

Soul & Vibe Interactive Inc.
Form 10-K
April 01, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

Commission File Number: 000-55091

SOUL & VIBE INTERACTIVE INC.

(Exact name of registrant as specified in its charter)

Nevada **38-3829642**
(State or Other Jurisdiction of Incorporation) (I.R.S. Employer Identification Number)

6548 South Big Cottonwood Canyon Road, Suite 200, Salt Lake City, Utah, 84121
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, including area code: (763) 400-8040

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

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, par value \$0.001 per share.

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

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

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

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

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>

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

Edgar Filing: Soul & Vibe Interactive Inc. - Form 10-K

The aggregate market value of the voting stock held by non-affiliates of the issuer on June 30, 2015, based upon the \$0.128 closing price of such stock on that date, was \$325,385.

There were 237,642,126 shares of common stock outstanding as of March 25, 2016.

Documents incorporated by reference: None

TABLE OF CONTENTS

	Page
<u>PART I</u>	
Item 1. <u>Business.</u>	1
Item 1A. <u>Risk Factors.</u>	10
Item 1B. <u>Unresolved Staff Comments.</u>	16
Item 2. <u>Properties.</u>	16
Item 3. <u>Legal Proceedings.</u>	16
Item 4. <u>Mine Safety Disclosures</u>	16
<u>PART II</u>	
Item 5. <u>Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	17
Item 6. <u>Selected Financial Data.</u>	17
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Plan of Operations.</u>	17
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk.</u>	26
Item 8. <u>Financial Statements and Supplementary Data.</u>	27
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.</u>	44
Item 9A. <u>Controls and Procedures.</u>	44
Item 9B. <u>Other Information.</u>	45
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers, and Corporate Governance.</u>	46
Item 11. <u>Executive Compensation.</u>	47
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	48
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence.</u>	49

Item 14. Principal Accounting Fees and Services. 49

PART IV

Item 15. Exhibits, Financial Statement Schedules. 50

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “expects,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “potential,” “predict,” “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions; uncertainties and other factors may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Our expectations are as of the date this Form 10-K is filed, and we do not intend to update any of the forward-looking statements after the date this Annual Report on Form 10-K is filed to confirm these statements to actual results, unless required by law.

PART I

ITEM 1. BUSINESS.

As used in this Annual Report on Form 10-K, all references to “we”, “our” and “us” for periods prior to the closing of the Exchange refer to Soul and Vibe Entertainment, Inc., a Nevada corporation (“Soul”) as a privately owned company, and for periods subsequent to the closing of the Exchange, refer to the Company and its subsidiaries (including Soul). All share figures in this Annual Report reflect the effectuation of the Reverse Split discussed below.

Background

Exchange Agreement. On February 5, 2013, Soul and Vibe Interactive Inc., a Nevada corporation (the “Company”) entered into a Share Exchange Agreement (the “Agreement”) by and among the Company, Soul and the sole shareholder of Soul (the “Shareholder”). Pursuant to the Agreement, Soul became a wholly owned subsidiary of the Company (the “Exchange”). As consideration for the Exchange, the Shareholder exchanged an aggregate of 150,000 shares of common stock of Soul, constituting all shares of capital stock of Soul issued and outstanding (the “Soul Shares”) for an aggregate of 308,333 shares of the Company’s common stock (the “Common Stock”). The Agreement contained customary terms and conditions for a transaction of this type, including representations, warranties and covenants, as well as provisions describing the consideration exchanged, the process of exchanging the consideration and the effect of the Exchange. The closing of the Exchange took place on February 6, 2013. There were no rights to acquire any equity interests of Soul prior to the closing of the Exchange. Subsequent to the consummation of the Exchange, the Company had 908,333 shares of Common Stock issued and outstanding.

Changes Resulting from the Exchange. We intend to carry on Soul's business as our primary line of business. Soul is headquartered in Salt Lake City, UT, and is focused on developing, publishing, and digitally distributing interactive entertainment for video game consoles, personal computers, and mobile devices, as well as interactive books (also known as "e-books" or "interactive storybooks") and downloadable/streamable music. As of March 8, 2013, we discontinued entirely the business of Victory LG, Inc.

Reverse Split. On June 25, 2015, the holder of a majority of the shares of Common Stock approved a reverse split of such shares by a ratio of 1 for 40 (the "Reverse Split"). The Company filed the certificate of amendment (the "Certificate") to its articles of incorporation with the State of Nevada effectuating the Reverse Split on August 20, 2015. The Reverse Split became effective in the State of Nevada on August 25, 2015. The Reverse Split became effective on the OTC QB on August 25, 2015, having been approved by the Financial Industry Regulatory Authority, Inc. ("FINRA") on August 25, 2015. As a result of the Reverse Split, each forty (40) shares of Common Stock issued and outstanding prior to the 2015 Reverse Split were converted into one (1) share of Common Stock, and all options, warrants, and any other similar instruments convertible into, or exchangeable or exercisable for, shares of Common Stock have been proportionally adjusted. All references to common stock have been retroactively restated.

Overview

Soul and Vibe Interactive Inc. is a publisher of games, interactive books, and downloadable/streamable music for digital devices. We develop, publish, and digitally distribute interactive entertainment (games and interactive books) for video game consoles, mobile and augmented reality/wearable tech devices, personal computers, and social-media platforms. We develop, publish, and digitally distribute music for play on digital devices through downloadable/streamable channels that include, but are not limited to, the likes of: Apple Music, iTunes, Spotify, Google Play, Amazon, Rdio, Deezer, Tidal, YouTube Music, Beats/MediaNet, and Microsoft Groove. The music service Shazam, also, recognizes Soul and Vibe Music products. Since our Company's inception, we have generated a degree of revenue. Revenue generation began in the 1st quarter of 2014 with the release of our first video game product. The release was Timeless Gems, an innovative "match-3" game that features board game elements. Timeless Gems was released, worldwide, on Facebook, Google's Google Play, and Apple's App Store (for iPhone, iPad, and iPod Touch) in February and March 2014. In addition to the development and release of the Timeless Gems product, two packages of expansion content for Timeless Gems were developed and released during fiscal year 2014. A third package of expansion content for Timeless Gems was developed during fiscal year 2014. This third package of expansion content was released in December 2015.

In June 2014, day and date with the opening game of the 2014 World Cup Soccer tournament, the company released a second video game product, Striker Rush: Champion Edition. Striker Rush: Champion Edition was released, worldwide, through Apple's App Store (for iPhone, iPad, and iPod Touch mobile devices), and through Google's Google Play and Amazon.com (for Android devices) in concert with its development partner, 1DER Entertainment.

During fiscal year 2014, the Company licensed Timeless Gems and Striker Rush: Champion Edition to Tanjarine, a subsidiary of TouchTunes, the largest provider of in-venue music and entertainment throughout North America. Tanjarine was the first integrated tabletop ordering, entertainment and pay-at-the-table solution to combine 10" proprietary tabletop tablets with server handhelds, which expedited service, payments, and cross-marketed products and services with in-venue second screen televisions. The platform provided guests with menu and entertainment options, portability that eliminated the constraints of one-tablet-per-table installations, and other innovations that helped increase restaurant efficiency and average check size. Customizable for bars and restaurants, Tanjarine's catalog of entertainment offered games, music and content targeted everyone from families to sports fans to couples and more. Many of the games also enabled guests to play with a friend or connect the tabletop tablets to second screen televisions located throughout a venue, which created a more interactive gaming experience. The Company anticipated it would continue to receive licensing revenue from Tanjarine through 2015 and beyond, as Tanjarine purchased product installs of the Company's products for play on their proprietary hardware. In April of 2015, a third party acquired TouchTunes. Unfortunately, as part of the acquisition, TouchTunes terminated their subsidiary, Tanjarine, as well as all pre-existing contractual (licensing) agreements.

During the fourth quarter of 2013, the Company entered into a development/publishing agreement with 1DER Entertainment for SirVival, an interactive game. As a part of the development/publishing agreement, the Company acquired the SirVival IP from 1DER Entertainment. Through fiscal year 2014 and the first two quarters of 2015, the Company continued the development of SirVival; the game was released, worldwide, on Facebook, Google's Google Play, and Apple's App Store (for iPhone, iPad, and iPod Touch) during the third quarter of 2015. In addition to the development and release of the SirVival video game product, one package of expansion content for SirVival entered development during the fourth quarter of 2014, but this package has not yet been released. The Company will formally announce the targeted release date of this expansion pack at a later date.

In June 2015, the Company announced a new (second) publishing label, Soul and Vibe Music. Soul and Vibe Music is a proprietary music-publishing label that publishes music content through downloadable/streamable distribution channels that include, but are not limited to, the likes of: Apple Music, iTunes, Spotify, Google Play, Amazon, Rdio, Deezer, Tidal, YouTube Music Key, Beats/MediaNet, and Microsoft Groove. The Company aims to leverage its existing, and to develop new, music assets that are associated with its licensed-brands and internally generated intellectual properties as stand-alone "premium" music soundtrack and single-track and/or multi-track music single product releases. It is the Company's intent that these music soundtrack and single-track and/or multi-track music single product releases will double as potential revenue-generating cross-promotional marketing vehicles for the Company's video games and entertainment apps based on licensed-brands and internally generated intellectual properties. As of December 31, 2015, Soul and Vibe Music has released one full-length soundtrack, "Songs of SirVival," and four multi-track music singles, "SirVival and Tantrum," "Who Is Gurk Burkle?," "Smorgon Magma, The Black Rider," and "Spellbound." The development of a fifth multi-track music single, "Bugaboo, A Bump In The Night," commenced during the fourth quarter of 2015, but it was neither formally announced nor released until February 2016.

As the Soul and Vibe Music label grows, the Company intends to pursue the licensing of music for (i) inclusion in its games and apps and (ii) to release, via downloadable/streamable distribution channels, as “premium” stand-alone and/or compilation music product releases. The Company also anticipates it will contract music industry subject matter experts as consultants to help broaden the label’s product mix. The Company anticipates that a broadened product mix for the Soul and Vibe Music label will increase consumer awareness, build IPs, create cross-promotional opportunities across its growing product portfolio, and drive revenue.

To date, all music content published by Soul and Vibe Music are copyrighted assets of the Company. Each individual music track is a unique asset that is identifiable through a proprietary ISRC code. EPs are identifiable through a proprietary UPC code. The music content that comprises Soul and Vibe Music releases are each recognized by the music identification service, Shazam. The music content that comprises Soul and Vibe Music releases as of December 31, 2015 are, also, cross-promoted (on iTunes) via the Options Menu of the Company’s SirVival video game.

In August 2015, the Company announced a new (third) publishing label, Soul and Vibe Books. Soul and Vibe Books is a proprietary publishing label that specializes in the development and launch of digitally distributed electronic books (“e-books” and “interactive storybooks.”) The Company aims to leverage its licensed-brands and internally generated intellectual properties as stand-alone “premium” entertainment app e-books. It is the Company’s intent that these e-books will double as potential revenue-generating cross-promotional marketing vehicles for the Company’s video games and entertainment apps based on licensed-brands and internally generated intellectual properties. During the twelve months ended December 31, 2015, the Company continued the development of a four-product line of e-books based on the Company’s John Deere licensed brand. The first product in the four-product line was Johnny Tractor and Friends: County Fair. Johnny Tractor and Friends: County Fair was launched on Apple’s App Store for iPhone, iPad, and iPod Touch in September 2015 and on Google’s Google Play and Amazon (for Android devices) in October 2015. The Company launched a second e-book, Johnny Tractor and Friends: Snow Day, in December 2015. During the fourth quarter, the Company continued development on a third e-book. The Company anticipates it will formally announce, and release, this third e-book during the 1st quarter of 2016. The Company anticipates the fourth e-book in the series will be formally announced, and released, during the second quarter of 2016. Ultimately, it is the Company’s intent to localize all four e-books in the line into a variety of languages including, but not limited to, French, German, Spanish, and Italian. The Company anticipates that localized versions of its e-books will be released, albeit on a staggered release schedule, throughout fiscal year 2016; the localized versions of its e-books will be released as title updates via Apple’s App Store, Google’s Google Play, and Amazon.

On November 30, 2015, the Company announced its line of John Deere-branded Johnny Tractor and Friends e-books will be cross-promoted with TOMY International (“TOMY”) toys that are also based on the Johnny Tractor and Friends IP. Commencing in December 2015, and continuing through 2016, TOMY’s line of John Deere-branded Johnny Tractor and Friends toys will feature, within the packaging, a two-sided pack-in poster. The Company’s Johnny Tractor and Friends series of e-books is highlighted on one side of the poster, and a robust selection from TOMY’s diverse line of Johnny Tractor and Friends toys is highlighted on the other. In addition, each of the Company’s Johnny Tractor and Friends interactive storybooks cross-promotes TOMY’s toys via a color full-screen image that appears at the end of each e-book. TOMY’s line of Johnny Tractor and Friends toys are available at Target, Walmart, Toys”R”Us, Amazon, and many other fine retail and online merchants. The Company anticipates that the cross-promotional relationship with TOMY will increase consumer awareness for the Soul and Vibe Books label and its line of e-book products.

As the Soul and Vibe Books label grows, the Company intends to expand its e-book product mix to feature additional lines based on both the Company’s proprietary IPs and other licensed-brands. The Company also anticipates it will pursue a broadening of the supported hardware platforms on which its e-books can be read. The Company anticipates that expanded platform support, and a broadened product mix for the Soul and Vibe Books label, will increase consumer awareness, build IPs, and drive revenue.

These aforementioned releases, across the games, interactive books, and downloadable/streamable music product categories, have begun to generate a degree of revenue for the Company. Our operations to date have been financed by Mr. Chiodo, our sole officer, and independent accredited investors who have entered into private finance transactions with us.

The Company intends to focus its operational strategy on the development of digitally distributed video game, interactive book, and downloadable/streamable music product for a variety of hardware platforms that include: Video game consoles (for example: Xbox 360 and PlayStation 3), mobile (for example: Apple iOS, Android, and Windows hand-held/portable devices), augmented reality/wearable tech devices (for example: HTC Vive, Vuzix-branded hardware, and Oculus Rift), personal computers (such as PC and Mac), and browser-based social media platforms, such as Facebook. Our video game products are also anticipated to be released on portable video game consoles (for example: Nintendo 3DS and PlayStation Vita), which can be defined as residing in both the video game console and mobile hardware platform categories. Our music products are also anticipated to be accessible on internet-enabled video game consoles (for example: Spotify via the PlayStation Network and Microsoft Groove via Xbox Live on Xbox One.) The Company wishes to emphasize: Individual products will be designed for specific hardware platforms and that not all products will be ultimately released on all hardware platforms.

Most of the Company’s products are expected to be digitally distributed (via download) through a “First Party” distribution store (for example: Facebook, Microsoft Corporation’s Marketplace, Apple Inc.’s App Store, Google’s Google Play, Amazon, etc.). Some of the Company’s products may bear licensed-brands through which there is potential for exploitation via merchandising, cross-promotion and/or publicity tie-ins with its licensor, as well as within social media communities. Other Company products will be based on our internally generated and wholly owned intellectual properties.

The Company's products are focused within three core areas: Licensed-brand games and Apps (inclusive of e-books), internally-generated intellectual property ("IP") based games, e-books, and music, and so-called "Pick-Ups." Pick-ups are products developed (and financed) by independent software/content developers located throughout the world. Oftentimes, these independent software/content developers are looking for a publishing partner such as the Company as they tend to: (i) lack the marketing/publicity infrastructure and relationships to properly bring a game to market, (ii) need to partner with a company in possession of platform-specific publishing licenses, and/or (iii) require some additional capital to complete the development cycle. The Company can acquire the products created by these independent software/content developers for either a flat fee or a combination of a flat fee and a small "back-end" royalty that is payable once the Company recoups its costs. Pick-ups could be beneficial for the Company as they represent products that can often be quickly brought to market and subsequently fill in the gaps between the releases of the "bigger" licensed-brand and internally-generated IP-based products. This allows the Company to establish a recurring release calendar that: (i) more-evenly distributes revenues across a fiscal year and (ii) provides a steady stream of content for our users and games industry media to talk about, thus reinforcing our Soul and Vibe brand as a publishing label. It is anticipated that a large portion of the Company's product portfolio in fiscal year 2016 onward may be comprised of pick-up opportunities.

We have sustained losses from operations in each fiscal year since our inception, and we expect these losses to continue for the indefinite future, due to our substantial investment in research and development, attorneys' fees and expenses, and consultants' fees. During the twelve months ended December 31, 2015, the Company realized a net loss of \$2,160,946 compared with a net loss of \$2,121,633 for year ended December 31, 2014. As of December 31, 2015, the Company had a working capital deficiency of \$2,396,130 and a shareholder's deficit of \$1,998,993.

Video games the Company intends to develop from concepts and publish as final products

Our projected video game product portfolio consists of games and Apps based on the marks of our licensed-brand partner, the John Deere Company, and internally-generated Soul and Vibe IP-based games, such as “Bugaboo,” a virtual-pet game that may bear a licensed-brand, “The Dragon Wars,” “Grimwhiskers,” and “Last Day On Earth” (L.D.O.E.).

The products that comprise the Company’s video game and interactive book product portfolio are in pre-production. Specifically:

John Deere. The Company’s line of John Deere-branded video games and entertainment Apps will continue to be based on our licensor’s extensive line of agriculture, construction, forestry, and personal vehicle products.

As of December 31, 2015, the Company has released two e-book products based on John Deere’s proprietary character set, Johnny Tractor and Friends. Two more Johnny Tractor and Friends e-book products are currently in active development; it is anticipated these two additional John Deere-branded e-books will be formally announced, and launched, in the first and second quarters of 2016. The Company’s John Deere-branded e-books have been published under the Soul and Vibe Books label via Apple’s App Store, Google’s Google Play, and Amazon.

The Company is, also, developing a John Deere-branded video game product, John Deere: Pocket Farm, that it anticipates it will formally release during the third quarter of 2016. It is anticipated that the Company’s forthcoming John Deere-branded video game will be released for play on iOS and Android platform mobile devices, Apple TV, and social media platforms.

Bugaboo. Bugaboo is an action-puzzle game for consoles, mobile devices, and personal computers. The core play mechanic is Shadow Weaving: Shape and/or sneak through pockets of darkness, pilfer the property of others through a combination of movement, gadgets, and stealth, and escape the scene of the crime under the pressure of time.

Bugaboo is an internally-generated Soul and Vibe IP whose primary character set and backstory were introduced to users in its action-platform/runner game, SirVival. SirVival launched on Facebook, Apple’s App Store, and Google’s Google Play during the third quarter of 2015. (Subsequently, in the first quarter of 2016, the Company’s Soul and Vibe Music label published a multi-track music single that was branded by the Company’s Bugaboo IP as a potential revenue-generating marketing vehicle for both the currently available SirVival and forthcoming Bugaboo video games.) The formal Bugaboo video game project has a projected development schedule of 16 months. The externally contracted software development team selected for the Bugaboo project can hire contingent staff to increase development capacity should it be deemed appropriate to do so. Bugaboo has a conceptual treatment that was presented to Microsoft and Sony as part of the process for securing our publishing licenses. Contingent upon the timing of financing, the Company presently intends to launch “Bugaboo” in 2017. The marketing of the title would be

rolled out across a pre-launch, launch, and post-launch window. Each window is approximately three (3) months; the timing of these windows are contingent upon financing and, based on the timing of that financing, the associated product development schedule.

Bugaboo has had high-level feature/content scope reviews with independently owned-operated software development teams located all over the world. Based on the high-level feature/content scope reviews that have been conducted with the Company's prospective development partners for the product, it is estimated to cost approximately \$1.2M to develop and bring Bugaboo to market. As of the fourth quarter 2015, the Bugaboo project has been revised to include support for mobile devices and Apple TV.

Virtual-Pet Game. A virtual-pet game that stars man's best friend. It appeals to dog fans of all ages, both casual and enthusiastic. The Company is pursuing a licensed brand for this title. The Company will disclose the licensed-brand partner once it has been signed.

The Virtual-Pet Game has a projected development schedule of 12 months. Contingent upon the timing of financing and working off of a staggered development calendar, the Company anticipates a release in late 2017. The Virtual-Pet Game has a conceptual treatment that was presented to Microsoft and to Sony as part of the process for securing our publishing licenses. The marketing of the title would be rolled out across a pre-launch, launch, and post-launch window. Each window is approximately three (3) months; the timing of these windows are contingent upon financing and, based on the timing of that financing, the associated product development schedule.

The Virtual-Pet Game has had high-level feature/content scope reviews with independently owned-operated software development teams located all over the world. Based on the high-level feature/content scope reviews that have been conducted with the Company's prospective development partners for the product, it is estimated to cost approximately \$800K to 1.2M (on average) to develop and bring The Virtual-Pet Game to market.

The Dragon Wars. A band of heroic warriors and a mob of monstrous villains battle it out in the skies and on the ground for the ultimate control of a fantastical world in "The Dragon Wars" (which is a working title), a character-driven battle game for consoles, mobile devices, and personal computers. Stylistically, it combines over-the-top characters reminiscent of classic 1980s 6" action figure-based toy lines with The Lord of the Rings-esque dynamic ground battles.

The Dragon Wars is an internally-generated Soul and Vibe IP. Contingent upon the timing of financing and working off of a staggered development calendar, the Company anticipates a release in 2018. The Dragon Wars has a conceptual treatment that was presented to Microsoft and Sony as part of the process for securing our publishing licenses. The marketing of the title would be rolled out across a pre-launch, launch, and post-launch window. Each window is approximately three (3) months; the timing of these windows is each contingent upon financing and, based on the timing of that financing, the associated product development schedule.

The Dragon Wars has had high-level feature/content scope reviews with independently owned-operated software development teams located all over the world. Based on the high-level feature/content scope reviews that have been conducted with the Company's prospective development partners for the product, it is estimated to cost approximately \$1.5M (on average) to develop and bring The Dragon Wars to market.

Larva Game Studios. In July 2013, the Company announced a development relationship with the Mexico-based software development company, Larva Game Studios ("Larva.") Larva is the formally announced developer of two games for Soul and Vibe.

Grimwhiskers. A band of ne'er-do-well pirates is on a quest to recover their most prized possession, their ship, from a diabolical and seemingly smarter enemy in Grimwhiskers (which is a working title) a side scrolling, action game for consoles, mobile devices, and personal computers.

Grimwhiskers is an internally-generated Soul and Vibe IP with a projected development schedule of 14 months. Contingent upon financing and based on a staggered release, we anticipate a release in 2017. Larva, as an externally contracted software development team can hire contingent staff to increase development capacity should it be deemed appropriate to do so.) Grimwhiskers has a conceptual treatment that was presented to Microsoft and Sony as part of the process for securing our publishing licenses. Contingent upon the timing of financing, the Company presently intends to launch "Grimwhiskers" in 2017. The marketing of the title would be rolled out across a pre-launch, launch, and post-launch window. Each window is approximately three (3) months; the timing of these windows is each contingent upon financing and, based on the timing of that financing, the associated product development schedule. As of the fourth quarter 2015, the Grimwhiskers project has been revised to include support for mobile devices and Apple TV.

Last Day on Earth. The Earth as a whole faces a looming catastrophe, as an alien race called The Hive has successfully breached every developed nation's defenses and is now systematically attempting to destroy all of mankind. It's up to the remaining survivors to protect the last bastion on Earth, the island of Utopia. *Last Day on Earth* blends the gripping action of a third-person shooter with the strategic building and defending gameplay of a tower defense game.

Last Day on Earth is an internally-generated Larva Game Studios IP with a projected development schedule of 12 months. We anticipate a release in 2017. Larva, as an externally contracted software development team can hire contingent staff to increase development capacity should it be deemed appropriate to do so. Contingent upon the timing of financing, the Company presently intends to launch “Last Day on Earth” in 2017. The marketing of the title would be rolled out across a pre-launch, launch, and post-launch window. Each window is approximately three (3) months; the timing of these windows is each contingent upon financing and, based on the timing of that financing, the associated product development schedule.

Both Grimwhiskers and Last Day on Earth were originally slated to be developed for the Company as part of an incentive driven finance program for the motion picture and video and computer games industries offered by the Mexican government. Larva has attracted an investment of \$1M from the Mexican government program. Following a potential \$1M match from Soul and Vibe, both Grimwhiskers and Last Day on Earth will be developed; the cumulative price for both games is cheaper than the cost of both games being developed separately elsewhere in the world. In addition to significant development cost savings for the Company, the relationship with Larva represents a strategic advantage for the Company. The relationship for Larva paves the way for new relationship within the emerging Latin American market with developers, distributors, and marketing/publicity channels.

Publishing

Our business is primarily focused on developing, publishing, and marketing video games and entertainment Apps, interactive books, and downloadable/streamable music for multiple hardware platform categories: Console, mobile and augmented reality/wearable tech devices, personal computers, and browser-based social media networks. In regards to console publishing, we have entered into publishing agreements with hardware platform manufacturers such as Microsoft Corporation, Sony (through Sony Computer Entertainment of America, LLC), and, most recently, Nintendo of America. Our publishing agreements with these entities are for non-exclusive licenses, both for the rights to publish and to develop titles for their respective hardware platforms. These agreements form a foundation for our business. We must maintain a license to develop and publish titles for each console platform. Each license specifies the territory to which it applies, and licenses range from multi-national distribution to approval on a title-by-title basis. Our existing hardware platform licenses are with Microsoft (for the Xbox 360, Windows 8, Windows Live, and Windows Phone), with Sony (for the PlayStation 3 and PlayStation Vita), and with Nintendo of America for the Nintendo 3DS™ system and the Wii U™ system. Our publishing licenses with Microsoft, Sony, and Nintendo require that we obtain approval for publication of new titles on a title-by-title basis. As a result, the number of titles we are able to publish for these hardware platforms and our ability to time the release of titles is dependent upon decisions made by third party hardware manufacturers.

Effective August 8, 2012, the Company became an approved developer and publisher of games and games-related content for the Microsoft hardware platforms that include: Xbox 360 (and the associated Xbox Live), Windows Live, Windows 8, and the Windows Phone.

Effective August 8, 2012, we entered into a publisher license agreement with Microsoft to develop and/or publish software products running on the Xbox 360 video game and entertainment system, Windows 8, Windows Live, and Windows Phone and license proprietary materials from Microsoft (the “Microsoft Agreement”). Effective May 8, 2013, we entered into a new publisher license agreement with Microsoft (the “New Microsoft Agreement”). The New Microsoft Agreement was disclosed as part of an official filing. The Company has obtained confidential treatment for certain terms of the New Microsoft Agreement.

In September 2012, the Company became an approved developer and publisher of games and games-related content for the Sony platforms that include: PlayStation3, PlayStation Vita, and the PlayStation Network.

On September 27, 2012, we entered into a licensed publisher agreement (the “SCEA Agreement”) with Sony Computer Entertainment America LLC (“SCEA”). Under the SCEA Agreement, SCEA granted us a non-exclusive license to publish, develop, have manufactured, market, distribute and sell software for Sony's PlayStation 3, in the United States and Canada. The term of the SCEA Agreement was until March 31, 2013, but automatically extends for additional one-year terms thereafter, unless either party provides the other with written notice of its election not to so extend on or before January 31 of the applicable year. The SCEA Agreement was disclosed as part of an official filing.

In July 2015, the Company became an approved developer and publisher of games for the Nintendo platforms that include: 3DS and Wii U.

On July 29, 2015, we entered into a licensed publisher agreement (the “Nintendo Agreement”) with Nintendo of America (“Nintendo”). Under the Nintendo Agreement, Nintendo granted us a non-exclusive license to develop and publish, through digital distribution channels, and sell software for the Nintendo 3DS™ system and the Wii U™ system from Nintendo, in the United States and Canada.

Licensing

Effective September 2011, Soul entered into a trademark license agreement with Gcom Enterprises, Inc., an affiliate of General Mills, which was scheduled to expire on December 31, 2015, and was subject to extension (the “GM Agreement”). Under the terms of the GM Agreement, the Company was able to develop and publish sports-themed “Wheaties” branded video and computer games as well as games-related content based on General Mills breakfast cereal and food-product mascot intellectual properties (“IP”). A minimum guarantee was due to General Mills in installments;

this minimum guarantee was to be offset against the royalties in the mid-single digits payable by the Company to General Mills on the sale of the Company's "Wheaties" branded, and General Mills IP associated, games and games-related content. The foregoing is a summary of the material terms of the GM Agreement and does not purport to be complete. The GM Agreement was disclosed as part of an official filing. The Company has obtained confidential treatment for certain terms of the GM Agreement.

As of December 31, 2015, neither the Company nor Gcom Enterprises, Inc., expressed interest in the two parties extending the license agreement beyond its contractual expiration date. Unfortunately, Gcom Enterprises, Inc. brands did not attract the appropriate capital investment and consumer interest to warrant the continued development of previously announced mass-market General Mills products; shifting areas of focus within General Mills eclipsed the continuance of the licensor relationship with the Company. Because of the expiration of the license agreement with Gcom Enterprises, the previously announced video game project, The Wheaties Challenge, has been subsequently cancelled.

On May 15, 2014 the Company announced the signing of a multi-year licensing agreement to develop and publish new video games, entertainment apps, and digitally-distributed content based on the John Deere brand. Under the agreement, the Company will develop and publish games and entertainment apps based on John Deere's extensive line of agriculture, construction, forestry, and personal vehicle products/equipment for consoles, mobile devices, personal computers, and social media platforms such as Facebook. The Company also has the rights to develop and publish John Deere-branded virtual apparel and digital items for Avatars, as well as other digitally-distributed content.

As of December 31, 2015, the Company has released two e-book products based on John Deere's proprietary character set, Johnny Tractor and Friends. Two more Johnny Tractor and Friends e-book products are currently in active development; it is anticipated these two additional John Deere-branded e-books will be formally announced, and launched, in the first and second quarters of 2016. The Company's John Deere-branded e-books have been published under the Soul and Vibe Books label via Apple's App Store, Google's Google Play, and Amazon.

The Company is, also, developing a John Deere-branded video game product, John Deere: Pocket Farm, that it anticipates it will formally release during the third quarter of 2016. It is anticipated that the Company's forthcoming John Deere-branded video game will be released for play on iOS and Android platform mobile devices, Apple TV, and social media platforms.

Market and Industry

Historically, gaming has meant playing retail purchased physical media (such as DVD/Blu-Ray, Cartridge, SD Card, or UMD) on personal computers and television based and portable video game consoles. The markets and games for the various platforms have often times been as unique as the hardware on which the games were played. But over the last several years, the markets, media, and distribution channels for games have changed.

Starting with the release of what was then identified as the "next-generation" video game consoles (2005), users were given the opportunity to not only interact with players all over the world via the internet, they were empowered to access music, movie, television program, and game content "on demand" from the comfort of their own homes. Personal computer and video game console users also began to experience a convergence of game types. Game genres that historically were played on a dedicated platform began to become platform agnostic, widening the market.

Thanks to the rapid proliferation of "smart-phones" in recent years, mobile devices that once were used only for communication now play host to myriad features. Surf the Internet, communicate via email, text, chat via audio or video, and access, "on demand," diverse entertainment content choices (including games) while on the go. "Smart phones" have rapidly encroached on the portable video game market that was established by Nintendo's *Game Boy* in 1989. This is significantly expanding the number of hardware platforms on which games are played as well as the consumer base who plays them.

Currently, ideas about how game console and mobile products might be able to "talk to one another" are taking shape and being put into practice. The execution of these ideas are expanding play experiences and creating new marketing vehicles and cross-promotional revenue generating mechanisms for games as an entertainment category.

General Market Analysis

The video and computer games industry is very mature when it comes to distributing and marketing content at retail since it is more than 30 years old. However, it is in its infancy when it comes to digitally distributing and marketing the same content.

Snapshot: Video Game Consoles: In 2005, Microsoft launched the *Xbox 360* video game console. Leading up to its release, Microsoft claimed that the gaming device would be "online, all the time" thanks to the annual subscription

based service, Xbox Live. Ten+ years into its life cycle, the console now plays host to an installed base of over 100 million users (world-wide) who readily purchase both retail and digitally distributed game content. Users can purchase DVD based titles at retail for prices ranging (on average) from \$39.99 to \$59.99. Best yet, a title's "shelf life" can be extended via a digital distribution mechanism on Xbox Live. Smaller scope offerings can be downloaded directly to a user's console for \$4.99, \$10.99, \$14.99, or \$19.99. Users can purchase "experience expanding" content packages for retail and digitally distributed games via download as well. Sony (with the PlayStation 3) and Nintendo (with the television-based Wii and Wii U and the portable video game consoles such as DS and 3DS) have subsequently followed suit (2006) with similar content release strategies. In general, the practice of purchasing (with real-world currency) "consumables" (in game items that are used, or consumed, in game) popularized on browser-based and mobile platforms is making its way to consoles.

There is a variety of "publishing" players in the contemporary video game console market:

Large software publishers are the darlings of retail. Their "AAA" products drive traffic to brick and mortar store locations and boost shelf-space return on investment thanks to healthy marketing and promotional budgets. The number and diversity of titles produced give retail buyers the opportunity to swap out older/under-performing titles with new, fresh offerings, reducing the risk of carrying large physical inventories. However, large publishers are gradually devoting more resources to the digital distribution of content. The significant reduction in COGS preserves cash flow, cash that can be applied toward the acquisition of small publishers who specialize in digital distribution and direct marketing of content to consumers.

Middle-sized companies are trapped in a legacy "retail" business model and are scrambling to adjust their business models to be more nimble (i.e. embrace digital distribution). Many are financing products with money obtained from physical distributors, and they lack the ability to expand to new markets, such as digitally distributed content, as their money is tied-up elsewhere. As distributors and retailers hold onto cash, the middle-sized companies are often squeezed. They are the last to be paid by the firms upon whom they are dependent, reducing their liquidity, eroding their competitive advantage, and undercutting their ability to green-light new products. Less attractive to retail, shelf space is shrinking for them. They offer a smaller product portfolio and lack the marketing and promotional punch of large companies. "*Let's put it out and see what it does*" marketing and PR strategies are executed by default. Nearly always, these strategies do not work.

New, small companies, such as the Company, are being founded with business models that fully embrace digital distribution, eliminating high-cost cost of goods sold, bypassing retail and traditional distribution channel challenges, and directing sales, marketing, and promotional efforts directly to the consumer. The business models of these companies, like Soul and Vibe Interactive Inc., allow for revenue and shareholder value to be maximized while simultaneously providing consumers with reduced prices for goods and services.

Snapshot: Mobile Devices: In 2007, modeled after *iTunes*, Apple's *App Store* introduced a whole new way of getting mobile content into the hands of consumers, "Apps." Both casual and core gamers have been targeted by a wide variety of companies.

Some mobile games are better than others. Few releases feature the hallmark graphical and gameplay polish of traditional portable video game console titles. Consumer awareness, in the Company's opinion, is slight for the vast majority of releases. Marketing and PR strategies akin to "let's put it out and see what it does" are rampant. The *App Store* is saturated. Everybody has an internal information filter; that filter is becoming more and more refined on a daily basis. As a result, the challenge for companies such as ours becomes how to break through the clutter and noise, or how to convince consumers that your product is something they need, not just want. As the proliferation of mobile devices continues to grow, the sophistication of the mobile devices themselves, and their users, will exponentially grow.

Many of our mobile releases (such as interactive book apps) are expected to be revenue generating marketing vehicles for our brands (both licensed and internally-generated.) Our mobile product development strategy is to create a combination of stand-alone and "Companion" app products. It is anticipated that "Companion" apps (which include the newly entered interactive book category) will expand IP awareness and/or have (as appropriate) cross-platform integration with console and personal computer versions of the Company's releases. For licensed-brand products, a mix between stand-alone and "Companion" app offerings is the likely strategy. Internally-generated wholly-owned intellectual property will be more "Companion" app focused as part of an effort to transform our properties into self-sustaining entertainment franchises.

Monetized Content and Consumables: Soul and Vibe's stand-alone and "Companion" app products have been released as both "free-to-play" entertainment experiences (with monetized content and "consumables" offerings) and as "premium" (pay to download) products. Typically, the Company's video games have been released as "free-to-play" entertainment experiences. Monetized content and "Consumables" can be shared across the Company's console, mobile, and personal computer releases (inclusive of those released on browser-based systems, such as Facebook.) The Company's interactive books have been released as "premium" products. The Company's downloadable/streamable music offerings have been released as "premium" products.

Supported Mobile Platforms: To date, Soul and Vibe's products have been published on Apple iOS and Android devices (via Google's Google Play and Amazon.) The Company is evaluating the Windows platform and intends on supporting the platform as appropriate. Continuing the trend it started with the release of *Timeless Gems* and *SirVival*, and on a title-by-title basis thereafter, the Company may continue to integrate support for Facebook in its mobile titles. Facebook support enables social media connectivity across platform versions and it also provides an

additional platform on which users can play the game. In addition, where appropriate, the Company may translate products to portable consoles, such as the Nintendo 3DS and the PlayStation Vita, given it is licensed to develop and publish product on those hardware platforms.

Apple iOS: Soul and Vibe is an active developer/publisher within Apple's network and has a live company profile within the App Store marketplace. The Company currently supports the iPhone, iPad/iPad Mini, and desktop/laptop lines of Apple branded hardware through games and games-related content distributed via The App Store. It is anticipated that many of the Company's iOS platform games may connect to (and be playable on) Facebook, as well. The Company is currently evaluating support for Apple TV, the App Store for iMac desktop computer hardware, and the iPad Pro.

Android: Soul and Vibe is an active developer/publisher within Google's "Google Play" and Amazon's networks and has live company profiles within the Google and Amazon marketplaces. The Company currently supports Android mobile phones and Android 7, 9, and 10-inch tablets through games and games-related content distributed via The App Store. The Company currently supports Amazon's Kindle Fire line of products, as well. It is anticipated that many of the Company's Android platform games may connect to (and be playable on) Facebook, as well.

Windows Platform: As noted previously, in addition to its Xbox 360 PLA, Soul and Vibe has secured licensing to develop and publish games and games-related content for the Windows Phone. Soul and Vibe has a separate PLA for the Windows Phone platform. Like Xbox Live ("Live"), the Windows Phone is a "closed" and "managed" platform. There are business and strategic reasons for implementing these features and supporting the platform: Windows Phone product versions can support implementation of Microsoft's proprietary Avatar game character set and grant the user access to Live, Microsoft's online gaming service, and Marketplace through which Avatar items can be purchased. It is anticipated that many of the Company's Windows platform games may connect to (and be playable on) Facebook, as well.

Portable Consoles: Where appropriate, the Company may port products to portable consoles, such as the Nintendo 3DS and the PlayStation Vita. PlayStation Vita games can be developed as a cross-platform "companion" and/or "second screen" complement to games on the PlayStation 3 and its successor, the PlayStation 4. It is anticipated that many of the Company's Windows console titles may connect to (and be playable on) Facebook, as appropriate.

Cross-Platform Support: The Company expects to expand consumer awareness for each game franchise, promote interconnectivity between hardware platforms for our games, and amortize development and marketing expenses. Soul and Vibe can interconnect Windows-based phone and tablet versions of its games with the Xbox 360 and its successor, the Xbox One. Similarly, the Company can interconnect Apple iOS and Android device versions of its games with the PlayStation 3 and its successor, the PlayStation 4.

Marketing Strategy

Our marketing strategy focuses on direct interaction with the consumer through social media outlets including the likes of Facebook, Twitter, Instagram, direct-to-consumer advertisements on social networks, hardware platform specific cross-promotional partnerships, and a robust user community built around our products through www.soulandvibe.com. The Company believes that a key to building product and brand awareness is to leverage an array of social networks that includes, but is not limited to, Facebook, Twitter, Pinterest, Instagram, and YouTube. By providing our customers with the means to generate an automatic “status” update post to their user profile, and for their “Friends” to see that customer’s status updates and respond, Soul and Vibe expects to realize the benefit of viral product promotion. Consumer interest is expected to be generated, and the Company hopes that sales will be generated, at minimal cost to the Company. Most of the Company’s catalogue of mobile products currently connect to (and are playable on) social media platforms such as Facebook. All of the Company’s publishing labels, such as Soul and Vibe Interactive, Soul and Vibe Music, and Soul and Vibe Books, as well as all company published products released/revealed through December 31, 2015, have official Facebook and Twitter pages. The Company publishes its iOS platform releases as “Universal Apps,” making a single transaction yield accessible product to be installed on every [applicable] Apple-branded device a user owns.

Through its anticipated support of Windows initiatives (including the Windows 10 initiatives that Microsoft continues to roll out), the Company anticipates it will be able to cross promote any/all Companion App versions of its Windows-based products to users based on the particular Windows device they use (inclusive of phones, Surface tablets, Xbox consoles, etc.) The benefits to this cross-promotional effort will include heightened consumer awareness for IP expanding content and monetized consumables for the Windows platform.

The above is subject to change, including, but not limited to, the addition of other social media outlets and social networks that may or may not be in existence as of today's date.

The cross-promotional partnerships via social media outlets and social networks are not contemplated in the Company's publisher license agreements. Support is included in the software development kits provided by our license partners and other licensed publishers have previously, and are currently, exploiting cross-promotional partnerships within social media outlets and social networks.

Sales and Distribution

To date, all of the Company's products are digitally distributed (via download/streaming) through a "First Party" distribution store (for example: Apple Inc.'s App Store, Google's Google Play, Amazon, Facebook, iTunes, Spotify, Microsoft Corporation's Marketplace, etc.) Some of our products bear licensed-brands through which there is great potential for exploitation via merchandising, cross-promotion and/or publicity tie-ins with our licensor(s), as well as within social media communities. Some of our products are based on internally generated, wholly owned intellectual properties. Some of our products (depending upon the license attached or the individual internally generated intellectual property) may or may not appeal to select regional territories of the world. The Company will continue to try to acquire "Pick Up" opportunities, games developed by external third party developers for either a flat fee or a fee and a back-end royalty. It is estimated that licensed-brand and Pick Up products may be good candidates for retail distribution.

Whenever possible, and as appropriate, it is anticipated that our video game and interactive book products, and their associated marketing and publicity assets, will be localized into E-F-I-G-S (*English, French, Italian, German, and Spanish*). As appropriate, through post release product updates, additional languages may be added, starting with Portuguese, Russian, Korean, Japanese, and Chinese. The Company does not have an internal translation staff. The Company hires third party localization firms to manage translations; the Company manages its contracted third party development partners to implement any/all localized assets.

Competition

Many companies worldwide are dedicated to developing and publishing products for the video and computer games market. We expect more companies to enter this industry. Our competitors vary in size from small companies to very large companies with dominant market shares and substantial financial resources. The Company's games will be in competition with these companies, such as Zynga, King, Supercell, Rovio, Electronic Arts, Activision, Playdom, Ubisoft, Majesco, and others. Most of our competitors have significantly greater financial, marketing and development resources than we have. As a result, we may not be able to devote adequate resources to develop, acquire or license new technologies, undertake extensive marketing campaigns, adopt aggressive pricing policies or adequately compensate our developers to the same degree as certain of our competitors. As interactive products (games) in many of our proposed markets are relatively new and rapidly evolving, our current or future competitors may compete more successfully as the industry matures. In particular, any of our competitors may offer products and services that have significant performance, price, creativity and/or other advantages over our games and technologies. These products and services may significantly affect the demand for our services. In addition, any of our current or future competitors may be acquired by, receive investments from or enter into other strategic relationships with larger, longer-established and better-financed companies and therefore obtain significantly greater financial, marketing and technology licensing and development resources than we have. If we are unable to compete effectively in our principal markets, our business, financial condition and results of operations could be materially and adversely affected.

Patents, Trademarks and Intellectual Property

Some of our products are based on internally generated intellectual property, whereas others are based on IP governed by third-party licensing agreements between the Company and licensors that allow the Company to develop and sell products using their (usually well known) intellectual properties. Nonetheless, all unique intellectual property generated by the Company including all textual, aural and graphical designs for products (whether or not under a branded license) created by Company employees or its contractors working through work-for-hire agreements executed with the Company, will be owned by the Company. To date, all music content published by Soul and Vibe Music are copyrighted assets of the Company. Each music track is an individual asset identifiable through a proprietary ISRC code. Each EP is identified by a proprietary UPC code, as well. The music content that comprises Soul and Vibe Music releases is recognized by the music identification service, Shazam.

Our policy is to require each of our employees, contracted developers, consultants and advisors to execute a confidentiality agreement upon the commencement of employment, development-publishing, work-for-hire, or consulting relationship with us. These agreements provide that all confidential information developed or made known to the individual during the term of the relationship shall be the exclusive property of the Company and shall be kept confidential and not disclosed to third parties except in specific circumstances.

We may elect, depending upon circumstances, to file for additional copyright protection or patent protection for our products. However, we have not filed for any copyrights or patents in any jurisdiction. We currently do not have registered U.S. trademarks but plan to file for trademarks when selling our products. We regard trademarks as valuable assets and intend to vigorously defend them against infringement.

Employees

As of the date of this annual report, we have one (1) employee, our Chief Executive Officer. The Company has two consultants performing the roles of Director of Operations and Quality Assurance (“QA”) Manager. The Company is currently compensating these consultants with restricted stock. It is anticipated that these two consultants will become formal employees of the Company upon receipt of appropriate financing.

The Company has assembled a Strategic Advisory Board comprised of subject matter experts from the video and computer games industry. As of December 31, 2015 the Company had seven advisory board members.

Address and Telephone Number

Our executive office is located at 6548 South Big Cottonwood Canyon Road, Suite 200 Salt Lake City, Utah, 84121, and our phone number is (763) 400-8040. Our website, www.soulandvibe.com, contains a description of our company, but such website and the information contained on our website is subject to frequent change and should not be viewed as part of this Annual Report.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves significant risks. You should carefully consider the following risks and all other information set forth in this Annual Report before deciding to invest in our common stock. If any of the events or developments described below occurs, our business, financial condition and results of operations may suffer. In that case, the value of our common stock may decline and you could lose all or part of your investment.

You should consider each of the following risk factors and any other information set forth in this Form 10-K and the other reports filed by the Company with the Securities and Exchange Commission (the “SEC”), including the Company’s financial statements and related notes, in evaluating the Company’s business and prospects. The risks and uncertainties described below are not the only ones that impact on the Company’s operations and business. Additional risks and uncertainties not presently known to the Company, or that the Company currently considers immaterial, may also impair its business or operations. If any of the following risks actually occurs, the Company’s business and financial condition, results or prospects could be harmed.

Risks Relating to Our Company

We have historically incurred significant losses and our financial situation creates doubt whether we will continue as a going concern.

During the twelve months ended December 31, 2015, the Company realized a net loss of \$2,160,946 compared with a net loss of \$2,121,633 for the year ended December 31, 2014. As of December 31, 2015, the Company had a working capital deficiency of \$2,396,130 and a shareholder’s deficit of \$1,998,993. There are no assurances that we will be able to achieve a level of revenues adequate to generate sufficient cash flow from operations or obtain additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. These conditions raise substantial doubt about our ability to continue as a going concern. If adequate working capital is not available we may be forced to discontinue operations, which would cause investors to lose their entire investment.

Our independent auditors have expressed doubt about our ability to continue as a going concern. If we do not continue as a going concern, investors will lose their entire investment.

In their report on our financial statements included in this Annual Report, our independent auditors have expressed doubt about our ability to continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of ongoing operating losses and a lack of financing commitments then in place to meet expected cash requirements. Our ability to continue as a going concern is subject to our ability to generate a profit and/or obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities, increasing sales or obtaining loans and grants from various financial institutions where possible. If we do not continue as a going concern, investors will lose their entire investment.

We have a limited operating history and face many of the risks and difficulties frequently encountered by a development stage company.

We are a company in its infancy, and to date, our development efforts have been focused primarily on the development and marketing of our business model and initial product portfolio offerings. Our operations commenced in the first quarter of 2014, however, we have limited operating history for investors to evaluate the potential of our business development. We have not built our customer base and our brand name. In addition, we also face many of the risks and difficulties inherent in gaining market share as a new company:

- Develop effective business plan;
- Meet customer standards;
- Attain customer loyalty; and
- Develop and upgrade our service.

Our future will depend on our ability to release video and computer games and entertainment apps, interactive books, and downloadable/streamable music within the market place, which requires careful planning of developing products that meets customer standards without incurring unnecessary cost and expense.

The success of our business is highly dependent on being able to predict which new videogame/hardware/distribution platforms will be successful, and on the market acceptance and timely release of those platforms. If we do not accurately predict which new videogame/hardware/distribution platforms will be successful, our financial performance will be materially adversely affected.

We expect to derive most of our revenue from the sale of products for play on videogame/hardware/distribution platforms manufactured by third parties, such as video game consoles, mobile devices, personal computers and browser-based social media platforms such as Facebook. Therefore, the success of our products is driven in large part by the success of new videogame hardware systems/distribution platforms and our ability to accurately predict which systems/platforms will be most successful in the marketplace. We must make product development decisions and commit significant resources well in advance of the anticipated introduction of a new system/platform. A new system/platform for which we are developing products may be delayed, may not succeed or may have a shorter life cycle than anticipated. If the systems/platforms for which we are developing products are not released when

anticipated or do not attain wide market acceptance, our revenue growth will suffer, we may be unable to fully recover the resources we have committed, and our financial performance will be harmed.

Technology changes rapidly in our business, and if we fail to anticipate new technologies, the quality, timeliness and competitiveness of our products will suffer.

Rapid technology changes in our industry require us to anticipate, sometimes years in advance, which technologies and/or distribution platforms our products must take advantage of in order to make them competitive in the market at the time they are released. Therefore, we usually start our product development with a range of technical development goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly than we can. In either case, our products may be technologically inferior to competitive products, or less appealing to consumers, or both. If we cannot achieve our technology goals within the original development schedule of our products, then we may delay products until these technology goals can be achieved, which may delay or reduce revenue and increase our development expenses. Alternatively, we may increase the resources employed in research and development in an attempt to accelerate our development of new technologies, either to preserve our product launch schedule or to keep up with our competition, which would increase our development expenses and adversely affect our operations and financial condition.

Our limited operating history makes it difficult to evaluate our future business prospects and to make decisions based on of our historical performance.

Although our Chief Executive Officer has been engaged in the video game industry for a significant period of time (25 years) we did not begin operations of our current business focusing on the development and publishing of games and games-related content, interactive books, and downloadable/streamable music for consoles, mobile devices, personal computers, and browser-based social media platforms until recently. We have a very limited operating history in our current form, which makes it difficult to evaluate our business on the basis of historical operations. As a consequence, it is difficult, if not impossible, to forecast our future results based upon our historical data. Reliance on our historical results may not be representative of the results we will achieve. Because of the uncertainties related to our lack of historical operations, we may be hindered in our ability to anticipate and timely adapt to increases or decreases in sales, product costs or expenses. If we make poor budgetary decisions as a result of unreliable historical data, we could be less profitable or incur losses, which may result in a decline in our stock price.

If our games fail to gain market acceptance, we may not have sufficient capital to pay our expenses and to continue to operate.

Our ultimate success will depend on generating revenues from the sale of games and games-related content (which is inclusive of virtual apparel and costumes for Avatars, premium downloadable content, and micro-transactions). As a result, if we do not generate enough users, we may be unable to generate sufficient revenues for our games and games-related content. We may not achieve and sustain market acceptance sufficient to generate revenues to cover our costs and allow us to become profitable or even continue to operate.

We must effectively manage the growth of our operations, or our company will suffer.