UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2018

[ ] **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: 000-55353

RECALL STUDIOS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Florida	**26-4330545**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1115 Broadway, 12 th Floor, New York, NY	**10010**
(Address of Principal Executive Offices)	(Zip Code)

(212) 537-5775
(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 [X] 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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	[X]
Emerging growth company	[ ]		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

As of May 21, 2018, there were 83,274,896 shares of the registrant's common stock, par value $0.0001 per share, outstanding.

RECALL STUDIOS, INC.
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FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this quarterly report on Form 10-Q. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this quarterly report on Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K, for the fiscal year ended December 31, 2017, in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this quarterly report on Form 10-Q and in other reports that we file with the Securities and Exchange Commission (the “SEC”). You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this quarterly report on Form 10-Q.

We file reports with the SEC. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. You can also read and copy any materials we file with, or furnish to, the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this quarterly report on Form 10-Q, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Recall Studios, Inc.
Condensed Consolidated Balance Sheets
(rounded to the nearest thousand)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Current assets		
Cash	$ 419,000	$ 77,000
Prepaid expenses	9,000	-
Total current assets	428,000	77,000
Capitalized software costs	6,000	6,000
Deposits	3,000	3,000
Total Assets	$ 437,000	$ 86,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	$ 72,000	$ 112,000
Accrued interest related parties	147,000	141,000
Accrued payroll - officers	291,000	343,000
Advances from related parties	31,000	31,000
Deposit on future sale of equity	55,000	55,000
Convertible notes payable, net of discount	131,000	152,000
Convertible notes payable - related party	484,000	484,000
Derivative liability	1,980,000	1,867,000
Total current liabilities	3,191,000	3,185,000
Commitments and Contingencies	-	-
Stockholders' Deficit:		
Series A Preferred stock, par value $0.0001, 5,000,000 shares authorized 5,000,000 shares issued and outstanding as of March 31, 2018 and December 31, 2017	1,000	1,000
Series B Preferred stock, par value $0.0001, 1,000,000 shares authorized 1,000,000 shares issued and outstanding as of March 31, 2018 and December 31, 2017	-	-
Series C Preferred stock, par value $0.0001, 41,000,000 shares authorized 1,424,491 shares issued and outstanding as of March 31, 2018 and December 31, 2017		
Common stock, par value $0.0001, 300,000,000 shares authorized 83,274,896 and 79,797,533 shares issued and outstanding as of March 31, 2018 and December 31, 2017	8,000	8,000
Shares To Be Issued	80,000	
Additional paid in capital	9,005,000	8,045,000
Accumulated deficit	(11,848,000)	(11,153,000)
Total Stockholders' Deficit	(2,754,000)	(3,099,000)
Total Liabilities and Stockholders' Deficit	$ 437,000	$ 86,000

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

Recall Studios, Inc.
Condensed Consolidated Statements of Operations
(unaudited; rounded to the nearest thousand, except per share information)

	For the Three Months Ended	
	March 31, 2018	**March 31, 2017**
Revenue	$ -	$ 5,000
Cost of goods sold	-	-
Gross Profit	-	5,000
Operating Expenses:		
Compensation	137,000	52,000
General and administrative	703,000	90,000
Total operating expenses	840,000	142,000
Loss from operations	(840,000)	(137,000)
Other Income (Expense)		
Interest expense	(122,000)	(7,000)
Amortization of debt discount	(364,000)	-
Financing costs	(2,137,000)	-
Change in fair value of derivative liability	2,768,000	6,807,000
Total Other (Income) Expense	145,000	6,800,000
Income (Loss) From Continuing Operations	(695,000)	6,663,000
Income (Loss) From Discontinued Operations:		
Loss from operations of discontinued business component	-	(33,000)
Gain from sale of discontinued business component	-	-
Total Income (Loss) From Discontinued Operations	-	(33,000)
Net Income (Loss) Before Income Taxes	(695,000)	6,630,000
Income Tax Expense	-	-
Net Income (Loss)	$ (695,000)	$ 6,630,000
Net income (loss) from continuing operations per common share		
-Basic	$ (0.01)	$ 196.32
-Diluted	$ (0.01)	$ 0.08
Net income (loss) from discontinued operations per common share		
-Basic	$ -	$ (0.97)
-Diluted	$ -	$ (0.00)
Net income (loss)		
-Basic	$ (0.01)	$ 195.34
-Diluted	$ (0.01)	$ 0.08
Weighted average common shares outstanding		
-Basic	80,954,661	33,940
-Diluted	91,912,099	87,399,072

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

Recall Studios, Inc.
Condensed Consolidated Statements of Stockholders' Deficit
(unaudited; rounded to the nearest thousand, except per share information)

	Common Shares, $0.0001 Par Value Per Share		Series A Preferred $0.0001 Par Value		Series B Preferred $0.0001 Par Value		Series C Preferred $0.0001 Par Value					
	Shares Issued	Amount	Shares Issued	Amount	Shares Issued	Amount	Shares Issued	Amount	Shares To Be Issued	Additional Paid-In Capital	Accumulated Deficit	Equity (Deficit)
Balance December 31, 2017	**79,797,533**	**$ 8,000**	**5,000,000**	**$ 1,000**	**1,000,000**	**$ -**	**1,424,491**	**$ -**	**$ -**	**$ 8,045,000**	**$ (11,153,000)**	**(3,099,000)**
Issuance of common stock for cash	2,736,000	-							80,000	469,000		**549,000**
Issuance of common stock for services	475,000	-								410,000		410,000
Issuance of common stock for commitment fee	200,000	-								118,000		**118,000**
Conversion of Notes Payable into common shares	130,000	-								18,000		**18,000**
Conversion of warrants into common stock	44,206											
Cancellation of common stock for commitment fee refund	(107,843)	-								(55,000)		**(55,000)**
Net loss											(695,000)	**(695,000)**
Balance March 31, 2018	**83,274,896**	**$ 8,000**	**5,000,000**	**$ 1,000**	**1,000,000**	**$ -**	**1,424,491**	**$ -**	**$ 80,000**	**$ 9,005,000**	**$ (11,848,000)**	**$ (2,754,000)**

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

Recall Studios, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited; rounded to the nearest thousand, except per share information)

	For the Three Months Ended	
	March 31, 2018	**March 31, 2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (695,000)	$ 6,630,000
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of original issue discount	6,000	-
Financing cost	2,137,000	-
Common stock issued for services	410,000	-
Common stock issued for conversion of note payable	-	
Change in fair value of derivative liability	(2,768,000)	(6,807,000)
Amortization of debt discount and debt issuance cost	364,000	-
Changes in operating liabilities		
Accounts receivable	-	10,000
Prepaid expenses and other current assets	(9,000)	(12,000)
Accounts payable	(40,000)	19,000
Accrued interest	6,000	6,000
Accrued payroll	(52,000)	95,000
Deferred revenues	-	(24,000)
Net Cash Used in Operating Activities	(641,000)	(83,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible note payable	807,000	-
Repayments of convertible notes payable	(373,000)	-
Proceeds from sale of common stock	549,000	-
Net Cash Provided by Financing Activities	983,000	-
Net Increase in Cash	342,000	(83,000)
Cash at Beginning of Period	77,000	101,000
Cash at End of Period	$ 419,000	$ 18,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ -	$ -
Income taxes paid	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock upon conversion of notes payable	$ 18,000	$ -
Issuance of Series A and B Preferred Stock upon settlement of related party advances and accrued payroll	$ -	$ -
Issuance of Series A and B Preferred Stock upon acquisition of Recall Studios, Inc.	$ -	$ -
Extinguishment of derivative liability upon warrant expiration	$ -	$ 2,575,000

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

Note 1 - Organization and Basis of Operations

Carolco Pictures, Inc. (formerly "Brick Top Productions, Inc" or the "Company") was incorporated under the laws of the State of Florida in February 2009 under the name "York Entertainment, Inc." The Company changed its name to Brick Top Productions, Inc. in October 2010. In January 2015, the Company changed its name from Brick Top Productions, Inc. to Carolco Pictures, Inc. In addition, in January 2015, the Company changed its stock symbol from "BTOP" to "CRCO." On October 17, 2017, the Company filed an articles of amendment to its articles of incorporation to change its corporate name from Carolco Pictures, Inc. to Recall Studio, Inc., pending approval from the Financial Industry Regulatory Authority. Effective November 29, 2017, following receipt of FINRA's approval, the Company's corporate name was changed to Recall Studio, Inc. and its stock symbol was changed to "BTOP." In addition, effective immediately, the Company began to do business as Brick Top Productions.

Going Concern

The Company's condensed consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. As reflected in the condensed consolidated financial statements, the Company had a stockholders' deficit of $2,754,000 at March 31, 2018 and incurred a net loss for the three months ended March 31, 2018 of $695,000 and utilized net cash used in operating activities of $641,000. These factors raise substantial doubt about the Company's ability to continue as a going concern within one year from the date that the financial statements are issued. In addition, the Company's independent public accounting firm in its audit report to the financial statements included in the 2017 Annual Report expressed substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management estimates that the current funds on hand and raising capital through proceeds from the sale of common stock subscriptions will be sufficient to continue operations through 2018. The ability of the Company to continue as a going concern is dependent on the Company's ability to execute its strategy and in its ability to raise additional funds. Management is currently seeking additional funds, primarily through the issuance of equity securities for cash to operate its business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

Note 2 - Summary of Significant Accounting Policies

Reverse Stock Split

In January 2017, the Company effected a 1-for-10,000 reverse stock split of the Company's common stock. All shares and per-share amounts have been retroactively restated as of the earliest periods presented to reflect the stock split.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Those estimates and assumptions include depreciable lives of property and equipment, analysis of impairments of recorded goodwill, accruals for potential liabilities, assumptions made in valuing derivative liabilities and assumptions made in valuing stock instruments issued for services.

Principles of Consolidation

The Company's consolidated subsidiaries and/or entities are as follows:

Name of consolidated subsidiary or entity	State or other jurisdiction of incorporation or organization	Date of incorporation or formation (date of acquisition, if applicable)	Attributable interest
York Productions, LLC	The State of Florida	October 22, 2008 (June 1, 2010)	60%
York Productions II, LLC	The State of Florida	June 13, 2013	60%
Recall Studios, Inc.	The State of Nevada	March 30, 2016 (July 27, 2016)	100%

The accompanying financial statements are consolidated and include the accounts of the Company and its majority owned subsidiaries. The consolidated accounts include 100% of the assets and liabilities of our majority owned subsidiaries, and the ownership interests of minority investors are recorded as a minority interest. All inter-company balances and transactions have been eliminated. York Productions, LLC and York Productions II, LLC are currently inactive. On June 15, 2017, Recall Studios, Inc. entered into a Purchase and Sale Agreement with Metropolitan Sound + Vision LLC, a South Carolina limited liability company. Pursuant to the Agreement, the Company agreed to sell to Metro all of the shares of common stock of S&G Holdings, Inc., a Tennessee corporation doing business as High Five Entertainment owned by the Company, which constitute 75% of the issued and outstanding shares of S&G. The assets, liabilities and results of operations of S&G have been reclassified to discontinued operations for financial statement presentation in 2017.

Fair Value of Financial Instruments

The Company follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification for disclosures about fair value of its financial instruments and to measure the fair value of its financial instruments. The FASB Accounting Standards Codification establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the fair value hierarchy are described below:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally unobservable inputs and not corroborated by market data.

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The carrying amounts of the Company's financial assets and liabilities, such as cash, other assets, accounts payable and accrued payroll, approximate their fair values because of the short maturity of these instruments. The carrying values of notes payable and convertible notes approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates.

The carrying amount of the Company's derivative liability of $1,980,000 was based on Level 3 measurements.

Non-Controlling Interest

Non-controlling interest represents the non-controlling interest holders' proportionate share of the equity of the Company's majority-owned subsidiaries. Non-controlling interest is adjusted for the non-controlling interest holders' proportionate share of the earnings or losses and other comprehensive income (loss) and the non-controlling interest continues to be attributed its share of losses even if that attribution results in a deficit non-controlling interest balance. All Non-controlling interest was eliminated as part of the sale of S&G Holdings, Inc., a Tennessee corporation doing business as High Five Entertainment in 2017.

Revenue Recognition

The Company's Recall Studios subsidiary produces software applications for third-parties on a consulting basis. Revenues from these services are recognized when the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) the show/episode is complete, and in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery; (iii) the price to the customer is fixed and determinable; and (iv) collectability is reasonably assured.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by FASB where the value of the award is measured on the date of grant and recognized as compensation expense on the straight-line basis over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the FASB where the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Options and warrants granted to non-employees are revalued each reporting period to determine the amount to be recorded as an expense in the respective period. As the options and warrants vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the then current value on the date of vesting. In certain circumstances where there are no future performance requirements by the non-employee, option and warrant grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's stock option and warrant grants are estimated using the Black-Scholes-Merton Option Pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the stock options or warrants, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes-Merton Option Pricing model, and based on actual experience. The assumptions used in the Black-Scholes-Merton Option Pricing model could materially affect compensation expense recorded in future periods.

Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the potential dilution, using the treasury stock method that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income (loss) of the Company. In computing diluted income (loss) per share, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period. Options and warrants may have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the options and warrants.

For the three months ended March 31, 2018, warrants exercisable into 40,489 shares of common stock have been excluded because their impact on the income per share is anti-dilutive. For the three months ended March 31, 2018, the calculation of diluted earnings per share included convertible Series B Preferred stock that can convert into 2,000,000 shares of common stock, convertible Series C Preferred stock that can convert into 2,848,982 shares of common stock, and notes that can convert into 6,108,456 shares of common stock. For the three months ended March 31, 2017, the calculation of diluted earnings per share included convertible Series A Preferred stock that can convert into 2,000,000 shares of common stock, convertible Series B Preferred stock that can convert into 81,023,982 shares of common stock, and notes that can convert into 4,341,150 shares of common stock.

The following table sets forth the computation of basic and diluted earnings per share:

	For the three months ended March 31,	
	2018	**2017**
Earnings per share – Basic		
Income (Loss) for the period	$ (695,000)	$ 6,630,000
Basic average common stock outstanding	80,954,661	33,940
Net earnings per share	$ (0.01)	$ 195.34

	For the three months ended March 31,	
	2018	**2017**
Earnings per share - Diluted		
Income (Loss) for the period	$ (695,000)	$ 6,630,000
Basic average common stock outstanding	80,954,661	33,940
Diluted effect from preferred stock and convertible notes	10,957,438	87,365,132
Diluted average common stock outstanding	91,912,099	87,399,072
Net earnings per share	$ (0.01)	$ 0.08

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a probability weighted average Black-Scholes-Merton models to value the derivative instruments at inception and on subsequent valuation dates through the March 31, 2018 reporting date.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* . ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. Entities will be able to transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company has adopted ASU 2014-09 in the first quarter of 2018. The adoption of ASU 2014-09 is not expected to have a material impact on the Company's financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 *, Leases* . ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is in the process of evaluating the impact of ASU 2016-02 on the Company's financial statements and disclosures.

July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. The guidance in ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company has early adopted ASU 2017-11 in the third quarter of 2017. The adoption of ASU 2017-11 is not expected to have a material impact on the Company's financial statements and related disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statement presentation or disclosures.

Note 3 – Convertible Notes Payable

On August 29, 2017, the Company issued a convertible promissory note to Crown Bridge Partners in the amount of $35,000. The note is due on August 29, 2018 and bears interest at 10% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 55% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $35,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $32,000 that was expensed as a financing cost. On February 15, 2018 Crown Bridge converted $17,401 of the note payable into 130,000 shares of common stock. On February 22, 2018 the remaining note and all accrued interest was paid off and the remaining portion of the note discount was amortized.

On September 5, 2017, the Company issued a convertible promissory note to LG Capital Funding in the amount of $52,500. The note is due on September 5, 2018 and bears interest at 6% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 58% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $52,500 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $37,000 that was expensed as a financing cost. On March 2, 2018 the note plus accrued interest was paid as well as a prepayment penalty in the amount of $20,000 which was recognized as interest expense, and the remaining portion of the note discount was amortized.

On September 12, 2017, the Company issued a convertible promissory note to EMA Financial in the amount of $100,000. The note is due on September 5, 2018 and bears interest at 10% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 50% multiplied by the lowest trading price during the previous twenty-five (25) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $100,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $99,000 that was expensed as a financing cost. On March 1, 2018 the note plus accrued interest was paid as well as a prepayment penalty in the amount of $38,000 which was recognized as interest expense, and the remaining portion of the note discount was amortized.

On September 22, 2017, the Company issued a convertible promissory note to Essex Global Investment in the amount of $43,000. The note is due on September 22, 2018 and bears interest at 10% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 58% multiplied by the lowest trading price during the previous twenty-five (25) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $43,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $32,000 that was expensed as a financing cost. On March 12, 2018 the note plus accrued interest was paid as well as a prepayment penalty in the amount of $14,000 which was recognized as interest expense, and the remaining portion of the note discount was amortized.

On September 29, 2017, the Company issued a convertible promissory note to Labrys Fund in the amount of $110,000. The note is due on March 29, 2018 and bears interest at 12% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 50% multiplied by the lowest trading price during the previous twenty-five (25) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $110,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $232,000 that was expensed as a financing cost. On February 21, 2018 the note and all accrued interest was paid off and the remaining portion of the note discount was amortized.

On November 2, 2017, the Company issued a convertible promissory note to Auctus Fund in the amount of $52,750. The note is due on August 2, 2018 and bears interest at 12% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 50% multiplied by the lowest trading price during the previous twenty-five (25) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $52,750 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $50,000 that was expensed as a financing cost.

On October 2, 2017, the Company issued a convertible promissory note to Power Up Lending Group in the amount of $50,000. The note is due on July 15, 2018 and bears interest at 8% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 63% multiplied by the average of the three lowest trading price during the previous ten (10) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $50,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $77,000 that was expensed as a financing cost. On March 28, 2018 the note and all accrued interest was paid off and the remaining portion of the note discount was amortized.

On January 17, 2018, the Company issued a convertible promissory note to Power Up Lending Group, LLC in the amount of $53,000. The note is due on October 30, 2018 and bears interest at 8% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 63% multiplied by the lowest trading price during the previous ten (10) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $53,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $28,000 that was expensed as a financing cost.

On January 26, 2018, the Company issued a convertible promissory note to Adar Bays, LLC in the amount of $44,000. The note is due on January 16, 2018 and bears interest at 6% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 58% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded original issue discount of $4,000 and a note discount of $40,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $502,000 that was expensed as a financing cost.

On January 26, 2018, the Company issued a second convertible promissory note to Adar Bays, LLC in the amount of $44,000. The note is due on January 16, 2018 and bears interest at 6% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 58% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded original issue discount of $4,000 and a note discount of $40,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $502,000 that was expensed as a financing cost.

In addition to the two notes above, the Company has the ability to receive an additional two more $44,000 promissory back end notes from Adar Bays, LLC, which provides conversion features equal to 58% of the lowest trading price of the Corporation's Common Stock for the last 20 trading days prior to conversion, as well as 6% per annum interest, and a 10% OID so that the purchase price for each note shall be $40,000, and become due and payable January 26, 2019 and that the aforementioned notes shall be $44,000 promissory notes to Adar Bays, LLC secured by assets with a fair market value of not less than $40,000 each.

On February 2, 2018, the Company issued a convertible promissory note to Crown Bridge Partners in the amount of $17,500. The note is due on August 29, 2018 and bears interest at 10% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 55% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded original issuance of $1,750 and a note discount of $15,750 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $69,000 that was expensed as a financing cost.

On February 12, 2018, the Company issued a convertible promissory note to Power Up Lending Group, LLC in the amount of $53,000. The note is due on October 30, 2018 and bears interest at 8% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 63% multiplied by the lowest trading price during the previous ten (10) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $53,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $8,000 that was expensed as a financing cost.

On February 21, 2018, the Company issued a convertible promissory note to One44 Capital, LLC in the amount of $94,500. The note is due on February 21, 2019 and bears interest at 8% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 50% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $94,500 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $93,000 that was expensed as a financing cost.

On February 23, 2018, the Company issued a convertible promissory note to Crown Bridge Partners in the amount of $35,000. The note is due on August 29, 2018 and bears interest at 10% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 55% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded original issue discount of $3,500 and a note discount of $31,750 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $33,000 that was expensed as a financing cost.

On February 22, 2018, the Company issued a convertible promissory note to Auctus Fund in the amount of $230,000. The note is due on November 22, 2018 and bears interest at 12% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 50% multiplied by the lowest trading price during the previous twenty-five (25) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $230,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $632,000 that was expensed as a financing cost.

On February 23, 2018, the Company issued a convertible promissory note to LG Capital Funding in the amount of $110,250. The note is due on February 23, 2019 and bears interest at 8% per annum. The loan and any accrued interest may be converted into shares of the Company's common stock at a rate of 58% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded original issue discount of $5,250 and a note discount of $105,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $141,000 that was expensed as a financing cost.

On March 29, 2018, the Company issued a convertible promissory note to One44 Capital, LLC in the amount of $94,500. The note is due on November 29, 2018 and bears interest at 8% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 50% multiplied by the lowest trading price during the previous twenty (20) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $94,500 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $56,000 that was expensed as a financing cost.

On March 23, 2018, the Company issued a convertible promissory note to Power Up Lending Group, LLC in the amount of $50,000. The note is due on December 30, 2018 and bears interest at 8% per annum. The loan and any accrued interest can may converted into shares of the Company's common stock at a rate of 63% multiplied by the lowest trading price during the previous ten (10) day trading period ending on the latest complete trading day prior to the conversion date. Pursuant to current accounting guidelines, the Company recorded a note discount of $50,000 to account for the note's derivative liability. In addition the Company recorded an amount of discount in excess if the note principal of $8,000 that was expensed as a financing cost.

As of March 31, 2018, outstanding balance of the notes payable amounted to $878,500, accrued interest of $10,295 and unamortized note discount of $747,626.

Note 4– Convertible Notes Payable to Related Parties

Chairman and CEO

In July 2015, the Company issued convertible promissory notes to Alex Bafer, Chairman and CEO, in exchange for the cancellation of previously issued promissory notes in the aggregate of $530,000 and accrued interest of $13,000 for a total of $543,000. The notes are unsecured, bear interest of 5% per annum, matured on October 1, 2015 and are convertible to shares of common stock at a conversion price equal to the lowest closing stock price during the 20 trading days prior to conversion with a 50% discount.

In October 2015, the notes matured and became past due. As a result, the stated interest of 5% increased to 22% pursuant to the term of the notes. In July 2016, the Company and Mr. Bafer agreed to extend the maturity date of these notes to August 1, 2017 and cure the default. There were no other terms changed and no additional compensation paid. As of March 31, 2018 and December 31, 2017, the total outstanding note balance amounted to $434,000 and $434,000, and accrued interest of $145,000 and $140,000, respectively. The notes are currently past due.

Shareholder

On December 28, 2016, the Company issued an unsecured convertible promissory note in the principal amount of $50,000 to a shareholder. The note bears interest at 3% per annum, is due on March 24, 2017, and is convertible into shares of common stock at a conversion price of $4,000 per share. The note is currently past due. As of March 31, 2018 and December 31, 2017, accrued interest of $2,000 and $1,000 is due, respectively.

Note 5- Derivative Liability

The FASB has issued authoritative guidance whereby instruments which do not have fixed settlement provisions are deemed to be derivative instruments. Certain warrants issued to investors and conversion features of notes payable did not have fixed settlement provisions because either their exercise prices will be lowered if the Company issues securities at lower prices in the future or the conversion price is variable. In addition, since the number of shares to be issued is not explicitly limited, the Company is unable to conclude that enough authorized and unissued shares are available to share settle the conversion option. In accordance with the FASB authoritative guidance, the conversion feature of the notes was separated from the host contract (i.e., the notes) and the fair value of the warrants have been recognized as a derivative and will be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

The derivative liabilities were valued at the following dates using a Black-Scholes-Merton model with the following average assumptions:

	March 31, 2018		December 31, 2017	
Stock Price	$	0.41	$	.31
Risk free interest rate		1.63-2.03%		0.84%
Expected Volatility		201%		476%
Expected life in years		0.42-0.92		0.25-0.79
Expected dividend yield		0%		0%
Fair Value – Warrants	**$**	**0**	**$**	**0**
Fair Value – Note Conversion Feature		**1,980,000**		**1,867,000**
Total	**$**	**1,980,000**	**$**	**1,867,000**

The risk-free interest rate was based on rates established by the Federal Reserve Bank. The Company uses the historical volatility of its common stock to estimate the future volatility for its common stock. The expected life of the derivative securities was determined by the remaining contractual life of the derivative instrument. For derivative instruments that already matured, the Company used the estimated life. The expected dividend yield was based on the fact that the Company has not paid dividends to its common stockholders in the past and does not expect to pay dividends to its common stockholders in the future.

During the three months ended March 31, 2018, the Company recorded $2,881,000 in derivative liability as a result of conversion features from the issuance of new convertible notes payables (see Note 3). In addition the Company recorded a gain of $2,768,000 to account for the change in fair value of the derivative liabilities related to the conversion features from December 31, 2017 to March 31, 2018. As of March 31, 2018, the derivative liability amounted to $1,980,000.

Note 6- Stockholders' Deficit

Issuance of Common Stock for Cash

During the three months ended March 31, 2018, the Company issued 2,736,000 shares of common stock for proceeds of $549,000. As of March 31, 2018 an additional 160,000 still remain to be issued.

Issuance of Common Stock for services

During the three months ended March 31, 2018, the Company issued an aggregate of 475,000 shares of common stock valued at $410,000 to two shareholders for services.

Issuance of Common Stock for commitment fee

During the three months ended March 31, 2018 pursuant securities purchase agreements with Auctus Fund, the Company issued 200,000 shares to Auctus as a commitment fee valued at $118,000.

Cancellation of Common Stock for commitment fee

In February 2018 pursuant the September 29, 2017 securities purchase agreement with Labrys Fund, LP, the Company issued 107,843 shares to Labrys as a commitment fee. During the three months ended March 31, 2018 these shares were returned based upon the meeting of certain conditions by the Company.

Summary of the Company's Stock Warrant Activities

The following table summarizes information concerning outstanding and exercisable warrants as of March 31, 2018 and December 31, 2017:

	Warrants	Weighted Average exercise Price	Weighted Average Remaining Contractual Life
December 31, 2016	**295**	**$ 800**	**3.63**
Granted	90,250	.50	5.00
Exercised	-	-	-
Forfeited/expired	(56)	10	**.05**
December 31, 2017	**90,489**	**$ .50**	**4.71**
Granted	-	-	-
Exercised	**50,000**	-	-
Forfeited/expired	-	-	-
March 31, 2018	**40,489**	**$ .50**	**4.41**

At March 31, 2018, the Company's outstanding and exercisable warrants had no intrinsic value as the exercise price of these warrants was greater than the market price at March 31, 2018.

Note 7- Related Party Transactions

Advances from Related Party

From time to time, the CEO of the Company and a shareholder/employee advanced funds to the Company for working capital purposes. Those advances are unsecured, non-interest bearing and due on demand. As of March 31, 2018 and December 31, 2017 outstanding advances from related party aggregated to $31,000 and $31,000, respectively.

Accrued Payroll

During the three months ended March 31, 2018, the Company accrued payroll in the aggregate of $80,000 for officers and employees' salaries.

As of March 31, 2018, accrued payroll amounted to $291,000, of which $260,000 pertains to the accrued salary of one officer Mr. Bafer, Chief Executive Officer. As of December 31, 2017, accrued payroll amounted to $343,000, of which $310,000 pertains to the accrued salary of one officer Mr. Bafer, Chief Executive Officer.

Legal Services

On June 29, 2016 Esposito Partners and the Company entered into an agreement, pursuant to which the Company engaged Esposito Partners to provide legal services to the Company. The Letter Agreement also provided that Frank Esposito, who is the Managing Member of Esposito Partners, would serve as the Chief Legal Officer, a member of the Company's board of directors and as secretary of the Company's board of directors. Pursuant to the agreement, the Company will pay $5,000 per month for the legal services provided.

As of March 31, 2018, accrued legal expenses amounted to $55,000. As of December 31, 2017, accrued legal expenses amounted to $65,000.

Note 8 - Contingencies and Litigation

The Company may be involved in certain legal proceedings that arise from time to time in the ordinary course of its business. Except for income tax contingencies (commencing April 1, 2009), the Company records accruals for contingencies to the extent that management concludes that the occurrence is probable and that the related amounts of loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred.

Litigation

The Company may be involved in certain legal proceedings that arise from time to time in the ordinary course of its business. Except for income tax contingencies (commencing April 1, 2009), the Company records accruals for contingencies to the extent that management concludes that the occurrence is probable and that the related amounts of loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred.

Note 9 – Discontinued Operations

On June 15, 2017, the Company entered into a Purchase and Sale Agreement with Metropolitan Sound + Vision LLC, a South Carolina limited liability company. Pursuant to the Agreement, the Company agreed to sell to Metro all of the shares of common stock of S&G Holdings, Inc., a Tennessee corporation doing business as High Five Entertainment owned by the Company, which constitute 75% of the issued and outstanding shares of S&G. Pursuant to current accounting guidelines, the business component is reported as a discontinued operations.

Pursuant to the Agreement, at the closing of the Transaction, the Company was to deliver to Metro 100% of the issued and outstanding shares of common stock of S&G owned by the Company, and Metro was required to pay for such stock as follows: An initial payment of $10,000 was required to be made at the closing, and thereafter, at the end of each fiscal quarter, beginning at the end the third fiscal quarter of 2017, Metro shall pay the Company 5% of gross revenues collected during the quarter by Metro via the exploitation of S&G's assets, up to a lifetime maximum of $590,000.

The Agreement requires Metro to use its best professional efforts to generate revenue from the exploitation of S&G's assets, and if the Company has not received a total of at least $265,000 of the $590,000 lifetime maximum purchase price from Metro before July 1, 2022, the Company has the right to repurchase the stock and assets of the S&G from Metro for $10,000.

The Company recognized a gain on the sale of S&G of $57,000 consisting of the assumption by the buyer of the net liabilities of S&G of $236,000 offsets by the elimination of the non-controlling interest of S&G of $189,000 and the purchase price consideration of $10,000. The remainder of the purchase price will be recognized when collectability can be determined.

Note 10 - Subsequent Events

In May 2018 the Company entered into a securities purchase agreement in connection with the issuance of a $56,000 convertible note. The note carries interest of 8% per year and is due and payable on May 3, 2019. The outstanding amounts under the note are convertible, at the option of the holder, into shares of common stock of the Company, at a conversion price calculated at 52% of the lowest sale price for the common stock during the 20 consecutive trading days immediately preceding the conversion date.

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

Unless otherwise indicated, references in this Quarterly Report on Form 10-Q to "we," "us," and "our" are to the Company, unless the context requires otherwise. The following discussion and analysis by our management of our financial condition and results of operations should be read in conjunction with our unaudited condensed interim financial statements and the accompanying related notes included in this quarterly report and our audited financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission.

Overview

We have been recognized as an award-winning feature film and television specials production company. Through recent corporate restructurings, as discussed herein, we have re-oriented to the technology side of the burgeoning Augmented Reality ("AR") and Virtual Reality ("VR") markets.

We acquired a wholly owned subsidiary, Recall Studios, Inc., in July 2016 ("Recall Studios"). Using Recall Studios' talent and technology, we focus on advancing VR and AR technologies and have two patents pending to create content and immersive, non-liner experiences, filling the demand attendant to the increased production of VR viewing devices absent a corresponding increase in content production.

Recent Developments

On February 1, 2018, Mr. Esposito, the interim Chief Executive Officer, Chief Legal Officer and member of the board of directors of the Company resigned from his position as the Company's interim Chief Executive Officer. Mr. Esposito will retain his positions as the Company's Chief Legal Officer and a member of the Company's board of directors.

Also on February 1, 2018, the Company's board of directors appointed Mr. Bafer as the Company's Chief Executive Officer and Chairman of the Board.

In connection with Mr. Bafer's appointment as Chief Executive Officer of the Company, the Company and Mr. Bafer entered into an Executive Employment Agreement (the "Bafer Employment Agreement") effective February 1, 2018. Pursuant to the terms of the Bafer Employment Agreement, the Company agreed to employ Mr. Bafer as Chief Executive Officer for a term of one year, which term will automatically renew for successive one-year periods unless either party provides 30 days' prior written notice. In exchange for Mr. Bafer's services as Chief Executive Officer, the Company will pay Mr. Bafer an annual salary of $250,000, subject to review and adjustment as provided in the Bafer Employment Agreement. Mr. Bafer will also be eligible to receive a performance-based bonus. The Company also granted Mr. Bafer an option to purchase 250,000 shares of the Company's common stock pursuant to the Company's 2014 Equity Incentive Stock Plan (the "Plan").

The Bafer Employment Agreement will terminate upon Mr. Bafer's death or permanent disability or for Cause (as hereinafter defined). Pursuant to the terms of the Bafer Employment Agreement, "Cause" includes termination for:

(i) Material breach of the Bafer Employment Agreement by Mr. Bafer,
(ii) Intentional nonperformance or mis-performance of such duties, or refusal to abide by or comply with the reasonable directives of his superior officers, or the Company's policies and procedures,
(iii) Mr. Bafer's negligence in the performance of his material duties under the Bafer Employment Agreement,
(iv) Mr. Bafer's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company, that in the reasonable judgment of the Board of Directors materially and adversely affects the Company,
(v) Mr. Bafer's conviction of, or a plea of nolo contendere to, a felony or other crime involving moral turpitude, or
(vi) The commission of any act in direct or indirect competition with or materially detrimental to the best interests of the Company that is in breach of the Company's fiduciary duties of care, loyalty and good faith to the Company.

"Cause" does not include any actions or circumstances constituting Cause under (i) or (ii) above if Mr. Bafer cures such actions or circumstances within 30 days of receipt of written notice from the Company.

Mr. Bafer is subject to a 12-month non-competition clause pursuant to the terms of the Bafer Employment Agreement.

Mr. Bafer and the Company also entered into an Agreement for Chairman of Board of Directors (the "COB Agreement") in connection with Mr. Bafer's appointment as Chairman of the Board. The COB Agreement has a term of one year, and will continue for as long as Mr. Bafer is elected as Chairman of the Board. Pursuant to the terms of the COB Agreement, the Company agreed to grant Mr. Bafer an option to purchase 250,000 shares of the Company's common stock pursuant to the Plan.

Results of Operations for the Three Months Ended March 31, 2018 and 2017

	Three Months Ended March 31,	
	2018	**2017**
Revenue	$ 0	$ 5,000
Cost of goods sold	$ 0	$ 0
Operating expenses	$ 840,000	$ 142,000
Income (loss) from continuing operations	$ (695,000)	$ 6,663,000
Net income (loss) from discontinued operations	$ 0	$ (33,000)
Net income (loss)	$ (695,000)	$ 6,630,000

Revenues for the three months ended March 31, 2018 and 2017 were $0 and $5,000, respectively.

Cost of goods sold for the three months ended March 31, 2018 and 2017 were $0 and $0, respectively.

Operating expenses for the three months ended March 31, 2018 totaled $840,000, compared to $142,000 for the three months ended March 31, 2017. The increase of $698,000 is directly related to an increase in compensation expenses of $85,000 as well as $404,000 increase in consulting fees and $125,000 increase in advertising and marketing costs during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017.

The Company has realized a net loss of $695,000 for the three months ended March 31, 2018, compared to a net income of $6,630,000 for the three months ended March 31, 2017. The reduction in net income of $7,325,000 is primarily due to the change in fair value of derivatives associated with warrants and convertible notes outstanding, which amounted to a gain of $6,807,000 for the three months ended March 31, 2017 as compared $2,768,000 for the three months ended March 31, 2018. In addition there were $2,137,000 of financing costs in the three months ended March 31, 2018 and amortization of debt discount of $364,000 with no corresponding amounts for these expenses in the three months ended March 31, 2017.

Liquidity and Capital Resources

	Three Months Ended March 31,	
	2018	2017
Net Cash Used in Operating Activities	$ (641,000)	$ (83,000)
Net Cash Provided by Investing Activities	$ 0	$ 0
Net Cash Provided by Financing Activities	$ 983,000	$ 0
Net Change in Cash	$ 342,000	$ (83,000)

As of March 31, 2018, our total assets were $437,000 and our total liabilities were $3,191,000 and we had negative working capital of $2,763,000. Our financial statements report a net loss of $695,000 for the three months ended March 31, 2018 and net income of $6,630,000 for the three months ended March 31, 2017.

We have suffered recurring losses from operations. The continuation of our company is dependent upon our company attaining and maintaining profitable operations and raising additional capital as needed. In this regard, we have raised additional capital through equity offerings and loan transactions, and, in the short term, will seek to raise additional capital in such manners to fund our operations. We do not currently have any third-party financing available in the form of loans, advances, or commitments. Our officers and shareholders have not made any written or oral agreement to provide us additional financing. There can be no assurance that we will be able to continue to raise capital on terms and conditions that are deemed acceptable to us.

Off-Balance Sheet Arrangements

As of March 31, 2018, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations liquidity, capital expenditures or capital resources.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the accompanying consolidated financial statements, the Company had a stockholders' deficit of $ 2,754,000 at March 31, 2018, incurred a net loss from operations of $695,000 and used cash in operating activities of $641,000 for the period then ended. These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year from the date that the financial statements are issued.

The Company is attempting to produce sufficient revenue; however, the Company's cash position may not be sufficient to support its daily operations. While the Company believes in the viability of its strategy to produce sufficient revenue and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon its ability to further implement its business plan and generate sufficient revenues and in its ability to raise additional funds.

In addition, the Company's independent registered public accounting firm, in its report on the Company's December 31, 2017 consolidated financial statements, has raised substantial doubt about the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Critical Accounting Policies

We have identified the following policies below as critical to our business and results of operations. Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely require adjustment. Specific risks associated with these critical accounting policies are described in the following paragraphs.

Derivative Financial Instruments. The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a probability weighted average Black-Scholes-Merton models to value the derivative instruments at inception and on subsequent valuation dates through the September 30, 2017, reporting date. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period.

Recently Issued Accounting Pronouncements

See Note 2 in the accompanying condensed consolidated financial statements for a discussion of recent accounting policies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and principal financial officer, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and principal financial officer, concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report due to the Company's limited resources and limited number of employees. To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of legal and outsourced accounting professionals. As we grow, we expect to increase our number of employees, which, we believe, will enable us to implement adequate segregation of duties within the internal control framework.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 of the Exchange Act that occurred during the fiscal quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company may be involved in certain legal proceedings that arise from time to time in the ordinary course of its business. Except for income tax contingencies (commencing April 1, 2009), the Company records accruals for contingencies to the extent that management concludes that the occurrence is probable and that the related amounts of loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred.

Item 1A. Risk Factors

Not applicable for smaller reporting companies.

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

During the three months ended March 31, 2018, the Company issued 2,736,000 shares of common stock for proceeds of $549,000. As of March 31, 2018 an additional 160,000 still remain to be issued.

The securities referenced above were issued solely to "accredited investors" in reliance on the exemption from registration afforded by Section 4(a)(2) of the Securities Act, as amended.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors since the filing of our annual report on Form 10-K for the year ended December 31, 2017.

Item 6. Exhibits

Exhibit Number	Description
31.1*	Section 302 Certificate of Chief Executive Officer and Principal Financial Officer
32.1*	Section 1350 Certification of Chief Executive Officer and Principal Financial Officer
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

* Filed herewith.

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.

RECALL STUDIOS, INC.

Date: May 21, 2018

By: */s/ Alexander Bafer*

Alexander Bafer
Chief Executive Officer (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Alexander Bafer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of Recall Studios, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

May 21, 2018

/s/ Alexander Bafer

Alexander Bafer
Chief Executive Officer
(principal executive officer and principal financial officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Recall Studios, Inc. (the "Company") for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission (the "Report"), I, Alexander Bafer, Chief Executive Officer and principal financial officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 21, 2018

/s/ Alexander Bafer
Alexander Bafer
Chief Executive Officer
(principal executive officer and principal financial officer)

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.