

Soul & Vibe Interactive Inc.  
Form S-1/A  
May 08, 2015

**As filed with the Securities and Exchange Commission on May 8, 2015**

**Registration No. 333-202102**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**PRE-EFFECTIVE AMENDMENT NO. 1 TO**

**FORM S-1**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**SOUL AND VIBE INTERACTIVE INC.**  
(Exact name of registrant as specified in its charter)

<b>Nevada</b>	<b>7372</b>	<b>38-3829642</b>
(State or jurisdiction of	(Primary Standard Industrial	(I.R.S. Employer
incorporation or organization)	Classification Code Number)	Identification No.)

**1660 South Hwy 100, Suite 500**

**St. Louis Park MN 55416**

**(763) 400-8040**

(Address, including zip code and telephone number,

including area code, of registrant's principal executive offices)

**Peter Anthony Chiodo**

**Chief Executive Officer**

**1660 South Hwy 100, Suite 500**

**St. Louis Park MN 55416**

**(763) 400-8040**

(Name including zip code and telephone number,

including area code, of agent for service)

***With copies to:***

**Richard A. Friedman, Esq.**

**Henry Nisser, Esq.**

**Sichenzia Ross Friedman Ference LLP**

**61 Broadway, 32<sup>nd</sup> Floor**

**New York, New York 10006**

**(212) 930-9700**

**Approximate date of proposed sale to the public:** From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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  Accelerated filer   
 Non-accelerated filer  Smaller reporting company   
 (Do not check if a smaller reporting company)

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee (4)
Common stock, \$0.001 par value per share	20,000,000 (3)	\$ 0.013 (2)	\$ 260,000.00	\$ 30.21

(1) Estimated pursuant to Rule 457(a) of the Securities Act of 1933, as amended (the “Securities Act”) solely for purposes of calculating the registration fee.

(2) This offering price has been estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act with respect to the shares of common stock registered hereunder, based upon the price of \$0.013, which was the average of the high and low prices for the Company’s common stock on April 29, 2015, as reported on the OTC Market Group, Inc.’s OTC QB tier.

(3) Represents shares of common stock issued or issuable by the registrant pursuant to the Common Stock Purchase Agreement between the registrant and Beaufort Capital Partners LLC, a New York limited liability company, dated February 11, 2015 (the "Purchase Agreement").

(4) Previously paid.

In accordance with Rule 416(a) under the Securities Act, the Registrant is also registering hereunder an indeterminate number of shares that may be issued and resold resulting from stock splits, stock dividends or similar transactions.

**WE HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL WE SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.**

**The information in this prospectus (this "Prospectus") is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission (the "SEC") is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED MAY 8, 2015**

**PROSPECTUS**

20,000,000 Shares of Common Stock

**SOUL AND VIBE INTERACTIVE INC.**

This prospectus relates to the offer and sale of up to 20,000,000 shares of common stock, par value \$0.001 (the “Common Stock”), of Soul and Vibe Interactive Inc., a Nevada corporation, by Beaufort Capital Partners, LLC, a New York limited liability company (“Beaufort” or the “Selling Stockholder”) identified on page 12 of this Prospectus. We are registering a total of 20,000,000 shares of Common Stock (the “Initial Commitment Shares”), which are issuable pursuant to the terms of the Purchase Agreement described in this prospectus. The resale of such shares by Beaufort pursuant to this Prospectus is referred to herein as the “Offering.” Provided that the Registration Statement of which this prospectus forms a part is declared effective by the SEC, we may sell to the Investor a presently indeterminate number of shares from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Purchase Agreement.

We are not selling any securities under this Prospectus and will not receive any of the proceeds from the sale of shares of Common Stock by the Selling Stockholder. We will, however, receive proceeds from the sale of shares directly to Beaufort pursuant to the Purchase Agreement. When we put an amount of shares to Beaufort, the per-share purchase price that Beaufort will pay to us in respect of the put will be equal to 71% of the average of the two lowest trading price of the Common Stock as reported by Bloomberg L.P. for the five (5) trading days immediately preceding the applicable draw down notice.

The Selling Stockholder is an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act. The Selling Stockholder may sell the shares of Common Stock described in this Prospectus in a number of different ways and at varying prices. See “Plan of Distribution” for more information about how the Selling Stockholder may sell the shares of Common Stock being registered pursuant to this Prospectus.

Our Common Stock is currently quoted on the OTC Market Group, Inc.’s OTC QB tier under the symbol “SOUL.” On April 29, 2015, the last reported sale price of our Common Stock was \$0.014.

**Investing in our Common Stock involves a high degree of risk. See “Risk Factors” beginning on page 5 of this Prospectus.**

**Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this Prospectus is \_\_\_\_\_, 2015.

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**You should rely only on the information contained in this Prospectus. We have not authorized anyone to provide you with information that is different from that contained in this Prospectus. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted. The information in this Prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this Prospectus or of any sale of our securities.**





## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this Prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should carefully read this entire Prospectus, including our financial statements and the documents to which we refer you. The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this registration statement on Form S-1 (this "Registration Statement").*

*Unless the context indicates or suggests otherwise, references to "we," "our," "us," the "Company," "Soul and Vibe" "Soul & Vibe," "Soul," or the "Registrant" refer to Soul and Vibe Interactive Inc., a Nevada corporation, and its wholly-owned subsidiaries, Soul and Vibe Entertainment, Inc. and Soul and Vibe Publishing, Inc.*

### Business Overview

Soul and Vibe Interactive Inc. is a video and computer games company. We develop, publish, and digitally distribute interactive entertainment for video game consoles, mobile and augmented reality/wearable tech devices, and personal computers. Since our inception, we have generated a degree of revenue. Revenue generation began in the 1<sup>st</sup> quarter of 2014 with the release of our first 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 but this package has not yet been released. It is anticipated that this third expansion package will be released during fiscal year 2015. In June 2014 the company released a second 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 Play and Amazon.com (for Android devices.)

During fiscal year 2014, the Company licensed Timeless Gems and Striker Rush: Champion Edition to Tanjarine, at the time 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 expedite service, payment, and second screen televisions. The platform provided guests with menu and entertainment options, portability that eliminates the constraints of one-tablet-per-table installations, and other innovations that help increase restaurant efficiency and average check size. Customizable for bars and restaurants, Tanjarine's catalog of entertainment offered games, music and content that targets everyone from families to sports fans to couples and more. Many of the games also enable guests to play with a friend or connect the tabletop tablets to second screen televisions located throughout a venue, creating a more interactive gaming experience.

During fiscal year 2014 the Company also continued the development of additional products that, as of the date of this Annual Report, have not been publicly announced. It is anticipated that these products will be released into the market late in the second quarter of 2015 on the following hardware platforms: Facebook, through Apple's App Store (for iPhone, iPad, and iPod Touch mobile devices), through Google Play and Amazon.com (for Android devices), and on the Windows Mobile Platform with anticipated support for Xbox Live, as a feature set.

These aforementioned releases 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 product for a variety of hardware platforms: video game consoles (for example: Xbox 360 and PlayStation 3), mobile (for example: Apple iOS, Android devices, and Windows Phones), augmented reality/wearable tech devices (for example: HTC Vive, Vuzix-branded hardware, and Oculus Rift), and personal computers (for example: PC and Mac and browser applications such as Facebook). Our products are also anticipated to be released on portable video game consoles (for example: PlayStation Vita), which can be defined as residing in both the video game console and mobile hardware platform categories. Products will be designed for specific hardware platforms; not all products will be 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, 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, internally-generated intellectual property ("IP") based games, and so-called "Pick-Ups." Pick-ups are games developed (and financed) by independent software developers located throughout the world. Oftentimes, these independent software 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 games created by these independent software 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 games. This allows the Company to establish a recurring release calendar that: (i) 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 2015 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, 2014, the Company realized a net loss of \$2,121,633 compared with a net loss of \$2,270,453 for year ended December 31, 2013. As of December 31, 2014, the Company had a working capital deficiency of \$1,629,760 and a shareholder's deficit of \$1,238,127.

### **Common Stock Purchase Agreement with Beaufort**

On February 11, 2015, we entered into the Purchase Agreement with Beaufort. The Purchase Agreement provides that, upon the terms and subject to the conditions in the Purchase Agreement, Beaufort is committed to purchase up to \$2,000,000 of shares of Common Stock over the 36-month term of the Purchase Agreement, which we refer to as the Total Commitment and the number of shares issuable thereunder as the Total Commitment Shares, as such number shall be reduced as Draw Downs are made.

From time to time over the 36-month term of the Purchase Agreement, commencing on the trading day immediately following the date on which the Registration Statement of which this Prospectus is a part is declared effective by the SEC, we may, in our sole discretion, provide Beaufort with a draw down notice (each, a "Draw Down Notice"), to purchase a specified number of the Total Commitment Shares (such number, the "Commitment Shares"), representing the Total Commitment divided by the per share purchase price, as described below (each, a "Draw Down Amount Requested"), subject to the limitations discussed below. The actual amount of proceeds we receive pursuant to each Draw Down Notice (each, a "Draw Down Amount") is to be determined by multiplying the Draw Down Amount Requested by the applicable purchase price. The purchase price of each Commitment Share equals 71% of the Market Price (as defined below) during the five consecutive trading days immediately preceding the date of the applicable Draw Down Notice. The "Market Price" is the average of the lowest trading prices of the Common Stock as reported by Bloomberg L.P. in the five (5) trading day period immediately preceding the date of the applicable Draw Down Notice.

If the Company were to draw down on the entire \$2,000,000, then the Company would have to issue approximately 140,845,070 shares of common stock based upon an assumed purchase price under the Purchase Agreement of \$0.0142 (equal to 71% of the closing price of our common stock of \$0.02 on February 11, 2015), representing approximately 77.5% of the outstanding common stock of the Company at the time the Company advances the maximum investment amount of \$2,000,000 of shares of common stock.

The current registration statement covers 20,000,000 shares of our Common Stock under the Purchase Agreement that would raise \$260,000 assuming our Common Stock's closing bid price remains unchanged from its price as of February 11, 2015. In the event the price of our common stock price decreases, we may receive substantially less than \$260,000. In that case, the Company may have to prepare and file one or more additional registration statements registering the resale of these shares if this registration statement is unable to cover the remaining amount of shares. These subsequent registration statements may be subject to review and comment by the staff of the SEC, and will require the consent of our independent registered public accounting firm.

The maximum number of Commitment Shares requested to be purchased pursuant to any single Draw Down Notice cannot exceed the lesser of (i) 300% of the average daily share volume of the Common Stock in the five (5) trading days immediately preceding the Draw Down Notice, (ii) such number of shares as shall cause Beaufort to acquire or purchase an aggregate number of shares of common stock that would result in Beaufort beneficially owning more than 4.99% of the issued and outstanding shares of common stock, or (iii) the aggregate offering price or number of shares of Common Stock available for issuance under a registration statement (the "Maximum Draw Down Amount Requested").

In order to deliver a Draw Down Notice, certain conditions set forth in the Purchase Agreement must be met. In addition, we are prohibited from delivering a Draw Down Notice if: (i) the Draw Down Amount Requested in such Draw Down Notice exceeds the Maximum Draw Down Amount Requested; (ii) the sale of Commitment Shares pursuant to such Draw Down Notice would cause us to issue and sell to Beaufort or Beaufort to acquire or purchase a number of shares of Common Stock that, when aggregated with all shares of common stock purchased by Beaufort pursuant to all prior Draw Down Notices issued under the Purchase Agreement, would exceed the Total Commitment; or (iii) the sale of the Commitment Shares pursuant to the Draw Down Notice would cause us to issue and sell to Beaufort or Beaufort to acquire or purchase an aggregate number of shares of common stock that would result in Beaufort beneficially owning more than 4.99% of the issued and outstanding shares of common stock.

The Purchase Agreement contains customary representations, warranties, and covenants by, among, and for the benefit of the parties. Unless earlier terminated, the Purchase Agreement will terminate automatically on the earlier to occur of: (i) the first day of the month next following the 36-month anniversary of the date on which the Registration Statement of which this Prospectus is a part becomes effective and (ii) the date on which Beaufort has purchased or acquired shares of our common stock pursuant to the Purchase Agreement equal to the Total Commitment. Under certain circumstances set forth in the Purchase Agreement, we and Beaufort each may terminate the Purchase Agreement on one trading day's prior written notice to the other, without fee, penalty, or cost. However, if we terminate the Purchase Agreement (i) after having drawn down no less than \$500,000 in Commitment Shares, we must issue to the Investor 1,000,000 shares of our restricted common stock, and (ii) without having drawn down at least \$500,000 in Commitment Shares, we must issue to the Investor 7,000,000 shares of our restricted common stock.

The Purchase Agreement provides that Beaufort may terminate it if, in general: (i) a Material Adverse Effect (as defined in the Purchase Agreement) has occurred and is continuing; (ii) this registration statement has not been declared effective within six (6) months of February 11, 2015, or we have materially breached the registration rights agreement; (iii) subject to certain circumstances, if the registration statement is unavailable to Beaufort for the resale of all of the common stock registered thereby, other than due to acts of Beaufort; (iv) trading in the common stock on the trading market for our shares shall have been suspended or delisted for more than an aggregate of 60 business days in any single year; (v) we have filed for and/or are subject to any bankruptcy or similar proceedings or (vi) we have materially breached the Purchase Agreement, provided, however, that in the case of each of (i) and (iv) above, each such event has occurred because of a failure on the Company's part. In lieu of terminating the Purchase Agreement, however, Beaufort will also have the ability to decline any Draw Down Notice delivered to it during the pendency of any event described immediately above. The Company cannot predict what Beaufort would do or not do should a Material Adverse Effect occur.

The Purchase Agreement also provides for our indemnification of Beaufort and its affiliates in the event that Beaufort incurs losses, liabilities, obligations, claims, contingencies, damages, costs, and expenses related to a breach by us of any of our representations, warranties, covenants, or agreements under the Purchase Agreement or the other related transaction documents or any action, suit, claim, or proceeding instituted against Beaufort or its affiliates due to the transactions contemplated by the Purchase Agreement or other transaction documents, subject to certain limitations.

Beaufort may not transfer its obligations under the Purchase Agreement.

In making sales of our Common Stock to Beaufort under the Purchase Agreement, we are relying on an exemption from the registration requirements of Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. The Initial Commitment Shares only, but no remaining Total Commitment Shares, are being registered for resale in the Registration Statement of which this Prospectus is a part. In addition, the Purchase Agreement limits the percentage of beneficial ownership of our Common Stock by Beaufort at any given time. Any shares of Common Stock remaining unissued to Beaufort at the expiration of the Purchase Agreement will be removed from registration and will not be offered for sale under this Prospectus.

*Registration Rights*

In connection with the entry into of the Purchase Agreement, we also entered into a Registration Rights Agreement, dated February 11, 2015, with Beaufort (the "Registration Rights Agreement"), pursuant to which we agreed to register for resale all of the Commitment Shares in a registration statement to be filed with the SEC. Pursuant to the Registration Rights Agreement, we filed with the SEC a registration statement that includes this Prospectus to register for resale under the Securities Act of the 20,000,000 Initial Commitment Shares that may be issued to Beaufort. The effectiveness of the Registration Statement is a condition precedent to our ability to sell any Commitment Shares to Beaufort under the Purchase Agreement.

The Company has agreed to pledge 7,000,000 shares of its restricted common stock to Beaufort, which shares are being held in escrow, 6,000,000 of which will be returned to the Company upon the effectiveness of the Registration Statement of which the Prospectus forms a part, and 1,000,000 of which will be returned to the Company upon an aggregate of \$500,000 of Draw Down Amounts. In the event that such Registration Statement is not declared effective by the Commission within 180 days of the date of the initial filing of said Registration Statement, such shares will be released to Beaufort.

We agreed to file with the SEC one or more additional registration statements to cover all of the securities required to be registered under the Registration Rights Agreement that are not covered by this Prospectus, in each case, as soon as practicable, but in no event later than the applicable filing deadline for such additional registration statement as provided in the Registration Rights Agreement.

*Use of Proceeds*

We intend to use the proceeds, if any, received from the sale of Commitment Shares to Beaufort pursuant to the Purchase Agreement to execute our growth strategy, to aid in the commercial development of video and computer games and entertainment apps, and for general corporate purposes.

We anticipate requiring additional capital for product development, marketing and publicity for our developed products, and general corporate purposes. This amount is in addition to any proceeds we may receive if and when we put Commitment Shares to Beaufort. We cannot provide any assurance that we will be able to draw down any or all of the Total Commitment, such that the proceeds received would be a source of financing for any of the subsidiaries. We will not receive any proceeds from the sale of Commitment Shares by Beaufort.

We intend to raise additional capital through equity and debt financing as needed, though there cannot be any assurance that such funds will be available to us on acceptable terms, on an acceptable schedule, or at all.

### **Corporate Information**

Our executive office is located at 1660 South Hwy 100, Suite 500, St. Louis Park MN 55416. Our telephone number is (763) 400-8040. We maintain a corporate website at [www.soulandvibe.com](http://www.soulandvibe.com), but such website and the information contained on our website, should not be viewed as part of this Prospectus.

### **Transfer Agent**

The transfer agent for our Common Stock is Island Stock Transfer at 15500 Roosevelt Blvd., Suite 301, Clearwater, Florida, 33760. The transfer agent's telephone number is (727) 289-0010.

### **The Offering**

Securities offered by the Selling Stockholder	20,000,000 shares of Common Stock
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Common Stock outstanding before this offering	60,858,664 shares (1)
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Common Stock outstanding after this offering	80,858,664 shares (1)
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Use of proceeds	We will not receive any of the proceeds from the sale of the securities owned by the Selling Stockholder. However, we may receive proceeds from the sale of Commitment Shares to the
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Selling Stockholder. We cannot provide any assurance that we will be able to draw down any or all of the Total Commitment. We intend to use the proceeds, if any, from the sale of Commitment Shares pursuant to the Purchase Agreement to execute our growth strategy, to aid in the commercial development of video and computer games and entertainment apps, and for general corporate purposes as more fully discussed in this Prospectus. There is no assurance that any of the Commitment Shares will be sold, if at all. See “Use of Proceeds” beginning on page 11.

Risk factors      An investment in our securities involves a high degree of risk and could result in a loss of your entire investment. Prior to making an investment decision, you should carefully consider all of the information in this Prospectus and, in particular, you should evaluate the risk factors set forth under the caption “Risk Factors” beginning on page 5.

Symbol on the  
OTC QB      SOUL

Does not include: (i) 75,688,560 shares of Common Stock issuable upon the conversion of all our currently (1) outstanding convertible promissory notes and (ii) 5,760,002 shares of Common Stock issuable upon the exercise of all of our outstanding warrants.



## RISK FACTORS

*An investment in our securities is subject to numerous risks, including the risk factors described below. You should carefully consider the risks, uncertainties and other factors described below, in addition to the other information set forth in this Prospectus, before making an investment decision with regard to our securities. Any of these risks, uncertainties and other factors could materially and adversely affect our business, financial condition, results of operations, cash flows or prospects. In that case, the trading price of our Common Stock could decline, and you may lose all or part of your investment. See also "Cautionary Note Regarding Forward-Looking Statements."*

## 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, 2014, the Company realized a net loss of \$2,121,633 compared with a net loss of \$2,270,453 for the year ended December 31, 2013. As of December 31, 2014, the Company had a working capital deficiency of \$1,629,760 and a shareholder's deficit of \$1,238,127. 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 prospectus, 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 an early 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 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 platforms will be successful, and on the market acceptance and timely release of those platforms. If we do not accurately predict which new videogame 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 platforms manufactured by third parties, such as video game consoles, mobile devices, personal computers and browser-based distribution 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 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, we did not begin operations of our current business focusing on the development and publishing of games and games-related content for console, mobile devices, and personal computers 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.**

Our ability to successfully implement our business plan requires an effective planning and management process. If funding is available, we may elect to increase the scope of our operations and acquire complimentary businesses. Implementing our business plan will require significant additional funding and resources. If we grow our operations,

we will need to hire additional employees and make significant capital investments. If we grow our operations, it will place a significant strain on our existing management and resources. If we grow, we will need to improve our financial and managerial controls and reporting systems and procedures, and we will need to expand, train and manage our workforce. Any failure to manage any of the foregoing areas efficiently and effectively would cause our business to suffer.

**Our business is both seasonal and cyclical. If we fail to deliver our products at the right times, our sales will suffer.**

Our business is highly seasonal, with the highest levels of consumer demand, and a significant percentage of our revenue, occurring in the month of December. If we miss this key selling period, due to product delays or delayed introduction of a new hardware platform for which we have developed products, our sales will suffer disproportionately. Our industry is also cyclical. Videogame platforms have historically had a life cycle of approximately four to eight years. As one group of platforms is reaching the end of its cycle and new platforms are emerging, consumers often defer game software purchases until the new platforms are available, causing sales to decline. This decline may not be immediately offset by increased sales of products for the new platform as the installed base of the new platform needs adequate time to grow. If we fail to deliver our products at the right times, our sales will suffer.

**Our results of operations may fluctuate from quarter to quarter, which could affect our business, financial condition and results of operations.**

Our results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond our control. These factors include, but are not limited to,

- the availability of consumer returns in the marketplace (for products distributed at retail);
- the volume of physical product trade-ins provided by consumers to our retail partners; and
- consumer spending patterns through online distribution systems and/or with our retail partners (based on the individual product.)

These, as well as other factors, could affect our business, financial condition and results of operations, and this makes the prediction of our financial results on a quarterly basis difficult. Also, it is possible that our quarterly financial results may be below the expectations of public market analysts.

**We are heavily dependent on our senior management, and a loss of a member of our senior management team could cause our stock price to suffer.**

If we lose the services of Peter Anthony Chiodo, our sole director and Chief Executive Officer and certain key employees, we may not be able to find appropriate replacements on a timely basis, and our business could be adversely affected. Our existing operations and continued future development depend to a significant extent upon the performance and active participation of Mr. Chiodo and certain key employees. Although we entered into an employment agreement with Mr. Chiodo in January 2015 and although we may enter into employment agreements with additional key employees in the future, we cannot guarantee that we will be successful in retaining the services of these individuals. If we were to lose any of these individuals, we may not be able to find appropriate replacements on a timely basis and our financial condition and results of operations could be materially adversely affected.

**We may be unable to maintain an effective system of internal control over financial reporting, and as a result we may be unable to accurately report our financial results.**

Our reporting obligations as a public company place a significant strain on our management, operational and financial resources and systems. We do not at the moment have a chief financial officer, a chief accounting officer, or any employee with a financial or accounting background, though we are actively conducting a search for such an individual. At present, we would be unable to conclude that we maintain an effective system of internal control over financial reporting. If we fail to maintain an effective system of internal control over financial reporting, we could experience delays or inaccuracies in our reporting of financial information, or non-compliance with the Commission, reporting and other regulatory requirements. This could subject us to regulatory scrutiny and result in a loss of public confidence in our management, which could, among other things, cause our stock price to drop.

## **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**We operate in a highly competitive industry and compete against many large companies that could harm our business.**

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 King, Supercell, Rovio, Zynga, 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.

**Unexpected network interruptions, security breaches or computer virus attacks could harm our business.**

The Company may be required to develop and maintain a substantial computer network infrastructure in order to protect our games, intellectual properties, and proprietary technologies. Any failure to maintain satisfactory performance, reliability, security and availability of such network infrastructure, whether maintained by us or by third parties, may cause significant harm to our ability to attract and maintain customers and/or users for our services. Major risks relating to any such future network infrastructure include:

• Any breakdowns or system failures, including from fire, flood, earthquake, typhoon or other natural disasters, power loss or telecommunications failure, resulting in a sustained shutdown of all or a material portion of our servers; and

• Any security breach caused by hacking, loss or corruption of data or malfunctions of software, hardware or other computer equipment, and the inadvertent transmission of computer viruses.

Any of the foregoing factors could reduce a future users' satisfaction, harm our business and reputation, have a material adverse effect on our financial condition and results of operations and result in the loss of an investor's entire investment.

**We rely upon third parties to provide web and email hosting, networking and distribution for our games, and disruption in these services could harm our business.**

We will utilize third party networking providers and distribution partnerships through companies including, but not limited to, Sony Computer Entertainment, Apple, Google, Amazon, and Microsoft, to network and distribute our games and other proprietary technologies. In addition, we utilize a third party web hosting service for our company website and email communications. If disruptions or capacity constraints occur, the Company may have no means of replacing these services, on a timely basis or at all. This could cause a material adverse condition for our operations and financial earnings.

**Our lack of patent and/or copyright or trademark protection and any unauthorized use of the games by third parties may harm our business.**

We have not filed, as of the date hereof, for patent and/or copyright protection for our games, planned proprietary technologies and/or planned products. Presently we intend to rely on trade secret protection and/or confidentiality agreements with our key technology support personnel, customers, business partners and others to protect our intellectual property rights. Once any of our games or products is developed and ready to be marketed, we intend to file for trademark protection of that game's or product's name or other distinguishing mark, but we have yet not done so. Despite certain precautions taken by us, it may be possible for third parties to obtain and use our intellectual property without authorization. This risk may be increased due to the lack of any patent, trademark and/or copyright protection. If any of our proprietary rights are misappropriated or we are forced to defend our intellectual property rights, we will have to incur substantial costs. Such litigation could result in substantial costs and diversion of our resources, including diverting the time and effort of our senior management, and could disrupt our business, as well as have a material adverse effect on our business, prospects, financial condition and results of operations. Management will from time to time determine whether applying for patent, trademark and copyright protection is appropriate for us. We have no guarantee that, if filed, any applications will be granted or, if awarded, whether they will offer us any meaningful protection from other companies in our business. Furthermore, any patents, trademarks or copyrights that we may be granted may be held by a court to infringe on the intellectual property rights of others and subject us to awards for damages.

**We may be subject to claims with respect to the infringement of intellectual property rights of others, which could result in substantial costs and diversion of our financial and management resources to defend such claims and/or lawsuits against us and could harm our business.**

We cannot be certain that our games and proprietary technologies will not infringe upon patents, trademarks, copyrights or other intellectual property rights held by third parties. While we know of no basis for any claims of this type, the existence of and ownership of intellectual property can be difficult to verify and we have not made an exhaustive search of all patent filings. Additionally, most patent applications are kept confidential for twelve to eighteen months, or longer, and we would not be able to be aware of potentially conflicting claims that they make. We may become subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, and we may incur licensing fees or be forced to develop alternative technology or obtain other licenses. In addition, we may incur substantial expenses in defending against these third party infringement claims and be diverted from devoting time to our business and operational issues, regardless of the merits of any such claim. Successful infringement or licensing claims against us may result in substantial monetary damages, which may materially disrupt the conduct of our business and have a material adverse effect on our reputation, business, financial condition and results of operations.

**Our ability to obtain favorable terms from our suppliers may impact our financial results.**

Our financial results depend significantly upon the business terms we can obtain from our suppliers, primarily competitive prices and consistent availability. Because substantially all of our purchases are already cash in advance we do not have risk associated with loss of favorable payment terms.

**If the products that we offer do not reflect our customers' tastes and preferences, we may never be able to develop revenues or profits.**

Our success depends in part on our ability to offer products and services that reflect consumers' tastes and preferences. Consumers' tastes are subject to frequent, significant and sometimes unpredictable changes. If the physical merchandise we offer for sale fails to satisfy customers' tastes or respond to changes in customer preferences, our sales could suffer and we could be required to mark down unsold inventory (for retail distributed products). If the digitally distributed merchandise we offer gratis (using a "freemium model") or for purchase (using a "premium" model) fails to satisfy customers' tastes or respond to changes in customer preferences, our downloads and monetized content conversion rates could suffer. The two (2) aforementioned scenarios could depress our profit margins. In addition, any failure to offer products and services in line with customers' preferences could allow competitors to gain market share, which could harm our business, results of operations and financial condition.

**Our sales and profitability may be affected by changes in economic, business and industry conditions.**

If the economic climate in the United States or abroad deteriorates, customers or potential customers could reduce or delay their technology and entertainment investments. Reduced or delayed technology and entertainment investments could decrease our sales and profitability. In this environment, our customers may experience financial difficulty, cease operations and fail to budget or reduce budgets for the purchase of our products and professional services. This may lead to longer sales cycles, delays in purchase decisions, payment and collection, and can also result in downward price pressures, causing our sales and profitability to decline. In addition, general economic uncertainty and general declines in capital spending in the information technology sector make it difficult to predict changes in the purchasing requirements of our customers and the markets we serve. There are many other factors which could affect our business, including:



- the introduction and market acceptance of new technologies, products and services;
- new competitors and new forms of competition;
- the size and timing of customer orders (for retail distributed physical product);
- the size and timing of capital expenditures by our customers;
- adverse changes in the credit quality of our customers and suppliers;
- changes in the pricing policies of, or the introduction of, new products and services by us or our competitors;
- changes in the terms of our contracts with our customers or suppliers;
- the availability of products from our suppliers; and
- variations in product costs and the mix of products sold.

These trends and factors could adversely affect our business, profitability and financial condition and diminish our ability to achieve our strategic objectives.

## **RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES**

### **There is a limited market for our common stock, which may make it more difficult to dispose of your stock.**

Our common stock is currently quoted on the OTC QB under the symbol “SOUL.” There is a limited trading market for our common stock. Accordingly, there can be no assurance as to the liquidity of any markets that may develop for our common stock, the ability of holders of our common stock to sell shares of our common stock, or the prices at which holders may be able to sell their common stock.

### **Because our principal stockholder controls a significant number of shares of our common stock, he has effective control over actions requiring stockholder approval.**

Our Chief Executive Officer and principal stockholder beneficially owns more than 50% of our outstanding shares of common stock. Accordingly, he has the ability to control the Company and the outcome of issues submitted to our stockholders.

### **We expect to experience volatility in the price of our Common Stock, which could negatively affect stockholders’ investments.**

The trading price of our Common Stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with securities traded in those markets. Broad market and industry factors may seriously affect the market price of companies’ stock, including ours, regardless of actual operating performance. All of these factors could adversely affect your ability to sell your shares of Common Stock or, if you are able to sell your shares, to sell your shares at a price that you determine to be fair or favorable.

**The relative lack of public company experience of our management team could adversely impact our ability to comply with the reporting requirements of U.S. securities laws.**

Our management team lacks public company experience, which could impair our ability to comply with legal and regulatory requirements such as those imposed by the Sarbanes-Oxley Act of 2002. Our senior management has little experience in managing a publicly traded company. Such responsibilities include complying with federal securities laws and making required disclosures on a timely basis. Our senior management may not be able to implement programs and policies in an effective and timely manner that adequately respond to such increased legal, regulatory compliance and reporting requirements, including the establishing and maintaining of internal controls over financial reporting. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our ability to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which is necessary to maintain our public company status. If we were to fail to fulfill those obligations, our ability to continue as a U.S. public company would be in jeopardy, we could be subject to the imposition of fines and penalties and our management would have to divert resources from attending to our business plan.

**Our Common Stock is categorized as “penny stock,” which may make it more difficult for investors to sell their shares of Common Stock due to suitability requirements.**

Our Common Stock is categorized as “penny stock”. The SEC has adopted Rule 15g-9 which generally defines “penny stock” to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. The price of our Common Stock is significantly less than \$5.00 per share, and is therefore considered “penny stock.” This designation imposes additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer buying our securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities given the increased risks generally inherent in penny stocks. These rules may restrict the ability and/or willingness of brokers or dealers to buy or sell our Common Stock, either directly or on behalf of their clients, may discourage potential stockholders from purchasing our Common Stock, or may adversely affect the ability of stockholders to sell their shares.

**Financial Industry Regulatory Authority, Inc. (“FINRA”) sales practice requirements may also limit a stockholder’s ability to buy and sell our Common Stock, which could depress the price of our Common Stock.**

In addition to the “penny stock” rules described above, the FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that the investment is suitable for that customer before recommending an investment to a customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may limit your ability to buy and sell our shares of Common Stock, have an adverse effect on the market for our shares of Common Stock, and thereby depress our price per share of Common Stock.

**The elimination of monetary liability against our directors, officers and employees under Nevada law and the existence of indemnification rights for or obligations to our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.**

Our Articles of Incorporation contain a provision permitting us to eliminate the personal liability of our directors to us and our stockholders for damages for the breach of a fiduciary duty as a director or officer to the extent provided by Nevada law. We may also have contractual indemnification obligations under any future employment agreements with our officers. The foregoing indemnification obligations could result in us incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and the resulting costs may also discourage us from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit us and our stockholders.

**Beaufort may sell a large number of shares, resulting in substantial diminution to the value of shares held by existing stockholders.**

We are prohibited, from delivering a Draw Down Notice to Beaufort to the extent that the issuance of shares would cause Beaufort to beneficially own more than 4.99% of our then-outstanding Common Stock. These restrictions however, do not prevent Beaufort from selling shares of Common Stock received in connection with a draw down, and then receiving additional shares of Common Stock in connection with a subsequent draw down. In this way, Beaufort could sell more than 4.99% of the outstanding Common Stock in a relatively short time frame while never holding more than 4.99% at any one time. As a result, existing stockholders and new investors could experience substantial diminution in the value of their shares of Common Stock. In addition, please see the risk factor entitled “*We may not have access to the full amount under, or be able to benefit from, the Purchase Agreement.*”

**We may issue additional shares of Common Stock or preferred stock in the future, which could cause significant dilution to all stockholders.**

Our Articles of Incorporation authorize the issuance of up to 300,000,000 shares of Common Stock and 10,000,000 shares of preferred stock, with a par value of \$0.001 per share. As of April 29, 2015, we had 60,858,664 shares of Common Stock and 130,000 shares of Series B Preferred Stock outstanding; however, we may issue additional shares of Common Stock or preferred stock in the future in connection with a financing, whether or not in connection with the Purchase Agreement, or an acquisition. Such issuances may not require the approval of our stockholders. In addition, certain of our outstanding rights to purchase additional shares of Common Stock or securities convertible into our Common Stock are subject to full-ratchet anti-dilution protection, which could result in the right to purchase significantly more shares of Common Stock being issued or a reduction in the purchase price for any such shares or both. Any issuance of additional shares of our Common Stock, or equity securities convertible into our Common Stock, including but not limited to, preferred stock, warrants and options, will dilute the percentage ownership interest of all stockholders, may dilute the book value per share of our Common Stock, and may negatively impact the market price of our Common Stock.

**Anti-takeover effects of certain provisions of Nevada state law hinder a potential takeover of us.**

Certain provisions of the Nevada Revised Statutes have anti-takeover effects and may inhibit a non-negotiated merger or other business combination. These provisions are intended to encourage any person interested in acquiring us to negotiate with, and to obtain the approval of, our board of directors in connection with such a transaction. However, certain of these provisions may discourage a future acquisition of us, including an acquisition in which the stockholders might otherwise receive a premium for their shares. As a result, stockholders who might desire to participate in such a transaction may not have the opportunity to do so.

**Because we do not intend to pay any cash dividends on our Common Stock, our stockholders will not be able to receive a return on their shares unless they sell them.**

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our Common Stock in the foreseeable future. Declaring and paying future dividends, if any, will be determined by our Board, based upon earnings, financial condition, capital resources, capital requirements, restrictions in our Articles of Incorporation, contractual restrictions, and such other factors as our Board deems relevant. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them. There is no assurance that stockholders will be able to sell shares when desired.

## **RISKS RELATED TO THE PURCHASE AGREEMENT**

**Beaufort will pay less than the then-prevailing market price of our common stock, which could cause the price of our common stock to decline.**

Our common stock to be issued under the Purchase Agreement will be purchased at a twenty nine percent (29%) discount or 71% of the average of the two (2) lowest closing prices during the five (5) trading days immediately before our delivery of our Draw Down Notice to Beaufort of our election to exercise our "put" right.

Beaufort has a financial incentive to sell our shares immediately upon receiving the shares to realize the profit between the discounted price and the market price. If Beaufort sells our shares, the price of our common stock may decrease. If our stock price decreases, Beaufort may have a further incentive to sell such shares. Accordingly, the discounted sales price in the Purchase Agreement may cause the price of our common stock to decline.

**We are registering 20,000,000 shares of common stock to be issued under the Purchase Agreement. The sale of such shares could depress the market price of our common stock.**

We are registering an aggregate of 20,000,000 shares of common stock under the registration statement of which this prospectus forms a part for sale by the Selling Shareholder. The sale of these shares into the public market by Beaufort could depress the market price of our common stock.

**We may not have access to the full amount under, or be able to benefit from, the Purchase Agreement.**

For the five consecutive trading days prior to April 29, 2015 the two lowest closing price of our common stock were \$0.01 and \$0.011. There is no assurance that the market price of our common stock will increase or remain the same substantially in the near future. The entire commitment under the Purchase Agreement is \$2,000,000. The aggregate number of shares of common stock necessary to raise the entire \$2,000,000 at 71% of the average of \$0.01 and \$0.011 per share (or approximately \$0.007455) is approximately 268,276,325, a number considerably in excess of our presently authorized and unreserved shares. The shares required if the market sto