately the remaining value of the derivative as it exceeded the gross proceeds of the note. The Company recorded a derivative expense for the nine months ended September 30, 2016 and 2015 of $3,269,969 and $1,013,997, respectively.

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of September 30, 2016:

	Commitment Date	**Re-measurement Date**
Expected dividends:	—	—
Expected volatility:	133% - 262%	157% -283%
Expected term:	0.41 - 2 Years	0.12–2.65 Years
Risk free interest rate:	0.06% - 1.31%	0.12% - .0.88%

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2015:

	Commitment Date	**Re-measurement Date**
Expected dividends:	—	—
Expected volatility:	133% - 221%	177% -238.77%
Expected term:	0.41 - 3 Years	0.12–2.9 Years
Risk free interest rate:	0.06% - 1.31%	0.12% - .1.31%

NOTE 5 PROPERTY AND EQUIPMENT

At September 30, 2016 and December 31, 2015, respectively, property and equipment is as follows:

	September 30, 2016	December 31, 2015
Website Development	$294,795	$294,795
Furniture and Equipment	117,183	112,220

Leasehold Improvements	6,708	6,573
Software	54,598	53,897
Music Equipment	2,578	2,578
Office Equipment	80,710	80,110
Domain Name	1,500	1,500
Sign	628	628
Total	558,700	552,301
Less: accumulated depreciation and amortization	(481,723)	(421,340)
Property and Equipment, Net	$76,977	$130,961

Depreciation/amortization expense for the three and nine months ended September 30, 2016 totaled $19,885 and $60,383, respectively.

Depreciation/amortization expense for the three and nine months ended September 30, 2015 totaled $20,017 and $58,872, respectively.

NOTE 6 STOCKHOLDERS' EQUITY

On March 4, 2015, the Company with the consent of the Majority Shareholder and Unanimous Written Consent of the Board of Directors created and authorized the issuance of Series A Convertible Preferred stock, with a par value of $0.00001 per share. The face amount of state value of each Preferred Share of stock is $0.96 and the conversion price of $0.04 per share.

On September 24, 2015, the Company with the consent of the Majority Shareholder and Unanimous Written Consent of the Board of Directors filed with the State of Delaware an Amended Certificate of Incorporation increasing the authorized shares of common stock by 120,000,000 shares of common stock from 450,000,000 million shares of common stock to 570,000,000 shares of common stock.

On August 19, 2015, the Company with the consent of the Majority Shareholder and Unanimous Written Consent of the Board of Directors filed with the State of Delaware an Amended Certificate of Incorporation increasing the authorized shares of common stock by 280,000,000 shares of common stock from 570,000,000 million shares of common stock to 850,000,000 shares of common stock.

On January 13, 2016, the Company with the consent of the Majority Shareholder and Unanimous Written Consent of the Board of Directors filed with the Securities and Exchange Commission a Schedule 14C and with the State of Delaware an Amended Certificate of Incorporation increasing the authorized shares of common stock by 800,000,000 shares of common stock from 850,000,000 million shares of common stock to 1,650,000,000 shares of common stock.

(A) Common Stock

During the nine months ended September 30, 2016, the Company issued the following common stock:

Transaction Type	Quantity	Valuation	Range of Value per share
Conversion of convertible debt and accrued interest	413,052,605	$1,129,849	$0.00143 to- $0.01056
Services - rendered	12,000,000	105,600	$0.12-$0.009
Total shares issued	425,052,605	$1,235,449	

During the year ended December 31, 2015, the Company issued the following common stock:

Transaction Type	Quantity	Valuation	Range of Value per share
Conversion of convertible debt and accrued interest	154,673,471	$2,918,633	$0.009 - $0.042
Services - rendered	9,195,182	294,548	$0.12-$0.07
Return of shares	(120,000,000)	(1,200)	$0.000010
Conversion of line of credit in common stock	5,000,000	150,000	$0.03
Total shares issued	48,868,653	$3,361,981	

The Company maintains on its books and within the above financials, debt to Venture Champion Asia Limited and ICG USA LLC or its designee(s) which is currently in default and has not been converted due to ICG's settled administrative proceeding with the SEC, where the Company awaits any rightful exemption or regulatory no-action that would render any forward moving action compliant by all the parties.

Return of Shares and Issuance of Preferred shares

On March 4, 2015 the Company filed a form 8K with the SEC associated with the Company entering into a Securities Exchange Agreement and the Company filing with the Secretary of State Delaware a Certificate of Designations, Preferences and Rights whereby, among other things, the Company for good and valuable consideration, agreed that in consideration of a large shareholder exchanging 120,000,000 shares of common stock back to the Company, the shareholder would receive 5,000,000 shares of Series A Convertible Preferred Stock of the Company at a Stated Value of $0.96 per share and a Conversion Price of $0.04 per share. The Series A Convertible Preferred Stock carries certain voting preferences and will accrue dividends at a rate of 8% per annum Stated Value, payable in cash or in kind at the election of the Board of Directors. For the nine months ended September 30, 2016 and for the year ended December 31, 2015, the Company has not declared dividends.

(B) Stock Warrants

On May 27, 2016, the Company has agreed to issue 1,000,000 three-year warrants at an exercise price of $0.005/share of the common stock of the Company to a consultant for consulting services. The Company recorded the fair value of the warrants based on the fair value of each warrant grant estimated on the date of grant using the black – Scholes option pricing

On March 6, 2016, the Company entered into a revised engagement with its corporate counsel, McMenamin Law Group, for corporate legal services to be provided by legal counsel beginning July 28, 2015 through December 31, 2016, pursuant to which the Company has agreed to issue a five (5) warrants at an exercise price totaling $25,000 at a strike price of ($0.0029/share) per share of common stock of the Company, which share price was the closing price of the Company's stock on March 3, 2016. In addition the Company has agreed to pay McMenamin Law Group cash consideration totaling $15,000 on or before March 31, 2016, or a funding of the Company, whichever occurs first. As of September 30, 2016, the payment was not made. This new engagement shall replace and supersede any previous engagements or other agreements between the Company and McMenamin Law Group.

On February 29, 2016, the Company has agreed to issue 2,000,000 three-year warrants at an exercise price of $0.01/share of the common stock of the Company to a consultant for consulting services.

On January 5, 2016, the Company increased the warrant issuance to a consultant from November 25, 2014, from 200,000 warrants to 2,800,000 warrants. The warrants vested immediately. The 2,000,000 have an exercise price of $0.02 per share. The 800,000 have an exercise price of $0.06 per share and contingent on the Common Stock on market price per share at $0.05 per share or higher for 30 or more consecutive days at the time of purchase. The Company will record the fair value of the warrants based on the fair value of each warrant grant estimated on the date of grant using the black – Scholes option pricing model. Subsequently, on May 24, 2016 the Company into a revised agreement, pursuant to which to Company cancelled the 3,000,000 issues previously issued and the Company has agreed to issue 5,600,000 a three (3) year warrant at a strike price of ($0.006/share) per share of common stock of the Company, which share price was the closing price of the Company's stock on May 24, 2016.

The following tables summarize all warrant grants as of September 30, 2016, and the related changes during these periods are presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual

			Life (in Years)
Balance, December 31, 2015	5,550,000	$ 0.25	1.5
Granted	20,020,690	$ 0.02	
Exercised	—		
Cancelled/Forfeited	(4,800,000)		
Balance, September 30, 2016	20,770,690	$ 0.01	2.3

During the nine months ended September 30, 2016 the Company cancelled 3,000,000 warrants in connection with the re issuance of 5,600,000 warrants as per the warrant issuance as described in note 6(B). In addition, during the nine months ended September 30, 2016 the Company cancelled 1,800,000 fully expired warrants.

A summary of all outstanding and exercisable warrants as of September 30, 2016 is as follows:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
$0.01	2,000,000	2,000,000	2.66	$-
$0.005	1,000,000	1,000,000	2.91	$-
$0.0029	8,620,690	8,620,690	2.75	$-
$0.006	5,600,000	5,600,000	2.89	$
$0.12	2,000,000	2,000,000	2.02	$-
$0.40	1,550,000	1,550,000	0.36	$-
	20,770,690	20,770,690	2.3	$-

A summary of all outstanding and exercisable warrants as of December 31, 2015 is as follows:

Exercise Price	Warrants Outstanding	Warrants Exercisable	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
$ 0.10	200,000	200,000	1.90	$ —
$ 0.12	2,000,000	2,000,000	2.77	$ —
$ 0.40	2,850,000	2,850,000	0.73	$ —
$ 0.45	500,000	500,000	—	$ —

5,550,000	5,550,000	1.5 years	$	—

(C) Stock Options

The following tables summarize all option grants as of September 30, 2016, and the related changes during these periods are presented below:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
Outstanding - December 31, 2015	15,566,652	$ 0.13	1.32
Granted	—	$ —	—
Exercised	—	$ —	—
Forfeited or Canceled	(12,700,000)	$ —	—
Outstanding – September 30, 2016	2,866,652	$ 0.13	1.02
Exercisable - September 30, 2016	2,866,652		

NOTE 7 COMMITMENTS

(A) Employment Agreement

On January 31, 2016 Mr. Lloyd Trammell submitted a notice of resignation ending employment on March 1, 2016.

On January 8, 2016, the Company extended the employment agreement with its CEO, John Blaisure for an additional five years. The Company issued 12,000,000 shares of Company's common stock as part of the compensation with a fair value of $105,600 ($0.0088) based on the stock trading price.

On September 11, 2015, the Company executed an employment agreement with an employee. The term of the agreement is for three years. As compensation for services, the employee will receive a monthly compensation of $12,000. In addition, the employee will receive up to 2,000,000 shares of common stock. The first 1,000,000 shares will be paid upon execution of Agreement. For the year ended December 31, 2015, the Company recorded $23,800 in expense for 1,000,000 shares of common stock at ($0.024/share) based on the trading price. The second 1,000,000 shares will be paid in month 13 of the agreement in lieu of the $12,000 that would be paid in that month. For the year ended December 31, 2015, the Company recorded $23,800 in stock based compensation payable for 1,000,000 shares of common stock at ($0.024/share) based on the trading price.

(B) Consulting Agreement

On April 14, 2016, the Company entered into an agreement, for consulting services, for which the Company issued 1,000,000 warrants at a strike price of ($0.005/share) per share.

On March 6, 2016, the Company entered into a revised engagement with its corporate counsel, McMenamin Law Group, for corporate legal services to be provided by legal counsel beginning July 28, 2015 through December 31, 2016, pursuant to which the Company has issued a five (5) warrants at an exercise price totaling $25,000 at a strike price of ($0.0029/share) per share of common stock of the Company, which share price was the closing price of the Company’s stock on March 3, 2016. In addition the Company has agreed to pay McMenamin Law Group cash consideration totaling $15,000 on or before March 31, 2016, or a funding of the Company, whichever occurs first. On March 23, 2016, the Company paid $15,000 to McMenamin Law Group.

NOTE 8 LITIGATION

From time to time, the Company has become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business.

On January 21, 2015, the Company filed a patent infringement action against Netflix Inc., Netflix Luxembourg S.a.r.l. and Netflix International B.V. with the District Court of Mannheim, Germany. The asserted patent is the same patent as in the German proceedings against Google Inc. and its subsidiaries. The Complaint alleges that Netflix Inc. and its subsidiaries are offering and transmitting video streams to German customers as part of their video-on-demand business model; the videos being encoded and transmitted in a manner claimed and protected by the patent. The Company primarily seeks a permanent injunction against the Defendants, plus damages and information regarding past infringements. The Company, on or around December 2015 upon advice of counsel, decided withdraw the litigation prior to oral argument, which withdrawal is without prejudice to re-file the lawsuit in the future.

The Company intends to vigorously prosecute these various patent infringement litigations. The Company believes it has a good likelihood of success associated with these patent infringement lawsuits. However, no assurance can be given by the Company as to the ultimate outcome of these actions or its effect on the Company. The law firm is prosecuting this action on a pure contingency fee basis.

On January 26, 2015, the Company was named as a defendant in an action filed in the Superior Court for the State of California and the County of Los Angeles captioned Bibicoff Family Trust v. Max Sound Corporation (Case No. SC123679). In the complaint the plaintiff alleges a cause of action for breach of contract associated with the non-payment by the Company for certain services plaintiff agreed to provide to the Company. The Company interposed a cross-complaint against plaintiffs averring causes of action for breach of contract, fraud, and negligent misrepresentation by defendants with respect to defendants' fraudulent and intentional undisclosed inability to perform the services that plaintiffs' agreed to perform that are the subject of this dispute. The parties recently participated in mediation and have arrived successfully at a settlement and resolution of the matter. The Company agreed in connection with the settlement to pay Bibicoff Trust $100,000 over a 13 month installment period commencing March 10, 2016, with the caveat that such settlement amount will be reduced to $93,000 in the event the Company pays $20,000 on or before March 10, 2016, which the Company successfully achieved thus reducing the settlement amount to $93,000.

On August 11, 2014, the Company and VSL simultaneously filed trade secret and patent infringement actions against Google, Inc., and its subsidiaries YouTube, LLC, and On2 Technologies, Inc., relating to proprietary and patented technology owned by Vedanti Systems Limited ("Vedanti"), a subsidiary of VSL. The patent infringement complaint was originally filed in the U.S. District Court for the District of Delaware; the trade secret suit was filed in Superior Court of California, County of Santa Clara. On September 30, 2014, the Company filed notices of voluntary dismissal without prejudice as to both lawsuits. On October 1, 2014, the Company amended the patent complaint and filed it in the U.S. District Court for the Northern District of California. In this patent lawsuit, the Company contends that, in 2010, while Google was in discussions with Vedanti about the possibility of acquiring Vedanti's patented digital video streaming techniques and other proprietary methods, Google gained access to and received technical guidance regarding Vedanti's proprietary codec, a computer program capable of encoding and decoding a digital data stream or signal. The lawsuit further alleges that soon after Google and Vedanti initiated negotiations, Google willfully infringed Vedanti's patent by incorporating Vedanti's patented technology into Google's own VP8, VP9, WebM, YouTube, Google Adsense, Google Play, Google TV, Chromebook, Google Drive, Google Chromecast, Google Play-per-view, Google Glasses, Google+, Google's Simplify, Google Maps, and Google Earth, without compensating Vedanti for such use. On May 13, 2015 Google's "motion to dismiss" was denied by the Northern District of California court in a seven page order, stating that Max Sound had sufficiently alleged the existence and validity of the '339 Patent. However, on November 24, 2015, the court granted a second motion to dismiss for lack of subject matter jurisdiction based on the defendants' argument that the agreements between the Company and VSL/Vedanti did not clearly give the Company standing to enforce the patent rights. The Company appealed that decision on February 22, 2016, and the appeal is currently pending before the Federal Circuit Court of Appeals. The two issues on appeal are, (i) whether the district court erred by granting the Google defendants' motion to dismiss the Company's lawsuit on the ground that the Company lacked standing to sue the Google defendants for infringement of the 339 patent, and (ii) whether the district court erred by denying the Company's motion for leave to amend the complaint and add as a party VSL, a former licensee of the 339 patent to cure any defect in prudential standing to the extent VSL is a necessary party.

In connection with the dismissal of the aforementioned litigation, the Company initiated an arbitration against VSL Communications, Ltd., Vedanti Systems, Ltd., Constance Nash, Robert Newell and eTech Investments as respondents before the American Arbitration Association for breach of contract, fraud, and other causes of action. Subsequently, the Company is pursuing in arbitration claims against VSL to enforce the agreement and to compel VSL to comply with the agreement's terms and conditions that inter alia VSL must fully cooperate with the Company to cure any issues the Court raised with standing to pursue the claims. This arbitration is still ongoing.

On April 22, 2016, Vedanti filed a lawsuit against the Company in the Northern District of California seeking to avoid participation in the aforementioned arbitration. This lawsuit is ongoing.

On December 5, 2014, the Company, along with renowned architect Eli Attia, filed a lawsuit in the Superior Court of California, County of Santa Clara, against Google, its co-founders Sergey Brin and Larry Page, Google's spinoff company Flux Factory, and senior executives of Flux. Plaintiffs' allege misappropriation of trade secrets, breach of contract and other contract-related claims, breach of confidence, slander of title, violation of California's Unfair Competition Law (California Business and Professionals Code §§ 17200 et seq.), and fraud, and also a claim for declaratory relief. The lawsuit contends that Google and the other Defendants stole Mr. Attia's trade secrets, proprietary information, and know-how regarding a revolutionary architecture design and building process that he alone had invented, known as Engineered Architecture. Defendants are alleged to have engaged Mr. Attia in 2010 and 2011 to translate his architectural technology into software for a proof of concept, with the goal of determining at that point whether to continue with full-scale development with Mr. Attia. Instead, the lawsuit claims that once Mr. Attia had disclosed the trade secrets and proprietary information Defendants needed to bring the technology to market, they severed ties with Mr. Attia, and continued to use his technology without a license and without compensation, in order to bring the technology to market themselves. Plaintiffs seek a permanent injunction against Google, damages (including punitive damages), and restitution. As exclusive agent to Eli Attia to enforce all rights with respect to the subject technology, the Company has retained Buether Joe & Carpenter LLC to represent the Company in the suit, on a contingency fee basis. The case will be vigorously prosecuted, and the Company believes it has a good likelihood of success. Defendants have filed multiple demurrers to the complaint, and the Court has issued orders allowing the case to proceed. Defendants filed another demurrer on March 17, 2016, which was denied by the Court on August 12, 2016. The parties are expected to begin the discovery phase of the litigation this winter.

On June 1, 2016, the Company was named as a defendant in an action filed in the Superior Court of the State of California, County of Los Angeles – Central District, captioned Adli Law Group, PC v. Max Sound Corporation (Case No. BC621886). Plaintiff alleges two causes of action for Breach of Contract and a cause of action for Common Counts, all arising out of the Company's alleged failure to pay for Plaintiff's legal services. Despite the fact that the Company was never served with the Complaint, default was entered against the Company. The Company has filed a Motion to Set Aside the Default. If the default is set aside, the Company will respond to the Complaint with an Answer and Cross-Complaint for Breach of Contract, Professional Negligence, Breach of Fiduciary Duty, Conversion, and Fraud.

On September 22, 2016, the Company filed an action in the Superior Court of the State of California, County of San Diego – North County Regional Center, captioned Max Sound Corporation v. Globex Transfer, LLC (Case No.

37-2016-0003037-CU-MC-NC). The Company requests injunctive relief and declaratory relief regarding the release of 13 million restricted shares of Company stock. On September 26, 2016, the Court granted the Company a preliminary injunction, enjoining Defendant from releasing any restriction of the subject shares without first obtaining the Company's consent, pending the outcome of the litigation.

No assurance can be given as to the ultimate outcome of these actions or their effect on the Company.

NOTE 9 INTANGIBLE ASSETS

As of September 30, 2016 and December 31, 2015 the Company owns certain trademarks and technology rights. See Note 1 (I).

	Useful Life	As of September 30, 2016	December 31, 2015
Distribution rights	10 Years	$9,647,577	$9,647,577
Trademarks	Indefinite	7,500,000	7,500,000
Licensing Rights	Indefinite	2,064,000	2,064,000
Other	Indefinite	275	275
Accumulated amortization		(2,500,200)	(2,415,615)
Impairment of the distributions rights		(15,703,616)	(15,703,616)
Net carrying value		$1,008,036	$1,092,621

For the nine months ended September 30, 2016 and 2015, amortization expense related to the intangibles with finite lives totaled $ 84,585 and $790,769, respectively, and was included in general and administrative expenses in the statement of operations. The Company also recorded an impairment expense of $15,703,617 during the year ended December 31, 2015.

NOTE 10 SUBSEQUENT EVENTS

On October 3, 2016, the Company entered into an agreement with Iliad Research and Trading to issue up to $171,665 in a convertible note. The note matures on October 3, 2017 and bears an interest charge of 8%. The conversion price equals the "Variable Conversion Price", which is 65% of the "Market Price", which is the average of the lowest two (2) trading prices for the common stock during the ten (10) trading day period prior to the conversion. The holder of the note has a right to convert all or any part of the outstanding unpaid principal amount into shares of common stock after six months. The Company received $150,000 proceeds on October 4, 2016.

On October 10, 2016 the Company entered into an agreement with JSJ Investments, Inc., to issue up to $77,000 in a convertible note. The note matures on July 10,2017 and bears an interest charge of 8%. The conversion price equals the “Variable Conversion Price”, which is 60% of the “Market Price”, which is the lowest trading prices for the common stock during the ten (10) trading day period prior to the conversion. The holder of the note has a right to convert all or any part of the outstanding unpaid principal amount into shares of common stock after nine months. The Company received $75,000 proceeds on October 11, 2016.

On October 14, 2016 the Company entered into an agreement with Bellridge Capital, LLC., to issue up to $120,000 in a convertible note. The note matures on October 13, 2017 and bears an interest charge of 8%. The conversion price equals the “Variable Conversion Price”, which is 65% of the “Market Price”, which is the lowest trading prices for the common stock during the ten (10) trading day period prior to the conversion. The holder of the note has a right to convert all or any part of the outstanding unpaid principal amount into shares of common stock after nine months. The Company received $105,400 proceeds on October 17, 2016.

Subsequent to September 30, 2016, the principal stockholder was repaid $473 under the terms of the line of credit.

On August 4, 2016 under the Terms of the term sheet entered into with Imperalis Holdings (IMHC), IMHC would acquire certain rights, title and interest in and to the MAX-D Audio Technology's Intellectual Property for certain MAXD HD Audio Technology IP component assets. At the date of this filing, and per the initial Terms, the purchase is on hold as the Company awaits verification by IMHC of adequate funding to propel potential business and solidify that the IMHC asset purchase would be in the best interest of Company's Shareholders.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following plan of operation provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read along with our financial statements and notes thereto. This section includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our predictions.

Overview

Max Sound Corporation ("we," "us," "our," or the "Company") was incorporated in the State of Delaware on December 9, 2005 as 43010, Inc. to engage in any lawful corporate undertaking, including, but not limited to, locating and negotiating with a business entity for combination in the form of a merger, stock-for-stock exchange or stock-for-assets exchange. On October 7, 2008, pursuant to the terms of a stock purchase agreement, Mr. Greg Halpern purchased a total of 100,000 shares of our common stock from Michael Raleigh for an aggregate of $30,000 in cash. The total of 100,000 shares represents 100% of our issued and outstanding common stock at the time of the transfer. As a result, Mr. Halpern became our sole shareholder. As part of the acquisition, and pursuant to the Stock Purchase Agreement, Michael Raleigh, our then President, CEO, CFO, and Chairman resigned from all the positions he held in the company, and Mr. Halpern was appointed as our President, CEO CFO and Chairman. The original business model was developed by Mr. Halpern in September of 2008 and began when he joined the Company on October 7, 2008. In October 2008, we became a development stage company focused on creating an Internet search engine and networking web site.

From October 2008 until January 17, 2011, Mr. Halpern was our CEO, and during that time the Company was focused on developing their Internet search engine and networking web site. In January of 2010, the Company launched their Internet search engine and networking website. In 2011, the Company decided to abandon its social networking website. On May 11, 2010, the Company acquired the worldwide rights, title, and interest to all fields of use for MAX-D.

On January 17, 2011, Mr. Halpern resigned as the Company's CEO and John Blaisure was appointed as CEO. In February of 2011, the Company elected to change its business operations and focus primarily on developing and launching the MAX-D technology. Our current website (www.maxsound.com) is used to showcase the MAX-D technology. On March 8, 2011, the Company changed its name to Max Sound Corporation, and its trading symbol on the OTC Bulletin Board to MAXD.

MAX Sound Corporation owns the worldwide rights to all fields of use to MAX-D HD Audio, which was invented by Lloyd Trammell, a top sound designer and audio engineer who helped develop and sell the first working Surround Sound System to Hughes Aircraft. Mr. Trammell, also developed MIDI for Korg and owns five patents in dimensional sound processing. We believe that MAX-D is to Audio what High Definition is to Video. MAX-D works by converting all audio files to their highest possible acoustically perfect equivalent without increasing files size or bandwidth usage.

On May 22, 2014, MAXD entered into a representation agreement with architect Eli Attia giving MAXD the exclusive rights to sue violators of Eli Attia's intellectual property rights. MAXD has since filed suit against Google, Inc., Flux Factory, and various executives of these companies for misappropriation of trade secrets.

No later than June 20, 2014, MAXD entered into a representation agreement with VSL Communications, Inc., making MAXD the exclusive agent to VSL to enforce all rights with respect to patented technology owned and controlled by VSL. In particular, the Company announced that it had acquired a worldwide license and representation rights to a patented video and data technology “Optimized Data Transmission System and Method” which enables end-user licensees to transport 100% of data bandwidth content in only 3% of the bandwidth with the identical lossless quality. Significantly, this represents thirty three times reduction associated with transport cost and the time it takes for the video or digital content to be viewed by an end-user. As described more fully in the Legal Proceedings Section, The Company has since filed suit against Google, Inc., YouTube, LLC, and On2 Technologies, Inc., alleging willful infringement of the patent.

On June 20, 2015, the Company entered into a license agreement with Santok LTD of United Kingdom (“Santok). The term of the agreement is three years. Santok will pay the Company a royalty fee of $1.50 for each licensed product. Santok guarantees to the Company a minimum total of 150,000 cumulative licensed product installation with a minimum total guaranteed value of $225,000 over the three years of the agreement. If the total royalty paid is less than the guaranteed value, Santok will pay the difference.

On July 13, 2015, the Company entered into a license agreement with Luna Mobile, Inc. of United States (“Luna). The term of the agreement is three years. Luna will pay the Company a royalty fee of $1.50 for each licensed product manufactured and sold.

Plan of Operation

The Company believes that Max Sound HD Audio Technology is a game changer for several vertical markets whose demand will create revenue opportunities in 2016.

We expect our financial requirements to increase with the additional expenses needed to market and promote the MAX-D HD Audio Technology. We plan to fund these additional expenses through financings and through loans from our stockholders and/or officers based on existing lines of credit and we are also considering various private funding opportunities until such time that our revenue stream is adequate enough to provide the necessary funds.

Results of Operations

The following tables set forth key components of our results of operations for the periods indicated, in dollars, and key components of our revenue for the period indicated, in dollars.

For the three and nine months ended September 30, 2016 and 2015:

	For the Three Months Ended, September 30, 2016	September 30, 2015	For the Nine Months Ended, September 30, 2016	September 30, 2015
Revenue	$—	$—	$—	$—
Operating Expenses				
General and administrative	157,362	611,643	899,267	2,228,127
Consulting	20,750	117,889	160,582	362,438
Professional fees	57,909	653,340	287,662	990,617
Website development	—	18,000	28,000	33,000
Compensation	198,000	238,046	608,000	707,346
Total Operating Expenses	434,021	1,638,738	1,983,511	4,321,528
Loss from Operations	(434,021)	(1,638,738)	(1,983,511)	(4,321,528)
Other Income / (Expense)				
Other income	—	75,754	36,532	96,464
Loss on inventory write off	—	—	—	(29,275)
Interest expense	(70,462	(242,959)	(234,607)	(391,295)
Derivative Expense	(764,557)	20,284	(3,269,969)	(1,013,997)
Amortization of debt offering costs	(21,471)	(33,705)	(79,471)	(75,634)
Gain (Loss) on debt settlement	14,305	125,953	(301,965)	—
Amortization of debt discount	(1,065,142)	(887,126)	(3,912,707)	(2,819,974)
Change in fair value of embedded derivative liability	227,527	(167,717)	303,824	1,002,237
Total Other Income / (Expense)	(1,679,800)	(1,109,516)	(7,458,363)	(3,231,474)
Provision for Income Taxes	—	—	—	—
Net Loss	$(2,113,821))	$(2,748,254)	$(9,441,874)	$(7,553,002)
Net Loss Per Share - Basic and Diluted	$(0.00)	$(0.01)	$(0.01)	$(0.02)
Weighted average number of shares outstanding during the year Basic and Diluted	836,3,76,412	336,161,408	752,906,044	335,750,797

For the three months ended September 30, 2016 and 2015.

General and Administrative Expenses: Our general and administrative expenses were $157,362 for the three months ended September 30, 2016 and $611,463 for the three months ended September 30, 2015, representing a decrease of $454,101, or approximately 74%, as a result of decrease in the general operation of the Company included decreasing personnel, product development and marketing of our Max Sound Technology.

Consulting Fees: Our consulting fees were $20,750 for the three months ended September 30, 2016 and $117,889 for the three months ended September 30, 2015, representing a decrease of $97,139, or approximately 82%. The Company has decreased the use of consultants to assist the Company.

Professional Fees: Our professional fees were $57,909 for the three months ended September 30, 2016 and $653,340 for the three months ended September 30, 2015, representing a decrease of $595,431 or approximately 91%, as a result of ongoing litigation.

Compensation: Our compensation expenses were $198,000 for the three months ended September 30, 2016 and $238,046 for the three months ended September 30, 2015, representing a decrease of $40,046, or approximately 17%, as a result of our expensing of monthly compensation to our management and employees.

Net Loss: Our net loss for the three months ended September 30, 2016 was $2,113,821. While the operational expenses in marketing our Max Sound technology decreased from the same period of last year, the overall amount of our net loss substantially decreased as a result of an decrease in the change in the fair value of embedded derivative liability associated with the convertible debt and the impairment of the intangible asset.

For the nine months ended September, 2016 and 2015

General and Administrative Expenses: Our general and administrative expenses were $899,267 for the nine months ended September 30, 2016 and $2,228,127 for the nine months ended September 30, 2015, representing a decrease of $1,328,860, or approximately 60%, as a result of decrease in the general operation of the Company included added personnel, product development and marketing of our Max Sound Technology.

Consulting Fees: Our consulting fees were $160,582 for the nine months ended September 30, 2016 and $362,438 for the nine months ended September 30, 2015, representing a decrease of $201,856, or approximately 56%. The Company has decreased the use of consultants to assist the Company.

Professional Fees: Our professional fees were $287,662 for the nine months ended September 30, 2016 and $990,617 for the nine months ended September 30, 2015, representing a decrease of $702,955 or approximately 71%, as a result of ongoing litigation.

Compensation: Our compensation expenses were $608,000 for the nine months ended September 30, 2016 and $707,346 for the nine months ended September 30, 2015, representing a decrease of $99,346, or approximately 14%, as a result of our expensing of monthly compensation to our management and employees.

Net Loss: Our net loss for the nine months ended September 30, 2016 was $9,441,874. While the operational expenses in marketing our Max Sound technology decreased from the same period of last year, the overall amount of our net loss substantially increased as a result of an increase in the change in the fair value of embedded derivative liability associated with the convertible debt.

Liquidity and Capital Resources

Revenues for the nine months ended September 30, 2016 and 2015, were $0 and $0, respectively. We have an accumulated deficit of $72,736,906 for the period from December 9, 2005 (inception) to September 30, 2016, and have negative cash flow from operations of $1,488,470 or the nine months ended September 30, 2016.

Our financial statements have been presented on the basis that it is a going concern, which contemplates the realization of revenues from our subscriber base and the satisfaction of liabilities in the normal course of business. We have incurred losses from inception. These factors raise substantial doubt about our ability to continue as a going concern.

From our inception through September 30, 2016, our primary source of funds has been the proceeds of private offerings of our common stock, private financing, and loans from stockholders. Our need to obtain capital from outside investors is expected to continue until we are able to achieve profitable operations, if ever. There is no assurance that management will be successful in fulfilling all or any elements of its plans.

Below is a summary of our capital-raising activities for the nine months ended September 30, 2016:

During the nine months ended September 30, 2016 and December 31, 2015, the Company issued convertible notes totaling $2,195,547 and $5,390,789, respectively.

Loans and Advances

We have entered into three Credit Line Agreements with Greg Halpern. The first two were for $100,000 each and matured and expired in 2011. The third Credit Line Agreement issued by Mr. Halpern in March 2010 is for an additional $500,000 and matured and expired in 2012. All three agreements accrue interest at the prime rate as of the date of issuance. The prime rate of interest is the rate of interest that major banks charge their most creditworthy customers. For the purposes of these agreements, we shall determine the prime rate by using the prime rate reported by the Wall Street Journal on the date funds are extended to the Company. Based on the prime rate as of the date of issuance, the prime rate shall be 3.25%. On September 26, 2013, we entered into a Credit Line Agreement with Mr. Halpern for $1,000,000 that will mature and expire on or before the second anniversary of September 26, 2015. Interest will accrue on each advance at an annual rate of 4%. As of December 31, 2013, the Company owed $0 in principal and $0 in accrued interest related to these loans and lines of credit. We believe that the $1,000,000 line of credit issued will not be sufficient to cover the additional expense arising from maintenance of our regulatory filings with the SEC, and the marketing of our technology over the next twelve months, thus the Company will continue to pursue additional financing and/or additional funding in 2016 to continue marketing the Max Sound HD Audio Technology aggressively to Multi-Media Industry Users of Audio and Audio with Video products.

In 2015, the Company has received from Mr. Halpern additional net advances on the established lines of credit in the amount of $264,000 of which it has repaid $536,000. As of September 30, 2016, the balance including accrued interest on the line of credit is $473. This further demonstrates our Chairman's ongoing commitment to continue financing the Company's needs. While the Company expects to have ongoing needs for additional financing, the amount of those needs are not clearly established as the Company moves forward.

During the year ended December 31, 2015, the principal stockholder was repaid $536,000. As of December 31, 2015, the line of credit balance including accrued interest totaled $473.

On September 17, 2015, the Company received $170,000 from a related party. Pursuant to the terms of the note, the note is bearing an original issuance discount in the amount of $10,000 and is due on or before October 31, 2015. As of December 31, 2015, the balance of the note is $0, and was fully repaid.

In the event that we are unable to obtain additional financing and/or funding or Mr. Halpern either fails to extend us more financing, declines to loan additional cash, declines to fund the line of credit, or declines to defer his salary payments, we will no longer be able to continue to operate and will have to cease operations unless we begin to generate sufficient revenue to cover our costs.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Interest–Imputation of Interest (Subtopic 835-30) ("ASU 2015-03"), which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-03 on its balance sheets.

All other newly issued accounting pronouncements but not yet effective have been deemed either immaterial or not applicable.

Critical Accounting Policies and Estimates

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Use of Estimates:

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition:

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is assured. We had $0 and $0 in revenue for the nine months ended September 30, 2015 and 2014, respectively.

Stock-Based Compensation:

In December 2004, the FASB issued FASB Accounting Standards Codification No. 718, *Compensation – Stock Compensation*. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share-based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively.

Equity instruments ("instruments") issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 718. FASB Accounting Standards Codification No. 505, *Equity Based Payments to Non-Employees* defines the measurement date and recognition period for such instruments. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model.

Impairment of Long-Lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10-05, Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets, such as technology rights, be reviewed for impairment annually, or whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including the eventual disposition. If the future net cash flows are less than the carrying value of an asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. For the year ended December 31, 2013, the Company completed an impairment analysis on its' long-lived assets, their technology rights, and determined that no impairment was necessary.

The Company believes that the accounting estimate related to asset impairment is a "critical accounting estimate" because the impairment methodology is highly susceptible to change from period to period, because it requires management to make assumptions about future cash flows, and because the impact of recognizing impairment could have a significant effect on operations. Management's assumptions about future cash flows require significant judgment because actual business operations of marketing the technology rights is in its infancy stages and managements expects that their future operating levels to fluctuate. The analysis included assumptions that are based on annual business plans and other forecasted results which are used to reflect market-based estimates of the risks associated with the projected cash flows, based on the best information available as of the date of the impairment test. There can be no assurance that the estimates and assumptions used in the impairment tests will prove to be accurate predictions of the future. If the future adversely differs from management's best estimate of key economic assumptions, and if associated future cash flows materially decrease, the Company may be required to record impairment charges related to its indefinite life intangible asset.

Prior to February 2011, the Company's business operations were related to the development and launching of a social networking website. However, since February 2011, our business focus has been on the marketing of our Max Sound HD Audio Technology. Since 2011, was our initial year of marketing our technology, management considers past operational levels to be inconsistent with future operations mainly due to the shift in business focus. In our impairment testing, the Company made assumptions towards the income and expenses expected in the future including, but not limited to, determining the actual expenses incurred in the current year that were attributable to the new business focus in order to develop an annual cost benchmark, trends in the marketplace, feedback from current and past marketing activities, and assessments upon the useful life of the technology rights.

The Company's primary focus over the next three to five years will be centered on the marketing and implementation of their technology in order to take advantage of the current trends in the marketplace for users of their technology. In particular, the Company expects that expenses will increase significantly from year to year over the next five years, at which time in year nine and beyond the year-to-year change will be a minimal increase. In addition, the Company expects minimal revenue over the next two years, while in year three to nine the Company expects to realize significant year to year increases in revenue, at which time in year seven and beyond the year to year change will be a minimal increase.

As part of the impairment test, the Company reviewed its' initial useful life analysis, in reference to their technology, and updated this analysis with factors that existed at the time of the impairment testing and determined that nothing had occurred in the marketplace that would change their initial determination of the useful life of their technology. The analysis included researching known technological advances in the marketplace and determining if those advances, which are similar to the Company’s products, would limit the useful life of the asset. The Company believes that the technological advances in the marketplace are geared to developing different playback devices and the implementation of technology that is similar to the Company's technology. Thus, the Company concluded that their technology rights continue to have an indefinite useful life. However, it is understood that technological advancements could happen in the future that would limit the useful life of their technology. If a technology was created in the future that would limit the useful life of the technology, the Company would be required to update their impairment testing to include a useful life determination of the technology and may be required to record impairment charges at some time in the future.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as “special purpose entities”.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to certain market risks, including changes in interest rates and currency exchange rates. We have not undertaken any specific actions to limit those exposures.

Item 4. Controls and Procedures

Disclosure controls and procedures. Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There have been no changes in our internal control over financial reporting that occurred during the quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See NOTE 8 titled LITIGATION for information on Legal Proceedings.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Below is a summary of our capital-raising activities for the three months ended September 30, 2016 and underlying terms:

On September 21, 2016, the Company entered into a conversion agreement with The Vechery Grandchildren's Trust DTD 12/26/12 4 relating to a convertible promissory note dated March 25, 2016, with the original principal amount of $1,000,000 for 7,575,758 shares based on a conversion price of $0.01056 per share (See Note 6).

On September 21, 2016, the Company entered into a conversion agreement with The Vechery Grandchildren's Trust DTD 12/26/12 4 relating to a convertible promissory note dated March 25, 2016, with the original principal amount of $1,000,000 for 4,734,849 shares based on a conversion price of $0.01056 per share (See Note 6).

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

All 10 Form exhibits previously exhibited associated with all Company 10 Form filings are incorporated herein.

Exhibit Number	Description
10.1	Convertible Redeemable Note, Dated 7.7.16 issued to Crossover Capital
10.2	Convertible Redeemable Note, Dated 7.15.16 issued to JSJ
10.3	Convertible Redeemable Note, Dated 7.26.16 issued to ILIAD RESEARCH & TRADING L.P.
10.4	

	Convertible Redeemable Note, Dated 9.08.16 issued to CROWN BRIDGE PARTNERS, LLC
10.5	Convertible Redeemable Note, Dated 9.19.16 issued to LG Capital Funding, LLC
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer
32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

Date: August 12, 2016.

MAX SOUND CORPORATION
(Registrant)

By:	/s/ John Blaisure John Blaisure Chief Executive Officer (Principal Executive Officer)
By:	/s/ Greg Halpern Greg Halpern Chief Financial Officer (Principal Financial and Accounting Officer)