Max Sound Corp
Form 10-Q
November 14, 2017
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, 2017

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.)

8861 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 August 3, 2017, the registrant had 1,423,359,797 shares, par value $0.00001 per share, of common stock issued and outstanding.

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

PAGE 3

Max Sound Corporation

Condensed Balance Sheets

ASSETS

	September 30, 2017 (UNAUDITED)	December 31, 2016
Current Assets		
Cash	$ 3,042	$ 185,026
Prepaid expenses	97,481	62,230
Debt offering costs - net	32,031	42,499
Total Current Assets	132,554	289,755
Property and equipment, net	50,655	61,423
Other Assets		
Security deposit	413	413
Total Assets	$ 183,622	$ 351,591
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 307,648	$ 238,594
Accrued expenses	692,196	453,387
Judgement payable	820,321	—
Demand Note	—	20,000
Derivative liability	4,956,605	5,906,940
Convertible note payable, net of debt discount of $832,238 and $1,227,865 respectively	5,188,155	4,369,733
Total Current Liabilities	11,964,925	10,988,654
Commitments and Contingencies		
Stockholders' Deficit		
Preferred stock, $0.00001 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; 4,250,000,000 shares authorized,		
1,862,959,202 and 935,642,114 shares issued and outstanding, respectively	18,758	9,355
Additional paid-in capital	67,308,177	64,355,387
Treasury stock	(534,575)	(519,575)
Accumulated deficit	(78,573,713)	(74,482,280)

Total Stockholders' Deficit	(11,781,303)	(10,637,063)
Total Liabilities and Stockholders' Deficit	$ 183,622	$ 351,591

See accompanying notes to condensed unaudited financial statements.

Max Sound Corporation

Condensed Statements of Operations

(UNAUDITED)

	For the Three Months Ended, September 30, 2017	For the Three Months Ended, September 30, 2016	For the Nine Months Ended, September 30, 2017	For the Nine Months Ended, September 30, 2016
Revenue	$—	$—	$—	$—
Operating Expenses				
General and administrative	107,721	157,362	319,690	899,267
Consulting	30,000	20,750	92,600	160,582
Professional fees	99,525	57,909	416,404	287,662
Website development	8,700	—	23,700	28,000
Compensation	353,361	198,000	677,361	608,000
Judgement Expense	820,321	—	820,321	—
Total Operating Expenses	1,419,629	434,021	2,350,076	1,983,511
Loss from Operations	(1,419,629)	(434,021)	(2,350,076)	(1,983,511)
Other Income / (Expense)				
Other income	—	—	26	36,532
Interest expense	(129,459)	(70,462)	(329,710)	(234,607)
Derivative Expense	(30,579)	(764,557)	(573,751)	(3,269,969)
Amortization of debt offering costs	(19,046)	(21,471)	(81,743)	(79,471)
Loss on debt settlement	—	14,305	(239,203)	(301,965)
Amortization of debt discount	(544,586)	(1,065,142)	(2,200,803)	(3,912,707)
Change in fair value of embedded derivative liability	1,392,436	227,527	1,683,827	303,824
Total Other Income / (Expense)	668,766	(1,679,800)	(1,741,357)	(7,458,363)
Provision for Income Taxes	—	—	—	—
Net Loss	$(750,863)	$(2,113,821)	$(4,091,433)	$(9,441,874)
Net Loss Per Share - Basic and Diluted	$0.00	$(0.00)	$(0.00)	$(0.01)
Weighted average number of shares outstanding during the year Basic and Diluted	1,494,672,259	836,376,412	1,188,458,679	752,906,044

See accompanying notes to condensed unaudited financial statements.

Max Sound Corporation

Condensed Statements of Cash Flows

(UNAUDITED)

	For the Nine Months Ended,	
	September 30, 2017	September 30, 2016
Cash Flows From Operating Activities:		
Net Loss	$(4,091,433)	$(9,441,874)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation/Amortization	35,868	60,383
Stock and stock options issued for services	54,600	105,894
Warrants issued for services	—	91,556
Warrants issued to employees - related party	191,361	—
Amortization of intangible assets	—	84,585
Amortization of debt offering costs	81,743	79,471
Amortization of debt discount	2,200,803	3,912,707
Change in fair value of derivative liability	(1,683,827)	(318,129)
Gain on debt extinguishment	—	(35,200)
Derivative Expense	573,751	3,269,969
Changes in operating assets and liabilities:		
Cash paid on accrued interest	(4,927)	—
(Increase)/Decrease in prepaid expenses	(35,251)	20,451
Increase accounts payable	69,066	422,180
Increase in accrued expenses	321,373	259,537
Increase in judgement payable	820,321	—
Net Cash Used In Operating Activities	(1,466,552)	(1,488,470)
Cash Flows From Investing Activities:		
Purchase of property equipment	(25,100)	(6,398)
Net Cash Used In Investing Activities	(25,100)	(6,398)
Cash Flows From Financing Activities:		
Repayment of convertible note	(233,743)	(1,197,096)
Proceeds from issuance of convertible note, less offering costs and OID costs paid	1,578,411	2,550,348
Repayment of note payable	(20,000)	(60,000)
Cash paid on common stock repurchase	(15,000)	—
Net Cash Provided by Financing Activities	1,309,668	1,293,252
Net Decrease in Cash	(181,984)	(201,616)
Cash at Beginning of Year	185,026	211,064

Cash at End of Year	$3,042	$9,448
Supplemental disclosure of cash flow information:		
Cash paid for interest	$4,297	$—
Cash paid for taxes	$—	$—
Supplemental disclosure of non-cash investing and financing activities:		
Shares issued in conversion of convertible debt and accrued interest	$1,158,967	$1,129,849
Reclassification to additional paid in capital for financial instruments that ceased to be a derivative liability	$1,557,265	$3,365,559
Reclass of convertible debt to demand note	$—	$100,000

See accompanying notes to condensed unaudited financial statements.

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.

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.

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, 2016, filed with the SEC on March 31, 2017.

(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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016.

(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) 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 $1,008,035 and $15,703,617 in impairment of the intangible asset for the year ended December 31, 2016 and the year ended December 31, 2015, respectively. As of December 31, 2016 the intangible assets were fully impaired.

(I) 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 nine months ended September 30, 2017 and 2016 excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

	September 30, 2017	September 30, 2016
Stock Warrants (Exercise price - $0.25 - $.52/share)	19,220,690	18,270,690
Stock Options (Exercise price - $0.00250/share)	95,332,500	2,866,652
Convertible Debt (Exercise price - $0.0004 - $.0007/share)	12,625,229,167	2,791,745,292
Series A Convertible Preferred Shares ($0.0/share)	125,000,000	125,000,000
Total	12,864,782,357	2,937,882,634

The Company’s obligations to issue shares upon conversion of its outstanding convertible notes, the exercise of stock options and warrants and conversion of its preferred stock (the “Convertible Instruments”) at current market prices for its common stock exceeds by the 10,477,741,559 authorized but unissued shares of Common Stock as of the date of this report (the “Potentially Issuable Shares”). While it is uncertain whether the Company would receive requests to issue all of the Potentially Issuable Shares and the number of such shares fluctuates based on the market price of the Company’s common stock, the Company may increase the number of its authorized shares of common stock or effectuate a recapitalization, or a combination of both, in order to make available additional shares of its Common Stock for the Potentially Issuable Shares. Such action would require shareholder approval. Until such time as the Company has a sufficient number of shares of its Common Stock for issuance to cover the Potentially Issuable Shares, the Company could be subject to penalties and damages to the holders of the Convertible Instruments in the event it does not deliver the Potentially Issuable Shares upon request by a holder of the Convertible Instruments. Furthermore, the lack of available shares of common stock may be deemed a default under one or more of the Convertible Instruments.

(J) 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 2012, and the related state income tax returns are no longer subject to examination by state authorities for the years prior to 2011.

(K) Business Segments

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

(L) Recent Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance will be effective for us in the first quarter of 2018 on a prospective basis, and early adoption is permitted. The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04), which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance will be effective for us in the first quarter of 2020 on a prospective basis, and early adoption is permitted. The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Topic 842 affects any entity that enters into a lease, with some specified scope exemptions. The guidance in this Update supersedes Topic 840, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For public companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of adopting ASU No. 2016-02 on our financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. ASU 2016-08 clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer and provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date for ASU 2016-08 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. The Company has not yet determined the impact of ASU 2016-08 on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation, or ASU No. 2016-09. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual

periods. Early adoption is permitted in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. We are currently evaluating the impact of adopting ASU No. 2016-09 on our financial statements.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provides further guidance on identifying performance obligations and improves the operability and understandability of licensing implementation guidance. The effective date for ASU 2016-10 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. In May 2016, the FASB issued ASU 2016-12 “Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients,” which amends the guidance on transition, collectability, non-cash consideration, and the presentation of sales and other similar taxes. ASU 2016-12 clarifies that, for a contract to be considered completed at transition, all (or substantially all) of the revenue must have been recognized under legacy GAAP. In addition, ASU 2016-12 clarifies how an entity should evaluate the collectability threshold and when an entity can recognize nonrefundable consideration received as revenue if an arrangement does not meet the standard’s contract criteria. The standard allows for both retrospective and modified retrospective methods of adoption. The Company has not yet determined the impact of ASU 2016-10 on its financial statements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Statements," which requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019 (fiscal year 2021 for the Company). The Company has not yet determined the potential effects of the adoption of ASU 2016-13 on its Financial Statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which aims to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017 (fiscal year 2019 for the Company). The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

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.

(M) 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, 2017 and December 31, 2016, using quoted prices in active markets for identical liabilities (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	September 30, 2017 ***Fair Value Measurement Using***				December 31, 2016 ***Fair Value Measurement Using***			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Derivative Liabilities	—	4,956,605	—	4,956,605	—	5,906,940	—	5,906,940

(N) 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.

(O) 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.

(P) 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.

(Q) 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.

(R) 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.

(S) 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, 2017 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 $3,271,112 for the nine months ended September 30, 2017, has an accumulated deficit of $77,753,392 as of September 30, 2017, and has negative cash flow from operations of $1,466,552 for the nine months ended September 30, 2017.

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, 2016 was not sufficient to meet the cash requirements to fund planned operations through December 31, 2017 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 from the outcome of this uncertainty.

NOTE 3 DEBT AND ACCOUNTS PAYABLE

Debt consists of the following:

	AS of September 30, 2017	As of December 31, 2016
Convertible debt	$6,020,393	$5,597,598
Less: debt discount	(832,238)	(1,227,865)
Convertible debt - net	5,188,155	4,369,733
Demand note	—	20,000
Total current debt	5,188,155	$4,389,733

(A) Convertible Debt

During the nine months ended September 30, 2017 and year ended December 31, 2016, the Company issued convertible notes totaling $1,737,855, less the original issue discount and debt issue costs of $154,444, for net proceeds of $1,578,411 and $3,392,813, respectively.

The convertible notes issued for nine months ended September 30, 2017 and year ended December 31, 2016, consist of the following terms:

The convertible notes issued for nine months ended September 30, 2017 and year ended December 31, 2016, consist of the following terms:

		Nine months ended September 30, 2017 Amount of Principal Raised	Year ended December 31, 2016 Amount of Principal Raised
Interest Rate		0% - 12%	0% - 10%
Default interest rate		14% - 22%	14% - 22%
Maturity		November 4, 2015 –August 3, 2018	November 4, 2015 –March 10, 2018
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.	3,515,900	3,412,400
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.	974,359	624,087
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	paid on conversion
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	765,000
		paid on conversion	

Conversion terms 5	60% of the “Market Price”, which is the lowest trading prices for the common stock during the fifteen (15) trading day period prior to the conversion.		paid on conversion
Conversion terms 6	Conversion at $0.10 per share	Paid on conversion	Paid on conversion
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.	paid on conversion	127,000
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.	373,555	536,669
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.	paid on conversion	79,810
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	paid on conversion
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.	paid on conversion	52,632
Conversion terms 12	61% of the “Market Price”, which is the average of the three lowest trading prices for the common stock during the ten (10) trading day period prior to the conversion.	123,000	—

Convertible Debt	6,020,393	5,597,598
Less: Debt Discount	(832,238)	(1,227,865)
Convertible Debt - net	$5,188,155	$4,369,733

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, 2017, the Company converted debt and accrued interest, totaling $1,158,967 into 934,317,088 shares of common stock

During the year ended December 31, 2016, the Company converted debt and accrued interest, totaling $1,189,849 into 420,556,227 shares of common stock

Convertible debt consisted of the following activity and terms:

Convertible Debt Balance as of December 31, 2016	5,597,598	4% - 10%	November 4, 2015 - March 10, 2018
Borrowings during the nine months ended September 30, 2017	1,737,855	8 %	
Non-Cash Reclassification of accrued interest converted	77,650		
Repayments	(233,743)		
Conversion of debt to into 934,317,088 shares of common stock with a valuation of $1,158,967 ($0.00058 - $0.00731/share) including the accrued interest of $77,650	(1,158,967)		
Convertible Debt Balance as of September 30, 2017	6,020,393	4% - 8%	November 4, 2015 –August 31, 2018

(B) Debt Issue Costs

During the nine months ended September 30, 2017, the Company paid debt issue costs totaling $71,275

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:

	Nine months ended September 30, 2017	Year Ended December 31, 2016
Debt issue costs	$333,898	262,623
Accumulated amortization of debt issue costs	(301,867)	(220,124)
Debt issue costs - net	$32,031	42,499

During the nine months ended September 30, 2017 and 2016 the Company amortized $81,743 and $79,471 of debt issue costs, respectively.

(C) Debt Discount & Original Issue Discount

During the nine months ended September 30, 2017 and year ended December 31, 2016, the Company recorded debt discounts totaling $1,805,178 and $3,313,472, respectively.

The debt discount and the original issue discount recorded in 2017 and 2016 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 $2,200,803 and $3,912,707 during the nine months ended September 30, 2017 and 2016, respectively, to amortization of debt discount expense.

	Nine months ended September 30, 2017	Year Ended December 31, 2016
Debt discount	$12,161,572	10,356,394
Accumulated amortization of debt discount	(11,329,334)	(9,128,529)
Debt discount - Net	$832,238	1,227,865

(D) Line of Credit – Related Party

On July 6, 2017, the Company entered into a two year line of credit agreement with the principal stockholder in the amount of $100,000. The line of credit carries an interest rate of 4%. As of September 30, 2017, the principal stockholder has not advanced the Company any funds under the terms of this line of credit agreement.

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:

Derivative Liability -December 31, 2016	$5,906,940
Fair value at the commitment date for convertible instruments	2,290,760
Change in fair value of embedded derivative liability for warrants issued	(212,753)
Change in fair value of embedded derivative liability for convertible instruments	(1,471,074)
Reclassification to additional paid in capital for financial instruments that ceased to be a derivative liability	(1,170,774)
Change from repayments	(386,494)
Derivative Liability –September 30, 2017	$4,956,605

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, 2017 and 2016 of $573,751 and $3,269,969 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, 2017:

	Commitment Date	Re-measurement Date
Expected dividends:	—	—
Expected volatility:	133% - 262%	151%-341.13
Expected term:	0.08 - 3 Years	0.01–1.65 Years
Risk free interest rate:	0.06% - 1.60%	0.01% - 1.01%

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, 2016:

	Commitment Date	Re-measurement Date
Expected dividends:	—	—
Expected volatility:	133% - 262%	157% -216%
Expected term:	0.08 - 3 Years	0.01–2.40 Years
Risk free interest rate:	0.06% - 1.60%	0.12% - .1.47%

NOTE 5 PROPERTY AND EQUIPMENT

At September 30, 2017 and December 31, 2016, respectively, property and equipment is as follows:

	September 30, 2017	December 31, 2016
Website Development	$294,795	$294,795
Furniture and Equipment	143,071	117,971
Leasehold Improvements	6,708	6,708
Software	54,598	54,598
Music Equipment	2,578	2,578
Office Equipment	80,710	80,710
Domain Name	1,500	1,500
Sign	628	628
Total	584,588	559,488
Less: accumulated depreciation and amortization	(533,933)	(498,065)
Property and Equipment, Net	$50,655	$61,423

Depreciation/amortization expense for the nine months ended September 30, 2017 and 2016 totaled $35,868 and $60,383, respectively.

NOTE 6 STOCKHOLDERS' DEFICIT

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 June 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 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.

On April 4, 2017, 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 600,000,000 shares of common stock from 1,650,000,000 shares of common stock to 2,250,000,000 shares of common stock.

On April 23, 2017, 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

1,000,000,000 shares of common stock from 2,250,000,000 shares of common stock to 3,250,000,000 shares of common stock.

On October 4, 2017, 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 1,000,000,000 shares of common stock from 3,250,000,000 shares of common stock to 4,250,000,000 shares of common stock.

(A) Common Stock

During the nine months ended September 30, 2017, the Company issued the following common stock:

Transaction Type	Quantity	Valuation	Range of Value per share
Conversion of convertible debt and accrued interest	934,317,088	$1,158,967	$0.00058 to- $0.00731
Services - rendered	6,000,000	54,600	$0.0011 - $0.0107
Shares repurchased	(13,000,000)	(15,000)	$.0014
Total shares issued	927,317,088	$1,198,567	

During the year ended December 31, 2016, the Company issued the following common stock:

Transaction Type	Quantity	Valuation	Range of Value per share
Conversion of convertible debt and accrued interest	420,556,227	$1,189,849	$0.00143 to- $0.01056
Services rendered	12,775,195	115,600	$0.09-$0.013
Patents	80,000,000	1,600,000	$0.02
Total shares issued	513,331,422	$2,905,449	

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.

The Company announced that it entered into an Agreement with Vedanti Systems Limited and Vedanti Licensing Limited (VLL) that resolves their dispute over the international Optimized Data Transmission (ODT) patent portfolio previously owned by Vedanti. The Agreement further provides that VLL and the Company will become co-owners of the pioneering portfolio. In consideration of the patent portfolio purchase, the Company issued 80,000,000 shares of its common stock to VLL. This patent portfolio consists of patents in the following countries: The United States, Australia, Austria, Cyprus, Denmark, Spain, Finland, France, Ireland, Italy, Luxembourg, Monaco, Portugal, Sweden, Turkey, Belgium, Switzerland/ Liechtenstein, United Kingdom, Greece, Netherlands and Germany. The Company continues to pursue its litigations against Google.

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. These 5,000,000 Series A Convertible Preferred Shares represent33.4% of the Company’s voting rights and control and 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, 2017 and for the year ended December 31, 2016, the Company has not declared dividends.

(B) Stock Warrants

The following tables summarize all warrant grants as of September 30, 2017, 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, 2016	19,970,690	$ 0.01	2.2
Granted	—		
Exercised	—		
Cancelled/Forfeited	(750,000)		
Balance, September 30, 2017	19,220,690	$ 0.01	1.5

A summary of all outstanding and exercisable warrants as of September 30, 2017 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	1.41	$ —
$0.005	1,000,000	1,000,000	1.65	$ —
$0.0029	8,620,690	8,620,690	1.49	$ —
$0.006	5,600,000	5,600,000	1.64	
$0.12	2,000,000	2,000,000	1.01	$ —
	19,220,690	19,220,690	1.5	$ —

A summary of all outstanding and exercisable warrants as of December 31, 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	1.41	$ —
$0.005	1,000,000	1,000,000	1.65	$ —
$0.0029	8,620,690	8,620,690	1.49	$ —
$0.006	5,600,000	5,600,000	1.64	
$0.12	2,000,000	2,000,000	1.01	$ —
	19,220,690	19,220,690	1.5	$ —

(C) Stock Options

On July 6, 2017, Company's Chief Financial Officer ("CFO"), the Company issued 95,332,500 options to buy common shares of the Company's stock at $0.00253 per share, good for three years to the CFO. The Company recognized an expense of $191,361 for nine months ended September 30, 2017. The Company recorded the fair value of the options based on the fair value of each option grant estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividendsH%

Expected volatilityI78.27%

Expected termK Years

Risk free interest rate 0.69%

The following tables summarize all option grants as of September 30, 2017, 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, 2016	2,866,652	$0.13	1.02
Granted	95,332,500	$0.0025	2
Exercised	—	$—	—
Forfeited or Canceled	(2,866,652)	$—	—
Outstanding – September 30, 2017	95,332,500	$ 0.0025-	2-
Exercisable – September 30, 2017	95,332,500		

NOTE 7 COMMITMENTS

(A) Employment Agreement

On January 31, 2016 Mr. Lloyd Trammell ("Trammell") submitted a notice of resignation ending employment on March 1, 2016. In connection with Trammell's resignation a dispute arose between the Company and Trammell concerning Trammell's desiring to sell 13 million shares of the Company's stock. The Company filed an action in the Superior court of the State of California, County of San Diego (assigned Case No. 37-2016-00033037-CU-MU-NC) seeking to enjoin or restrict the sale of the Company shares. The lawsuit was settled July 26, 2017 amicably and the Company has agreed to buy back the referenced shares for $15,000. Further, in the event closing of the buyback is delayed by any availability of funds, the Company agrees to pay an additional amount to Trammel equal to $150 per day for each day beyond August 1st 2017 the closing is delayed.

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.

(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 agreed to issue a five (5) year warrant 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 December 31, 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 October 14, 2016 the Company entered into a new engagement with its corporate counsel McMenamin Law Group, for corporate legal services to be provided from January 1, 2017 through December 31, 2017. Specifically the Company agreed to pay a flat fee totaling $32,500 in the following installment, (i) $10,000 on October 17, 2016, (ii) $7,500 on January 3, 2017, (iii) $7,500 on June 30, 2017, and (iv) $7,500 on June 30, 2017.

(C) Other Agreements

On February 21, 2017 the Company entered into an Agreement with architect Eli Attia. This Agreement terminated and replaced the previous Representation Agreement and allows the Company to continue to pursue litigations against Google and Flux.

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 proceedingsagainst 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 about 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 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). The parties participated in mediation and arrived successfully at a settlement and resolution of the matter. In March 2017 the Company successfully completed paying the agreed upon settlement amount.

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. One January 18, 2017 the Company received a notice from the Federal Circuit Court of Appeals that affirmed the order of the District Court dismissing MAXD's patent infringement lawsuit against Google for lack of standing. The Court did not issue a written decision explaining its reasoning or that the Company's arguments were not correct; however, The Company believes that their decision was predicated on the fact that as now co-owners of the patents with Vedanti, the Company can simply re-file together against Google. The Court also issued an order denying Google's motion arguing that the Company's appeal should be dismissed as moot. On September 25, 2017, the Court issued an order that the Company should reimburse defendants for its attorneys' fees in the amount of $820,321.41. The Company believes that the Order for fees is without merit and has appealed. For the nine months ended September 30, 2017, the Company recorded judgement payable on the balance sheet.

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. On January 17, 2017 the AAA notified the Company's counsel that the respondent's counterclaim was withdrawn this arbitration claim was formally concluded.

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. On October 4, 2017, the Court granted Mr. Attia leave to amend the complaint to add causes of action against defendants for civil violations of the federal Rackateer Influenced and Corrupt Organizations Act (commonly known as RICO).   Subsequently, on October 23, 2017, the defendants removed the lawsuit from California state court to the federal district court in the Northern District of California, San Jose Division. The parties continue to file motions and are expected to begin the discovery phase of the litigation.

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 Default has been set aside and the Company has responded to the Complaint with an Answer and Cross-Complaint for Breach of Contract, Professional Negligence, Breach of Fiduciary Duty, Conversion, and Fraud, due to the fact, that among other things, Adli Law reassigned the Company's primary patent to itself. The parties have begun the discovery phase of the litigation and the Judge has set a status hearing for January 19, 2018.

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."

In November 2016, the Company entered into an agreement with Vedanti Licensing Limited ("VLL") and Vedanti Systems Limited ("Vedanti") under (the "VLL/Max Sound Agreement") granting the Company co-ownership of U.S. Patent No. 7,974,339 (the "`339 Patent") along with the other patents owned by Vedanti Systems Limited. Thus, the Company is now a co-owner with VLL of the `339 Patent and ODT Patent portfolio, pursuant to the VLL/Max Sound Agreement, the Company and VLL intend to file new lawsuit against Google and others for infringement as co-owners.

On December 20, 2016 Companies House, the United Kingdom's registrar of companies, notified the Company that VSL Communications Limited was dissolved, thereafter voiding any remaining agreement with VSL Communications or its previous Officers, Directors or Management.

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

NOTE 9 SUBSEQUENT EVENTS

On October 2, 2017, the Company entered into a two year line of credit agreement with the principal stockholder in the amount of $200,000. The line of credit carries an interest rate of 4%. Subsequent to September 30, 2017, the principal shareholder advanced $26,070 to the Company under the terms of the line of credit agreement Dated July 6, 2017 (See Note 3 (D)).

On October 2, 2017, the Company, in exchange for Greg Halpern's consideration issuing the Company a line of credit of $100,000 on July 6, 2017 and another line of credit of $200,000 on October 2, 2017 and for Mr. Halpern's forgiveness of $960,000 of interest owed to Mr. Halpern for his Preferred Shares accrued dividend rate of 8% per annum of his already owned 5 million Series A Convertible Preferred Shares, the Board deemed it proper to grant Mr. Halpern an additional 800,000,000 shares of the Company's common stock, which at Mr. Halpern's election he may convert into 5,000,000 additional Series A Convertible Preferred Shares with the same voting rights and percentages as his previously granted and owned 5,000,000 Series A Convertible Preferred Shares.

October 4, 2017, the Company’s Board approved the adoption of the Certificate of Amendment to the Amended and Restated Certificate of Incorporation, which authorizes an increase in the number of authorized shares of Common Stock from 3,250,000,000 shares of Common Stock to 4,250,000,000 shares of common stock.

On October 10, 2017 the Company converted a total of $43,803.73 in convertible debt comprised of principal and interest into 74,878,171 common shares.

On October 12, 2017 the Company entered into a new engagement with its corporate counsel McMenamin Law Group, for corporate legal services to be provided from January 1, 2018 through December 31, 2018. Specifically the Company agreed to pay a flat fee totaling $32,500 in the following installment, (i) $10,000 on January 2, 2018, (ii) $7,500 on March 31, 2018, (iii) $7,500 on June 30, 2018, and (iv) $7,500 on October 31, 2018.

On October 20, 2017, the Company entered into an agreement with Power Up Lending Group, LTD to issue up to $78,000 in a convertible note. The note matures on July 30, 2018 and bears an interest charge of 12%. The conversion price equals the “Variable Conversion Price”, which is 61% 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. 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 25, 2017.

On October 31, 2017 the Company converted a total of $38,359 in convertible debt comprised of principal and interest into 84,306,000 common shares.

On November 8, 2017, the Company, at Greg Halpern's election, converted 800,000,000 shares of Common Stock into 5,000,000 Series A Convertible Preferred Shares representing 33.4% of the Company’s voting rights and control adding to Halpern’s existing 33.4% holdings, equaling 66.8% of the Company’s total voting rights and control.

On November 8, 2017, the principal shareholder advanced $9,000 additional capital to the Company under the terms of the line of credit agreement Dated July 6, 2017.

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”) were incorporated in the State of Delaware as of 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 current 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.

In May of 2010, we acquired the world-wide rights to all fields of use for Max Sound HD Audio Technology. In November of 2010, we opened our post-production facility for Max Sound HD Audio in Santa Monica California. In February of 2012, after several successful demonstrations to multi-media industry company executives, we decided to shift the focus of the Company to the marketing of the Max Sound HD Audio Technology and commenced the name change from So Act Network, Inc. to Max Sound Corporation and the symbol from SOAN to MAXD.

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 agreed to pay the Company a royalty fee of $1.50 for each licensed product it integrates into its line of electronics. Santok has guaranteed to the Company a minimum total of 150,000 cumulative licensed product installations 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 has agreed to pay the Company a royalty fee of $1.50 for each licensed product manufactured and sold.

On November 29, 2016, MAXD entered into an agreement with Vedanti Systems Limited and Vedanti Licensing Limited (VLL) that resolves their dispute over the international Optimized Data Transmission (ODT) patent portfolio previously owned by Vedanti. The agreement further provides that VLL and MAXD will become co-owners of the pioneering portfolio. This patent portfolio consists of patents in the following countries: The United States, Australia, Austria, Cyprus, Denmark, Spain, Finland, France, Ireland, Italy, Luxembourg, Monaco, Portugal, Sweden, Turkey, Belgium, Switzerland/ Liechtenstein, United Kingdom, Greece, Netherlands and Germany. The Company continues to pursue its litigations against Google.

The Company has entered into agreements with a few technology companies’ to use our HD Audio solution, and is in negotiations with several other multi-media companies that we believe will utilize our HD Audio solution in the future.

Videos and news relating to the Company is available on the company website at www.maxd.audio. The MAX-D Technology Highlights Video summarizes the HD Audio™ process and shows the need for high definition (HD) Audio in several key vertical markets. The video explains MAX-D as what we believe to be the only dynamic HD Audio™ that is being offered to various markets.

Plan of Operation

We began our operations on October 8, 2008, when we purchased the Form 10 Company from the previous owners. Since that date, we have conducted financings to raise initial start-up money for the building of our internet search engine and social networking website and to start our operations. In 2011, the Company shifted the focus of its business operations from their social networking website to the marketing of the Max Sound HD Audio Technology and in 2014 the Company began litigations against Google and others for infringement of its technologies and associated legal rights to the various proprietary technologies.

The Company believes that Max Sound HD Audio Technology is a game changer for several vertical markets whose demand will create revenue opportunities in 2017.

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, 2017 and 2016:

	For the Three Months Ended,		For the Nine Months Ended,	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenue	$—	$—	$—	$—
Operating Expenses				
General and administrative	107,721	157,362	319,690	899,267
Consulting	30,000	20,750	92,600	160,582
Professional fees	99,525	57,909	416,404	287,662
Website development	8,700	—	23,700	28,000
Compensation	353,361	198,000	677,361	608,000
Judgement Expense	820,321	—	820,321	—
Total Operating Expenses	1,419,629	434,021	2,350,076	1,983,511
Loss from Operations	(1,419,629)	(434,021)	(2,350,076)	(1,983,511)
Other Income / (Expense)				
Other income	—	—	26	36,532
Interest expense	(129,459)	(70,462)	(329,710)	(234,607)
Derivative Expense	(30,579)	(764,557)	(573,751)	(3,269,969)
Amortization of debt offering costs	(19,046)	(21,471)	(81,743)	(79,471)
Loss on debt settlement	—	14,305	(239,203)	(301,965)
Amortization of debt discount	(544,586)	(1,065,142)	(2,200,803)	(3,912,707)
Change in fair value of embedded derivative liability	1,392,436	227,527	1,683,827	303,824
Total Other Income / (Expense)	668,766	(1,679,800)	(1,741,357)	(7,458,363)
Provision for Income Taxes	—	—	—	—

Net Loss	$(750,863)	$(2,113,821)	$(4,091,433)	$(9,441,874)
Net Loss Per Share - Basic and Diluted	$0.00	$(0.00)	$(0.00)	$(0.01)
Weighted average number of shares outstanding during the year Basic and Diluted	1,494,672,259	836,376,412	1,188,458,679	752,906,044

For the three months ended September 30, 2017 and 2016.

General and Administrative Expenses: Our general and administrative expenses were $107,721 for the three months ended September 30, 2017 and $157,362 for the three months ended September 30, 2016, representing a decrease of $49,641, or approximately 32%, 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 $30,000 for the three months ended September 30, 2017 and $20,750 for the three months ended September 30, 2016, representing an increase of $9,250, or approximately 45%. The Company has increased the use of consultants to assist the Company.

Professional Fees: Our professional fees were $99,525 for the three months ended September 30, 2017 and $57,909 for the three months ended September 30, 2016, representing an increase of $46,616 or approximately 72%, as a result of ongoing litigation.

Compensation: Our compensation expenses were $353,361 for the three months ended September 30, 2017 and $198,000 for the three months ended September 30, 2016, representing a increase of $155,361, or approximately 78%, as a result of our expensing of monthly compensation to our management and employees and options granted to the the Company's CFO.

Judgement: Our Judgement expense was $820,321 for the three months ended September 30, 2017 and $0 for the three months ended September 30, 2016, representing an increase of $820,321, or approximately 100%, as a result of the court issued order on September 25, 2017.

Net Loss: Our net lossfor the three months ended September 30, 2017 was $750,863. 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 decreasedas a result of an increase in the change in the fair value of embedded derivative liability associated with the convertible debt and the increase in judgement expense.

For the nine months ended September 30, 2017 and 2016.

General and Administrative Expenses: Our general and administrative expenses were $319,690 for the nine months ended September 30, 2017 and $899,267 for the nine months ended September 30, 2016, representing a decrease of $579,577, or approximately 65%, 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 $92,600 for the nine months ended September 30, 2017 and $160,582 for the nine months ended September 30, 2016, representing a decrease of $67,982, or approximately 42%. The Company has decreased the use of consultants to assist the Company.

Professional Fees: Our professional fees were $416,404 for the nine months ended September 30, 2017 and $287,662 for the nine months ended September 30, 2016, representing an increase of $128,742 or approximately 45%, as a result of ongoing litigation.

Compensation: Our compensation expenses were $677,361 for the nine months ended September 30, 2017 and $608,000 for the nine months ended September 30, 2016, representing a increase of $69,361, or approximately 11%, as a result of our expensing of monthly compensation to our management and employees.

Judgement: Our Judgement expense was $820,321 for the nine months ended September 30, 2017 and $0 for the nine months ended September 30, 2016, representing an increase of $820,321, or approximately 100%, as a result of the court issued order on September 25, 2017.

Net Loss: Our net loss for the nine months ended September 30, 2017 was $4,091,433. 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 a decrease in the change in the fair value of embedded derivative liability associated with the convertible debt and the increase in judgement expense.

Liquidity and Capital Resources

Revenues for the nine months ended September 30, 2017 and 2016, were $0 and $0, respectively. We have an accumulated deficit of $78,573,713 for the period from December 9, 2005 (inception) to September 30, 2017, and have negative cash flow from operations of $1,466,552 for the nine months ended September 30, 2017.

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, 2017, 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, 2017:

During the nine months ended September 30, 2017 and December 31, 2016, the Company issued convertible notes totaling $1,737,855 and $3,392,813, 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 December 31, 2015, the balance including accrued interest on the line of credit is $473. During the year ended December 31, 2016 the line of credit balance of $473 was repaid and the remaining balance is $0. 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.

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.

On July 6, 2017, the Company entered into a two year line of credit agreement with the principal stockholder in the amount of $100,000. The line of credit carries an interest rate of 4%. As of September 30, 2017, the principal stockholder has not advanced the Company any funds under the terms of this line of credit agreement.

Recent Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-01, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Topic 842 affects any entity that enters into a lease, with some specified scope exemptions. The guidance in this Update supersedes Topic 840, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For public companies, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of adopting ASU No. 2016-02 on our financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. ASU 2016-08 clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer and provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date for ASU 2016-08 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. The Company has not yet determined the impact of ASU 2016-08 on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation, or ASU No. 2016-09. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition method by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is adopted. Amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively. An entity may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. We are currently evaluating the impact of adopting ASU No. 2016-09 on our financial statements.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provides further guidance on identifying performance obligations and improves the operability and understandability of licensing implementation guidance. The effective date for ASU 2016-10 is the same as the effective date of ASU 2014-09 as amended by ASU 2015-14, for annual reporting periods beginning after December 15, 2017, including interim periods within those years. In May 2016, the FASB issued ASU 2016-12 “Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients,” which amends the guidance on transition, collectability, non-cash consideration, and the presentation of sales and other similar taxes. ASU 2016-12 clarifies that, for a contract to be considered completed at transition, all (or substantially all) of the revenue must have been recognized under legacy GAAP. In addition, ASU 2016-12 clarifies how an entity should evaluate the collectability threshold and when an entity can recognize nonrefundable consideration received as revenue if an arrangement does not meet the standard’s contract criteria. The standard allows for both retrospective and modified retrospective methods of adoption. The Company has not yet determined the impact of ASU 2016-10 on its financial statements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Statements," which requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019 (fiscal year 2021 for the Company). The Company has not yet determined the potential effects of the adoption of ASU 2016-13 on its Financial Statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which aims to eliminate diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic

230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017 (fiscal year 2019 for the Company). The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. This guidance will be effective for us in the first quarter of 2018 on a prospective basis, and early adoption is permitted. The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (ASU 2017-04), which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up tothe amount of goodwill allocated to that reporting unit. This guidance will be effective for us in the first quarter of 2020 on a prospective basis, and early adoption is permitted. The Company has not yet determined the potential effects of the adoption of ASU 2016-15 on its Financial Statements.

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 ended September 30, 2017 and 2016, 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, 2015, the Company completed an impairment analysis on its' long-lived assets, their technology rights, and determined that no impairment was necessary.

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, 2016 and December 31, 2015, $1,008,036 and $15,703,616, respectively 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 year ended December 31, 2016, the intangible asset is fully impaired and the remaining balance is $0.

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 six 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 six 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 technologyrights 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 nine months ended September 30, 2017 and underlying terms:

On July 6, 2017, the Company entered into a conversion agreement with Iliad Research & Trading, LP relating to a convertible promissory note dated July 26, 2016, with the original principal amount of $171,665 for 17,574,692 shares based on a conversion price of $0.00114 per share (See Note 6).

On July 10, 2017, the Company entered into a conversion agreement with Lucas Hoppel relating to a convertible promissory note dated December 5, 2016, with the original principal amount of $78,750 for 20,000,000 shares based on a conversion price of $0.00117 per share (See Note 6).

On August 3, 2017, the Company entered into a conversion agreement with Lucas Hoppel relating to a convertible promissory note dated December 5, 2016, with the original principal amount of $78,750 for 10,000,000 shares based on a conversion price of $0.00091 per share (See Note 6).

On August 11, 2017, the Company entered into a conversion agreement with Lucas Hoppel relating to a convertible promissory note dated December 5, 2016, with the original principal amount of $78,750 for 13,955,882 shares based on a conversion price of $0.00068 per share (See Note 6).

On August 23, 2017, the Company entered into a conversion agreement with Iliad Research & Trading, LP relating to a convertible promissory note dated July 26, 2016, with the original principal amount of $171,665 for 30,769,231 shares based on a conversion price of $0.00065 per share (See Note 6).

On September 15, 2017, the Company entered into a conversion agreement with Iliad Research & Trading, LP relating to a convertible promissory note dated July 26, 2016, with the original principal amount of $171,665 for 34,188,034 shares based on a conversion price of $0.00059 per share (See Note 6).

On September 19, 2017, the Company entered into a conversion agreement with Iliad Research & Trading, LP relating to a convertible promissory note dated July 26, 2016, with the original principal amount of $171,665 for 68.376.068 shares based on a conversion price of $0.00059 per share (See Note 6).

On September 20, 2017, the Company entered into a conversion agreement with Iliad Research & Trading, LP relating to a convertible promissory note dated July 26, 2016, with the original principal amount of $171,665 for 72,649,573 shares based on a conversion price of $0.00058 per share (See Note 6).

On September 19, 2017, the Company entered into a conversion agreement with Eagle Equities, LLC relating to a convertible promissory note dated December 2, 2016, with the original principal amount of $147,000 for 49,535,043 shares based on a conversion price of $0.00058 per share (See Note 6).

On July 27, 2017, the Company entered into a conversion agreement with Bellridge Capital, LP, relating to a convertible promissory note dated November 22, 2016, with the original principal amount of $120,000 for 49,899,976 shares based on a conversion price of $0.00065 per share (See Note 6).

On August 22, 2017, the Company entered into a conversion agreement with Bellridge Capital, LP, relating to a convertible promissory note dated November 22, 2016, with the original principal amount of $120,000 for 65,220,646 shares based on a conversion price of $0.00084 per share (See Note 6).

On September 18, 2017, the Company entered into a conversion agreement with Bellridge Capital, LP, relating to a convertible promissory note dated June 27, 2017 with the original principal amount of $171,250 for 61,813,846 shares based on a conversion price of $0.00058 per share (See Note 6).

On September 26, 2017, the Company entered into a conversion agreement with Bellridge Capital, LP, relating to a convertible promissory note dated December 1, 2016, with the original principal amount of $100,000 for 45,612,581 shares based on a conversion price of $0.00058 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 6/30/17 issued to Power Up Lending Group LTD.
10.2	Convertible Redeemable Note, Dated 5/1/17 issued to GS Capital Partners, LLC
10.3	Convertible Redeemable Note, Dated 5/19/17 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: November 14, 2017.

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)