

Sky440, Inc.
300 Spectrum Center Drive, Suite 400
Irvine, California 92618

ANNUAL REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2015 and DECEMBER 31, 2014

Filed February 16, 2016



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Summary Report
As of December 31, 2015

Contents

1) Name of the Issuer and its Predecessors During the Past Five Years 3
2) Address of the Issuer's Principal Executive Offices 3
3) Security Information 3
4) Issuance History 5
5) Financial Statements 6
6) Describe the Issuer's Business, Products and Services 6
A. Description of the Issuer's Business Operations 6
Principal Products or Services and their Markets 7
The PD Division 7
Industry Overview 7
On Line Marketing 8
Mobile 9
Television and Radio 9
Magazines and Newspapers 9
Out-of-Home Direct Marketing, Direct Selling and Couponing 10
Telemarketing 10
Direct Mail 10
Integration of Sky440 Products Electronic Components and Sky440 IT Distribution 10
Entertainment 11
Film, Television and Digital Media Development 11
Music Development 11
The MD Division 11
Industry Overview 11
Ancillary Products and Services 13

Information Portals and Other Internet-Based Services 14
Real Property 14
Commercial Real Estate for Office Leasing 15
Equipment Leasing 15
International 15
Selected Regulatory and Other Issues to Consider 15
The Cole Memo 15
The Proposed Compassionate Access, Research Expansion, and Respect States Act (the "CARERS Act") 16
Section 280E of the Federal Tax Code 16
FinCEN 17
Competition 17
Competitive Focus 18
Risk Factors 18
General Business Risk Factors 18
Real Estate Risk Factors 22
Information Technology, Direct Marketing and Intellectual Property Risk Factors 23
Entertainment Industry Risks 24
Cannabis Industry Risk Factors 27
Public Company Risk Factors including those specifically related to "Penny Stocks" 30
B. Date and State (or Jurisdiction) of Incorporation 33
C. The Issuer's Primary and Secondary SIC Codes 33
D. The Issuer's Fiscal Year End Date 33
E. Principal Products or Services, and their Markets 33
7) Describe the Issuer's Facilities 33
8) Officers, Directors, and Control Persons 33
9) Third Party Providers 34
10) Issuer Certification 35

1) Name of the Issuer and its Predecessors during the Past Five Years

Sky440, Inc. ("Sky440," the "Company" or the "Issuer"). There are no predecessors during the past five years.

2) Address of the Issuer's Principal Executive Offices

Company Headquarters

Address 1	300 Spectrum Center Drive
Address 2	Suite 400
Address 3	Irvine, CA 92618
Phone	855-759-7593
Email	bob@sky440.com
Website(s)	www.sky440.com

IR Contact

Address 1	300 Spectrum Center Drive
Address 2	Suite 400
Address 3	Irvine, CA 92618
Phone	855-759-7593
Email	info@sky440.com
Website(s)	www.sky440.com

3) Security Information

Trading Symbol	SKYF	
Exact Title and Class of Securities Outstanding	Common Stock	
CUSIP	83082Y102	
CIK	0001661264	
Par or Stated Value	$.0001	
Total Common Shares Authorized	6,950,000,000	as of 12/31/15
Total Common Shares Outstanding	3,267,922,087	as of 12/31/15
Total Common Shares Restricted	544,782,037	as of 12/31/15
Total Common Shares Non-Restricted	2,723,140,050	as of 12/31/15
Total Common Shares in Float (CEDE)	1,050,148,955	as of 12/31/15

Additional Class of Securities (if necessary):

Trading Symbol	Not Traded	
Exact Title and Class of Securities Outstanding:	Preferred Stock Class A	
CUSIP:	N/A	
Par or Stated Value	$.001	
Total Shares Authorized	10,000,000	as of 12/31/15
Total Shares Outstanding	6,800,000	as of 12/31/15

Additional Class of Securities (if necessary):

Trading Symbol	Not Traded	
Exact Title and Class of Securities Outstanding	Preferred Stock Class B	
CUSIP	N/A	
Par or Stated Value	$.001	
Total Shares Authorized	10,000,000	as of 12/31/15
Total Shares Outstanding	5,100,000	as of 12/31/15

Total Preferred Authorized: 50,000,000

Transfer Agent

First American Transfer Company
4747 N. 7th Street, Suite 170
Phoenix, AZ 85014
Telephone: 602-485-1346
Fax: 602-759-5518
Web: www.firstamericanstock.com

Is the Transfer Agent registered under the Exchange Act? Yes: X No: ☐

List any Restrictions on the Transfer of Security:

None, except as required by the Federal Securities Laws.

Describe any Trading Suspension Orders Issued by the SEC in the Past 12 Months:

None

List any Stock Split, Stock Dividend, Recapitalization, Merger, Acquisition, Spin-Off, or Reorganization Either Currently Anticipated or that Occurred Within the Past 12 Months:

None

4) Issuance History

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities.

The Company did not issue any shares during fiscal year 2015.

Name	Issuance Date*	Issuance Type	Shares Offered	Shares Sold	Offered (in $)	Paid (in $)	(a)	(b)	(c)	(d)	(e)	(f)**
Lost Art Pictures, Inc.	10/2/14	Common	300,000,000	300,000,000	.00005	.00005	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	4/14/14
Sammy Khalil	11/5/14	Common	250,000,000	250,000,000	.0001	.0001	4(a)(2)	Restricted	Available for Resale	144	Cash	11/3/14
SFH Capital, LLC	11/26/14	Common	100,000,000	100,000,000	.00005	.00005	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	11/26/14
SFH Capital, LLC	12/8/14	Common	150,000,000	150,000,000	.00005	.00005	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	5/20/14
John Evangelides	12/19/14	Common	200,000,000	200,000,000	.00005	.00005	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	12/19/14
Nicolas Jacobs	12/24/14	Common	150,000,000	150,000,000	.00005	.00005	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	12/18/14
Bennie Blankenship	12/24/14	Common	150,000,000	150,000,000	.00005	.00005	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	12/19/14

Legend:

a) Issuance Exemption
b) Trading Status upon Issuance
c) Current Issuance Legend Status
d) Holder Exemption
e) Consideration
f) Consideration Date

Notes:

*Actual physical certificate issuance date by transfer agent
** Date consideration for shares was paid in full

A. The Nature of Each Offering (e.g., Securities Act Rule 504, Intrastate, etc.);

Section 4(a)(2) of the Securities Act of 1933, as Amended.

B. Any Jurisdictions Where the Offering was Registered or Qualified;

N/A

C. The Number of Shares Offered;

See Table Above

D. The Number of Shares Sold:

See Table Above

E. The Price at Which the Shares Were Offered, and the Amount Actually Paid to the Issuer;

See Table Above

F. The Trading Status of the Shares; and

See Table Above

G. Whether the Certificates or Other Documents that Evidence the Shares Contain a Legend (1) Stating that the Shares Have Not Been Registered under the Securities Act and (2) Setting Forth or Referring to the Restrictions on Transferability and Sale of the Shares under the Securities Act.

See Table and Notes Above

5) Financial Statements

Financial Statements incorporated by reference and filed with OTCIQ.com as of December 31, 2015 for the prior two fiscal years of 2014 and 2015. (See "Financial Statements – Notes to Financial Statements" as filed with OTCIQ.com on February 16, 2016)

6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. Description of the Issuer's Business Operations

Sky440, Inc. is a development stage company with two divisions: (i) the Products Development Division (the "PD Division") and (ii) the Medical Marijuana Development Division (the "MD Division").

Since inception, the Company has been involved in the entertainment business, first with early forays into the music business, including the acquisition and subsequent distribution of various types of music from a wide variety of artists – most of which at the time were new artists mixed with older artists who were not in the mainstream music scene at the time – and eventually moving into the business of developing projects for film, television and digital media, working primarily behind the scenes.

These endeavors also saw the Company pursue additional opportunities in publishing and the marketing and distribution of commercial products through vehicles such as infomercials and other entertainment related outlets. While continuing to develop entertainment projects, the Company – as a result of marketing and distribution activities connected with commercial products – began to directly develop and distribute electronic components and other technology related products. These and the other activities of the Company generated over $2,000,000 in sales during the past decade.

In 2009, management decided that it needed to refocus the direction of the Company and develop a business model that would encompass the wide variety of endeavors that Sky440 had been involved in while simplifying its structure and direction. This decision would eventually lead the Company to its current two-division structure, which establishes a clear and focused direction for Sky440, encompassing its past while adjusting to the rapidly changing technological environment of today's business world.

The PD Division is planning to acquire and develop consumer-ready products and services with a focus on marketing and distribution through what is commonly known as direct marketing or direct response. The Company's initial plan is to source and develop high-quality consumer products in the beauty, skincare, fashion, entertainment, wellness and technology categories. Product development will be pursued via data analysis, market research,

creative services, digital branding, customer engagement and marketing optimization. In addition, the PD Division will incorporate the Company's entertainment activities, including product development and publishing, with an emphasis on assisting the Company in the marketing and distribution of its overall product line.

To that extent, the Company intends that the PD Division will assist the MD Division in the branding, marketing and distribution of MD Division products.

In our MD Division, our focus has been in four areas: (i) ancillary products and consulting services, (ii) information portals and other Internet-based services, (iii) real property, and (iv) international.

We are exploring potential acquisitions in the ancillary product side of the marijuana industry, including acquisition of companies that provide products or services geared towards patients and cannabis users. Furthermore, we are looking at the information technology and service side of the marijuana business. The Company is pursuing land acquisitions in the states of Washington, California, Oregon, Colorado, Arizona and Nevada. A key consideration will be discipline on price paid for such real estate assets, as recent speculation has caused significant price increases.

Given the continued legal uncertainties surrounding the establishment of a marijuana-related business that intends to comply with federal, state and local laws and regulations, we expect that our first possible acquisition will most likely be related to our PD Division.

As companies emerge, grow and consolidate in the burgeoning yet nascent marijuana business and as weaker market participants fail, we believe that there will be tremendous and continued potential to roll-up entities generating substantial revenues.

A challenge to our acquisition strategy will be the rapid change in expectations of value (both upward and downward) driven by changes in legal environment and other factors affecting market perception. We have and will continue to abandon opportunities where management believes seller expectations to be unreasonable.

Principal Products or Services and their Markets

The PD Division

Our vision is to develop, through acquisitions and in-house development, a consumer products business with a focus on direct marketing, with both domestic and international distribution. The Company's initial plan is to source and develop high-quality consumer products in the beauty, skincare, fashion, entertainment, wellness and technology categories. Product development will be pursued via data analysis, market research, creative services, digital branding, customer engagement and marketing optimization.

Industry Overview

Direct marketing (also called direct response) is designed to generate an immediate response from consumers, where each consumer response (and purchase) can be measured, and attributed to individual advertisements. This form of marketing is differentiated from other marketing approaches, primarily because there are no intermediaries such as retailers between the buyer and seller, and therefore the buyer must contact the seller directly to purchase products or services. Direct-response marketing is delivered through a wide variety of media, including television, radio, mail, print advertising, telemarketing, catalogues, and the Internet. In another word, it is multi-channel.

Direct marketing seeks to drive a specific "call to action." For example, an advertisement may ask the prospect to call a free phone number, mail in a response or order, or click on a link to a website. Direct marketing emphasizes track-able, measurable responses, results and costs from prospects and/or customers, regardless of medium. A direct response advertising campaign aims to deliver a good return on investment by showing how many potential customers responded to a clear call to action. This is in contrast to general advertising, which eschews calls for action in favor of messages that build prospects' emotional awareness or engagement with a brand.

The most critical component of direct response is that it focuses on marketing directly to the consumer, often referred to as the "end-user", in place of going through the filter of retail outlets. As a result, direct marketing focuses on the customer, data, and accountability. The results of this focus is what distinguishes direct response

from other types of marketing. It may include a database of names (prospects, customers, businesses, etc.), often with certain other relevant information such as contact number/address, demographic information, purchase habits/history, and company history. It is used to develop a target market with common interests, traits or characteristics. Generating such a database is often considered part of the direct marketing campaign. Marketing messages are addressed directly to this list of customers and/or prospects. Addressability comes in a variety of forms including email addresses, phone numbers, fax numbers, postal addresses, and even web browser cookies.

Direct marketing is attractive because its positive results can be measured directly. For example, if a marketer sends out a thousand solicitations by mail and a hundred respond to the promotion, the marketer can say with confidence that campaign led to 10% in direct responses. This metric is known as the "response rate," and it is one of many clearly quantifiable success metrics employed by direct marketers. In contrast, general advertising uses indirect measurements, such as awareness or engagement, since there is no direct response from a consumer.

Measurement of results is a fundamental element in successful direct marketing. The Internet has made it easier for marketing managers to measure the results of a campaign. This is often achieved by using a specific website landing page directly relating to the promotional material. A call to action will ask the customer to visit the landing page, and the effectiveness of the campaign can be measured by taking the number of promotional messages distributed and dividing it into the number of responses. Another way to measure the results is to compare the projected sales or generated leads for a given term with the actual sales or leads after a direct advertising campaign.

While many marketers recognize the financial benefits of increasing targeted awareness, some direct marketing efforts using particular media have been criticized for generating poor quality leads, either due to poor message strategy or because of poorly compiled demographic databases. This poses a problem for marketers and consumers alike, as advertisers do not wish to waste money on communicating with consumers not interested in their products.

According to the Direct Marketing Association, a leading industry trade group, there has been a shift in the way consumers interact with a brand. To a greater degree, they are driving the way in which they prefer to be communicated with. With the emergence of new technologies, content and messaging across marketing channels is becoming a top priority for many marketers and marketing channel integration is vital to a successful campaign.

Content remains king and if the Company provides its customers with perceived value in advertising content, then the Company's marketing campaigns across the various channels further described below will generate the anticipated results. More than ever, quality matters. Old-fashioned values like attention to detail and producing a quality product, whether a widget or a postcard, never go out of style.

As the industry moves into 2016, personalization will be the cornerstone to building a successful direct-marketing campaign. The Company needs to make a compelling offer to the right people. The message needs to be framed to clearly communicate the benefit and overcome any objections or hesitations. Geography, income, demographics, psychographics and more factor into how likely a target audience is to respond and purchase.

Timing also remains a critical factor. The Company needs to be confident that it is sending the message to its audience at a time when they are open to making a purchase.

As stated above, direct marketing is multi-channel and interactive. A number of possible marketing channels are described below. The exact channel mix and timing of the campaign is decided upon with specific reference to the product being marketing and the preferences and characteristics of the target audience. The channel mix may change and develop over time.

Whether via social media, an app or a "traditional" website, online users are increasingly using their mobile device rather than their desktop computer. However, whatever the Company's digital footprint may be, it needs to be technological compliant with as many devices and technology platforms as possible and responsive across all those platforms, from the desktop to the tablet to the smartphone.

On Line Marketing

Any medium that can be used to deliver a communication to a customer can be employed in direct marketing, including sending marketing messages through email or email marketing. One reason for email marketing's

popularity is that it is relatively inexpensive to design, test, and send an email message. It also allows marketers to deliver messages around the clock, and to accurately measure responses. According to the Direct Marketing Association, a leading industry trade group, with the expansion of digital technology and tools, direct marketing is increasingly taking place through online channels. Most online advertising is delivered to a focused group of customers and has a trackable response. Display ads are interactive ads that appear on the Web next to content on Web pages or Web services. Formats include static banners, pop ups, videos, and floating units. Customers can click on the ad to respond directly to the message or to find more detailed information. Social media sites, such as Facebook, Twitter and Instagram, also provide opportunities for direct marketers to communicate directly with customers by creating content to which customers can respond. Search engine optimized ("SEO") sales funnels, i.e. custom built-websites often including video content and multiple levels of access, are another effective way to contact customers via social media.

According to the Direct Marketing Association, a leading industry trade group, at present, digital channels represent roughly 25% of total marketing budgets. With the continued adoption of smartphones, digital commerce, and social networks, digital marketing spend is expected to grow to roughly 33% by 2017. Social media has become an integral part of our daily lives and increasingly people are using it to help them make purchasing decisions.

Mobile

Through mobile marketing, marketers engage with prospective customers in an interactive manner through a mobile device or network, such as a cell phone, smart phone, or tablet. Types of mobile marketing messages include: (i) SMS (short message service): marketing communications sent in the form of text messages, and (ii) MMS (multi-media message service): marketing communications sent in the form of media messages.

Smart phone-based mobile apps offer several additional types of customer interaction: (i) push notifications are direct messages sent to a user either automatically or as part of a campaign; (ii) location-based marketing involves marketing messages delivered directly to a mobile device based on the user's location; (iii) QR codes (quick-response barcodes) are a type of 2D barcode with an encoded link that can be accessed from a smart phone. This technology is increasingly being used for everything from special offers to product information; and (iv) mobile banner ads are like standard banner ads for desktop Web pages but smaller to fit on mobile screens and run on the mobile content network.

According to the Direct Marketing Association, a leading industry trade group, mobile is quickly becoming the primary mechanism by which consumers are consuming their media.

Television and Radio

Direct marketing via television (commonly referred to as Direct Response Television or DRTV) has two basic forms: long form (usually half-hour or hour-long segments that explain a product in detail and are commonly referred to as infomercials) and short form, which refers to typical 30-second or 60-second commercials that ask viewers for an immediate response (typically to call a phone number on screen or to go to a website). DRTV marketing can be considered a form of direct marketing as responses are in the form of calls to telephone numbers given on-air. This allows marketers to reasonably conclude that the calls are due to a particular campaign, and enables them to obtain customers' phone numbers as targets for telemarketing.

In direct response radio, ads contain a call to action with a specific tracking mechanism. Often, this tracking mechanism is a "call now" prompt with a toll-free phone number or a unique Web URL. Results of the ad can be tracked in terms of calls, orders, customers, leads, sales, revenue, and profits that result from the airing of those ads.

The Company plans to use its relationships in the entertainment industry, especially those of its Chairman, who has a long history in the entertainment industry, to further these efforts and to expand its efforts in developing media content for the film, television, digital media and music sectors of the entertainment industry.

Magazines and Newspapers

Magazine and newspaper ads often include a direct response call-to-action, such as a toll-free number, a coupon redeemable at a brick-and-mortar store, or a QR code that can be scanned by a mobile device – these methods are all forms of direct marketing, because they elicit a direct and measurable action from the customer.

Another form of direct marketing are insert media, i.e. marketing materials that are inserted into other communications, such as a catalog, newspaper, magazine, package, or bill. Co-op or shared mail, where marketing offers from several companies are delivered via a single envelope, is also considered insert media.

Out-of-Home Direct Marketing, Direct Selling and Couponing

Out-of-home direct marketing refers to a wide array of media designed to reach the consumer outside the home, including billboards, transit, bus shelters, bus benches, aerials, airports, in-flight, in-store, movies, college campuses and high schools, hotels, shopping malls, sport facilities, stadiums, and taxis – that contain a call-to action for the customer to respond.

Direct selling is the sale of products by face-to-face contact with the customer, either by having sales people approach potential customers in person, or through indirect means such as Tupperware parties.

Couponing is used in print and digital media to elicit a response from the reader. An example is a coupon, which the reader receives through the mail and takes to a store's check-out counter to receive a discount. Manufacturers and retailers make coupons available online for electronic orders that can be downloaded and printed. Digital coupons are available on company websites, social media outlets, texts, and email alerts. There are an increasing number of mobile phone applications offering digital coupons for direct use. Daily Deal Sites offer local and online deals each day, and are becoming increasingly popular. Customers sign up to receive notice of discounts and offers, which are sent daily by email. Purchases are often made using a special coupon code or promotional code.

Telemarketing

Another common form of direct marketing is telemarketing, in which marketers contact customers by phone. The most successful telemarketing service providers focus on generating more “qualified” leads that have a higher probability of getting converted into actual sales. Voicemail marketing emerged from the market prevalence of personal voice mailboxes, and business voicemail systems. Voicemail marketing presented a cost effective means by which to reach people directly, by voice.

Direct Mail

The term direct mail is used to refer to communications sent to potential customers via the postal service and other delivery services. Direct mail is sent to customers based on criteria such as age, income, location, profession, buying pattern, etc. Bulk mailings are a particularly popular method of promotion for businesses operating in the financial services, home computer, and travel and tourism industries. In many developed countries, direct mail represents such a significant amount of the total volume of mail that special rate classes have been established. In the United States and United Kingdom, for example, there are bulk mail rates that enable marketers to send mail at rates that are substantially lower than regular first-class rates. In order to qualify for these rates, marketers must format and sort the mail in particular ways – which reduces the handling (and therefore costs) required by the postal service. In the US, marketers send over 90 billion pieces of direct mail per year. Advertisers often refine direct mail practices into targeted mailing, in which mail is sent out following database analysis to select recipients considered most likely to respond positively.

For decades, direct mail has been the workhorse of direct marketing. However as technology advanced, marketers have migrated to far less expensive methods of contact like email, online advertising and search marketing. Correspondingly, the total number of direct mail pieces has declined steadily as marketing budgets have moved to online channels.

Integration of Sky440 Products Electronic Components and Sky440 IT Distribution

The original Sky440 products division was established in 2008 to handle the then existing Sky440 operations and to facilitate the planned acquisition of several small manufacturers and distributors of computer and electronics-related components and other related products.

As part of its plan to branch out into the electronics component and technology business, Sky440 was developing a business of distributing networking hardware and other computer related components in North America. The Company’s plan at the time was to distribute technology products from more than 100 leading IT OEM suppliers to

resellers throughout North America. Sky440 plan was to become aligned with leading OEM suppliers in computer systems, peripherals, system components, and software and networking products. These OEM suppliers included brands such as AMD, Cisco, Emulex, HP, IBM, Intel, Microsoft, Qlogic, Seagate, Sun, 3Com, US Robotics and Western Digital. Prior to fiscal year 2009, the Company generated in excess of $2,000,000 in revenues from these and other activities from corporate operations, including those in the entertainment sector (See "Notes to Financial Statements"). Subsequent to fiscal year 2009, the Company began then process of realigning the specific direction of this division to eventually focus on specific products that would better integrate into Sky440's evolving business model.

Our plan for this part of the Company is to integrate it into the PD Division described above to augment our core business model. As this industry continues to evolve through ongoing technology innovations and industry consolidation, the Company's plan of operation will be adjusted accordingly.

Entertainment

Since inception, the Company has been in the entertainment business. It has been actively involved in the development of content for the film, television, digital media and music sectors of the entertainment industry. During its history, Sky440 acquired music rights from various artists, which it then distributed through various distributors domestically and internationally, utilizing both major and independent labels. The Company also became active in the development of potential film projects for a number of production and distribution companies, working behind the scenes with various producers, writers and directors to develop a wide variety of content. As part of the PD Division, the Company plans to use its long history in these sectors to further the development of the PD Division and its products, while at the same time continuing to develop product for the entertainment industry.

Film, Television and Digital Media Development

In its simplest form, the process of developing content for the film, television and digital media industry begins with the creation of the script, which is the backbone of the film making process. A story is developed in its abstract form in order to establish a basic structure of the story, which takes shape in the form of notes, outlines and other story developing techniques commonly used. Once the vision of the structure is in place, including major plot points, pace, tone, etc., the process of writing the screenplay generally begins. Once a script is in place, the development process continues with the "packaging of the film," which hopefully will lead to the project being funded. This part of the development process usually involves major casting, acquisition of major above the line talent (director, producers, etc.), production plan, budget and overall plan for the production, marketing and distribution of the film. Once the film has been funded, the rest of the casting occurs, locations are found and scouted, the shot list and script breakdown occurs, scheduling commences and the production is designed. Production follows, then post-production and eventually distribution of the finished product. Historically, the Company has been involved in the early phases of this process, working with writers, producers and directors to assist in developing the planned productions. The Company plans to continue this process, while integrating the same procedures into the development and acquisition of products for the PD Division.

Music Development

The Company plans to acquire companies that are actively involved in the development, marketing and distribution of independent artists who do not have the capability of marketing and distributing their music in the same manner as some of the major acts. As the record industry has gone through major changes in the past decade, the ability for new, independent artists to find a foothold in the industry has become increasingly difficult, despite the emergence of music playing and sharing sites such as Apple Music, Amazon, etc. In addition to assisting in breaking out these independent artists, music is an important component of marketing the Company's products. As with the film, television and digital media development activities, the Company plans on utilizing its relationships and techniques in the music industry to assist the PD Division with the marketing and distribution of its products.

The MD Division

Industry Overview

Despite major issues facing the legalized marijuana industry, the past year has been a whirlwind for the cannabis industry: half a dozen new markets have come online, scores of cannabis businesses expanded across state lines, and

the nation's largest medical marijuana market, California, has finally passed regulations approving a framework to establish regulations for the state's enormous medical marijuana industry. In short, we believe that the future of the cannabis industry has brightened considerably.

The year 2015 continued the industry's march across the country. On the medical side of the equation, Delaware, Illinois, Massachusetts, Minnesota and Nevada all saw their first legal dispensaries begin operations. On the recreational side, Oregon commenced recreational sales via existing medical dispensaries. The addition of these new markets will help the industry generate hundreds of millions of dollars in additional revenue, and each of these markets is expected to grow exponentially in 2016.

The medical marijuana industry continues to grow steadily in Arizona, Connecticut, Michigan, Montana, New Mexico and Washington DC. More dispensaries opened in New Jersey, and Connecticut and Delaware added new dispensary licenses. New York and New Hampshire awarded medical marijuana business licenses, while Maryland finalized regulations and started its licensing process. Meanwhile, dozens of Native American tribes have begun taking a serious look at the industry.

Hawaii – which legalized medical marijuana long ago but only allowed home growing – pushed through legislation that sets up a framework for the commercial cultivation and sale of medical cannabis to patients. Similarly, lawmakers in Louisiana – which legalized medical cannabis decades ago but never provided a way for patients to obtain it – passed a measure to allow cultivation sites and dispensaries. Although the law as written is largely unworkable, it still represents progress.

Perhaps the biggest news of the year came in California, where lawmakers finally approved a framework to establish regulations for the state's enormous medical marijuana industry. This will upend the nation's largest medical cannabis market but will also hopefully stabilize it.

The nation's first three recreational cannabis state markets all posted exceptional sales growth. Legal cannabis sales – including both medical and recreational – will likely top $1 billion in Colorado alone for 2015, up from $700 million the previous year. Washington State's recreational marijuana shops - which surpassed $300 million in revenue in their first full calendar year of operation - saw its medical marijuana industry generate an estimated $200 million in sales. Oregon recreational marijuana revenues hit $12 million in just the first week of sales, showing the potential of the newest recreational cannabis state.

According to Marijuana Business Daily, a leading source of information on the marijuana industry, both medical and recreational, the U.S. market for legal cannabis nearly doubled from 2013 to 2014 growing by 74% from $1.5 billion to $2.7 billion. Social acceptance continues to accelerate with more than 1.5 million shoppers purchasing legal marijuana in 2014.

In 2015, the U.S. marijuana industry grew to roughly $3.1 billion and revenue generated by dispensaries and retail stores is projected to more than double over the next few years to $6.5 billion to $8 billion by 2019, according to Marijuana Business Daily. By 2020, it is anticipated that at least another 14 states may legalize recreational marijuana use and many more states may legalize medical marijuana, according to Marijuana Business Daily and other industry sources, including those involved in legalization efforts.

To measure the true economic impact of the industry, however, one needs to consider the "marijuana multiplier." Various reports supplied by Marijuana Business Daily estimate that every dollar of cannabis sold at the retail level adds approximately another $2.60 to the economy, much of it at the local level. This "marijuana multiplier" highlights the substantial role the cannabis industry already plays in the U.S. economy and its potential impact going forward.

The multiplier takes into account money spent by growers, retailers, infused product makers, testing labs and ancillary product and services firms on business expenses, ranging from staff salaries to security. It is based in part on financial data from over 800 businesses across all sectors of the state-legal marijuana industry. These expenses represent income to parties other than the marijuana retail outlets themselves.

According to Marijuana Business Daily, alongside the core industry, ancillary participants thus benefitting from the expected rapid growth include, among others, owners of real estate and providers of fertilizer, lighting systems, hydroponic systems, containers and analytical laboratories testing.

The marijuana multiplier effect does not include cost of goods sold (the direct cost of the product), business taxes, paraphernalia sales (a $1 billion industry onto itself), state revenues from related fees and licensing, and tangential industries such as tourism and consumer magazines.

In 2015, as a result of the above, the U.S. marijuana industry contributed an estimated $10 billion in aggregate to state and local economies of which direct cannabis sales accounted for roughly a third. This figure does not include black market sales. As more states and, as we expect, the federal government legalize marijuana, the aggregate economic value will continue to migrate from the black market to the legal market where it will provide tremendous value for local communities.

New marijuana ingestion methods beyond smoking are helping to drive cannabis' future growth. In this sector, marijuana concentrates are the fastest growing category of products. Oil extracted from raw cannabis can offer more exact dosing for medicinal purposes, including the treatment of chronic pain. Nonsmoking ingestion methods including vaporization, edibles and capsules are becoming increasingly popular.

The growth potential of the burgeoning cannabis industry could increase dramatically over the next few years, especially if the federal government and all 50 states legalize medical and recreational marijuana, with the overall direct market possibly becoming a $35 billion annual business by 2020 according to some industry sources.

The "marijuana multiplier" could leverage this to an economic contribution in excess of $100 billion.

According to a report issued by Marijuana Business Daily, the industry employs between 46,000 and 60,000 people, a range that includes only companies that grow or sell the plant. If ancillary products and services companies were included, the report states that the total number of jobs could be as much as 50 percent greater.

Businesses looking for capital had more access in 2015 than ever before. Million-dollar deals became almost commonplace, and larger investment firms such as Privateer Holdings and Tuatara Capital raised tens of millions of dollars to deploy into the industry. Additionally, smaller and private investors started to more aggressively fund cannabis-related firms.

Finally, the past fiscal year saw numerous companies and entrepreneurs expand into multiple states. This was especially true in the infused products sector, where some bigger players began selling their branded edibles in several markets. This past fiscal year also saw medical dispensaries / recreational marijuana stores successfully expand beyond their home base.

Ancillary Products and Services

The Company intends to build a brand in the medical marijuana industry.

Products

According to Marijuana Business Daily, one of the fastest growing areas for investment is the ancillary business segment, which consists of firms that do not handle marijuana products, but provide services for those who do. In this sector, the Company plans to focus on acquiring intellectual property, "disruptive technologies," assets and scalable companies in the cannabis industry. There continues to be significant development of intellectual properties for specific use in the marijuana industry, especially in data collection, demographics and direct to consumer product placement.

The Company is looking to acquire and exploit these types of intellectual properties, especially those that will enable the Company to build a strong foundation from which it can achieve sustained growth. Sky440 is also looking at acquiring "disruptive technologies", which are comprised of new and forward looking technologies that could have a significant impact on the industry, especially in the area of new product development, data collection and sell through technologies.

Further, the Company is searching for existing assets that can be acquired in order to enhance the revenue potential for Sky440, including assets such as existing small companies that have ability to generate solid revenues over time, with an emphasis on companies that are scalable in the industry and that can be adaptable to the ever changing legal and regulatory environment.

Some examples include retail merchandisers, product packaging and label entities, business software suppliers, office suppliers, security companies, consultants, insurance providers, accountants, real estate professionals, vaporizer companies, cleaning product companies, and cooling systems and glassblower manufactures.

Services

The Company's MD Division plans to provide financing and general advisory services to approved and licensed cannabis operators for business development, facilities design and construction, cultivation and retail operations, marketing and the improvement and expansion of existing operations.

The services will include financing options for licensed or existing operators within the marijuana industry that require start-up, operating or expansion capital. The Company will also consider providing capital to potential tenants (see Real Property below) to refinance current debt, as long as they meet our underwriting criteria. Additionally, the Company's MD Division plans to offer sale-and-leaseback financing arrangements with tenant purchase options. These types of financing solutions provide flexibility for tenants long-term, while capitalizing their operations.

The Company's MD Division plans to establish a network of real estate experts, including legal, licensing, construction and growing in order to provide consulting services to potential tenants in the marijuana industry trying to navigate the real estate/zoning process and/or regulatory environment.

Information Portals and Other Internet-Based Services

With the increasing number of states approving marijuana use for medical purposes there are a growing number of patients looking online for legal marijuana dispensaries.

The Company's MD Division plans to provide web listing services for medical marijuana dispensaries, doctors' offices and delivery services throughout the United States and internationally where legally permissible. Along with its planned business and social services, the web site will provide access for user reviews, while also planning to participate in and host events connecting medical marijuana patients with one another and promoting activism and safe access. The Company plans to have the listing service combine local dispensary reviews and social networking functionality to create various online communities. The website plans to also include a forum, private messaging function, a job board, and Q&A from fellow patients, including allowing patients to leave reviews about their experience at dispensaries and allowing suppliers and vendors to rate and reviews their experiences in the industry.

The Company plans to provide a proximity map interface, which will allow for advertisements for dispensaries based on a user's geographical location, pinpointing the dispensaries that are closest to a user. In addition, the Company plans to have mobile applications that will allow users to access the site and the data through their mobile device.

In addition, the Company plans to provide the next generation of back-end enterprise software for medical marijuana dispensaries. We intend to develop software to handle everything from patient management to inventory control to checkout at point of sale.

While there are a number of other similar sites such as Weedmaps, the Company plans on utilizing new technologies and enhance intellectual property to separate itself from the competition.

Real Property

The Company's MD Division real estate plan is to purchase, develop, manage, lease and sell real property. The Company plans to serve the marijuana industry as a landlord and equipment supplier providing value-added state-of-art facilities and services. The Company's planned real estate business is expected to include the acquisition and leasing of cultivation space and related facilities to licensed marijuana growers and retailers for their operations. Facilities will only be leased to tenants that comply and continue to comply with applicable licenses and other relevant laws and regulations. The Company is working on a credit facility to finance the acquisition of real estate.

The Company has been exploring properties that could be purchased and leased to licensed cannabis cultivators and retailers initially in Washington, California, Oregon, Colorado, Arizona and Nevada. These projects include the

potential purchase and leaseback of existing, currently operating facilities, as well as proposed new construction projects. These properties can be purchased and/or developed for amounts ranging from $250,000 to $10 million for each project. There can be no assurance that the Company will be able to complete any of these transactions.

In recent years, a weakened economy, a record number of foreclosures, and rising unemployment claims in certain geographic areas created “the perfect storm” for both the real estate market and the economy at large. The Company believes that distressed real estate properties remain a source of opportunity for this segment of the Company’s business.

The Company will continue to evaluate and consider the purchase of industrial commercial buildings that are in the designated zoned areas of municipalities. In addition, while the main focus is to attract cannabis related entities initially, the final use of these properties is not limited to the cannabis industry. In order to attract cannabis-related tenants to lease our properties, the Company’s MD Division plans to renovate these spaces based on the requirements of the business, and incorporate these additional costs into their lease. Additionally, the Company may facilitate these improvements by offering to consult on the build-out of their facility and/or capital based on the needs of the tenant, the term of the lease, and their business model.

Commercial Real Estate for Office Leasing

The Company’s MD Division plans to acquire commercial real estate and lease office space to both regulated and non-regulated participants in the cannabis industry. These participants include media, Internet, packaging, lighting, cultivation supplies, and financial services. In exchange for property leases and certain services that may be provided to these tenants, the Company plans to principally receive cash consideration. In selected cases, the Company may acquire equity interests or provide debt capital to these non-regulated businesses instead.

Equipment Leasing

The Company’s MD Division plans to acquire and lease cultivation equipment and facilities to customers in the cannabis industry. This equipment could include grow lights, tenant improvements and other grow equipment. Equipment will only be leased to tenants that possess the requisite state licenses to operate such facilities. The leases with the tenants will provide certain requirements that permit the Company to continually evaluate its tenants’ compliance with applicable laws and regulations.

International

This past year also saw some landmark changes across several other countries outside the United States – so much so that in another year or two, the U.S. may not be the industry leader in cannabis that it is today. The biggest highlight was the Canadian elections, which saw a sweeping victory for Prime Minister Justin Trudeau and his liberal party. Trudeau promised on the campaign trail to legalize recreational marijuana, and his administration has already begun making moves to implement that promise. The recreational market in Uruguay, which legalized in late 2013, is starting to get underway as well. Other countries, including Croatia, Colombia and Jamaica, legalized medical cannabis, while Australia announced that it will start clinical trials to research the efficacy of medical marijuana.

Selected Regulatory and Other Issues to Consider

In dealing with the legal issues surrounding the marijuana business, there are a number of issues that the Company’s MD Division will have to consider. In addition to those enumerated in the Section: “Cannabis Industry Risk Factors” below, we refer to the following:

The Cole Memo

The Controlled Substances Act makes it illegal under federal law to manufacture, distribute, or dispense cannabis. Many states impose and enforce similar prohibitions. Notwithstanding the federal ban, currently more than twenty-three states and the District of Columbia have legalized certain cannabis-related activity.

In light of this glaring discrepancy, DOJ Deputy Attorney General James M. Cole issued a memorandum (the “Cole Memo”) to all United States Attorneys providing updated guidance to federal prosecutors concerning cannabis enforcement under the Controlled Substances Act. The Cole Memo guidance applies to all of DOJ’s federal

enforcement activity, including civil enforcement and criminal investigations and prosecutions, concerning cannabis in all states.

The Cole Memo reiterates Congress's determination that cannabis is a dangerous drug and that the illegal distribution and sale of cannabis is a serious crime that provides a significant source of revenue to large-scale criminal enterprises, gangs, and cartels. The Cole Memo notes that DOJ is committed to enforcement of the Controlled Substances Act consistent with those determinations. It also notes that DOJ is committed to using its investigative and prosecutorial resources to address the most significant threats in the most effective, consistent, and rational way.

In furtherance of those objectives, the Cole Memo provides guidance to DOJ attorneys and law enforcement to focus their enforcement resources on persons or organizations whose conduct interferes with any one or more of the following important priorities (the "Enforcement Priorities"):

- Preventing the distribution of cannabis to minors;
- Preventing revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of cannabis from states where it is legal under state law in some form to other states;
- Preventing state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of cannabis;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use;
- Preventing the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and
- Preventing cannabis possession or use on federal property.

The Proposed Compassionate Access, Research Expansion, and Respect States Act (the "CARERS Act")

In March 2015, legislation was introduced in the U.S. Senate proposing to change federal law such that states could regulate medical use of cannabis without risk of prosecution. A key component of the proposed CARERS Act is to reclassify cannabis under the Controlled Substances Act to Schedule II, thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses. There is no guarantee that the administration will not change its stated policy regarding the low-priority enforcement of federal laws. Additionally, any new administration could change this policy and decide to enforce the federal laws strongly.

Section 280E of the Federal Tax Code

In addition to the ongoing issues discussed throughout this filing, the one issue that has a direct effect on the cash flow of marijuana related businesses is the 1982 federal tax code amendment known as Section 280E, which denies tax credits or exemptions to businesses "trafficking" in controlled substances. As a result, cost of goods, advertising costs, employee salaries and rent are not deductible, resulting in almost all of the revenue being generated being subject to maximum taxation without the normal business deductibles.

FinCEN

The Financial Crimes Enforcement Network ("FinCEN") provided guidance on February 14, 2014 about how financial institutions can provide services to cannabis-related businesses consistent with their Bank Secrecy Act ("BSA") obligations. For purposes of the FinCEN guidelines, a "financial institution" includes any person doing business in one or more of the following capacities:

- bank (except bank credit card systems);
- broker or dealer in securities;
- money services business;
- telegraph company;
- casino;
- card club; and
- a person subject to supervision by any state or federal bank supervisory authority.

In general, the decision to open, close, or refuse any particular account or relationship should be made by each financial institution based on a number of factors specific to that institution. These factors may include its particular business objectives, an evaluation of the risks associated with offering a particular product or service, and its capacity to manage those risks effectively. Thorough customer due diligence is a critical aspect of making this assessment.

In assessing the risk of providing services to a cannabis-related business, a financial institution should conduct customer due diligence that includes: (i) verifying with the appropriate state authorities whether the business is duly licensed and registered; (ii) reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its cannabis-related business; (iii) requesting from state licensing and enforcement authorities available information about the business and related parties; (iv) developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers); (v) ongoing monitoring of publicly available sources for adverse information about the business and related parties; (vi) ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and (vii) refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

As part of its customer due diligence, a financial institution should consider whether a cannabis-related business implicates one of the Cole Memo priorities or violates state law. This is a particularly important factor for a financial institution to consider when assessing the risk of providing financial services to a cannabis-related business. Considering this factor also enables the financial institution to provide information in BSA reports pertinent to law enforcement's priorities. A financial institution that decides to provide financial services to a cannabis-related business would be required to file suspicious activity reports.

Competition

There are many other companies, both private and public, that are in the cannabis industry and which are direct competition to our Company. Many of these companies provide similar products and/or services, such as real estate, including shared workspace, data information, equipment leasing and consulting services. In the future the Company fully expects that many other companies will recognize the value of ancillary businesses serving the cannabis industry and enter into the marketplace as competitors.

The cannabis industry in the United States is highly fragmented, rapidly expanding and evolving. The industry is characterized by new and potentially disruptive or conflicting legislation propounded on a state-by-state basis. Our competitors may be local or international enterprises and may have financial, technical, sales, marketing and other resources greater than ours. These companies may also compete with us in recruiting and retaining qualified personnel and consultants.

Our competitive position will depend on our ability to attract and retain qualified consultants and advisors with industry depth, and talented managerial, operational and other personnel. Our competitive position will also depend on the Company's ability to develop and acquire effective proprietary products and solutions, personal relationships of our executive officers and directors, and our ability to secure adequate capital resources. We will compete to attract and retain customers of our services. We expect to compete in this area on the basis of price, regulatory compliance, vendor relationships, usefulness, availability, and ease of use of our planned services.

Competitive Focus

The Company's business plan includes four critical areas of focus that it believes will provide it with competitive advantages in the marketplace, including regulatory compliance, operating parameters, product supply and finance.

The cannabis industry is emerging from years of prohibition; laws, policies and regulations are in a state of flux both at the state and federal levels. It is a critical component of the Company's business plan both to ensure that all aspects of its operations are in compliance with all laws, policies and regulations to which it is subject and to provide an opportunity to its clients to use its services to ensure that they, too, are in full compliance. The Company plans to develop operating parameters for all of its operations, which allow its clients to improve their businesses by implementing sound businesses practices and supply chain process improvements, enabling them to ensure that their marketed product is of high quality.

Risk Factors

Our Business Operations, including both our PD Division and our MD Division, are subject to a number of risk factors, including, but not limited to, the following:

General Business Risk Factors

At this Stage of Our Business Operations, We May Never Achieve Our Goals for Profitability or Generate Any Significant Amount of Revenues, Thus Potential Investors Have a High Probability of Losing Their Investment. If We Are Unable to Continue as a Going Concern, You Will Lose Your Investment.

There is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will be able to operate profitably. Our future operating results will depend on many factors, including our ability to raise adequate working capital, demand for our products, the level of our competition and our ability to attract and maintain key management and employees. If we are unable to continue as a going concern, you will lose your investment.

We Have Developed a New Strategy, and the Future Success of Our Company Will Depend on its Successful Execution.

In 2014, we developed and announced our new strategy, and are now executing on it. Because this new strategy will chart the company's course of action and priorities for years to come, the future success of the Company will depend on its successful execution. Our strategy will bring additional risks to the business (such as those associated with greater use of capital, development and acquisition of new products, or entry into new industries or geographic markets) or magnify existing risks as our business priorities and objectives are adjusted. If our strategy is flawed, or if we fail to execute it well, our business and financial performance may be materially and adversely affected.

Since we recently commenced operations under our new business plan, it is difficult for potential investors to evaluate our business. We will need to raise additional capital in order to fund our operations. There can be no assurance that such additional capital will be available to us on favorable terms or at all. There can be no assurance that we will be profitable.

We May Be Unable to Expand Into New Markets.

Our planned growth and profitability depend on our ability to successfully realize our growth strategy by expanding throughout the United States and internationally. We cannot assure that our efforts to expand into new markets, particularly in states where we do not currently operate, will succeed. In order to operate in new markets, we may

need to modify our existing business model and cost structure to comply with local regulatory or other requirements, which may expose us to new operational, regulatory or legal risks. In addition, expanding into new states may subject us to unfamiliar or uncertain local regulations that may adversely affect our operations, for example, by applying, obtaining and/or maintaining appropriate licenses. Facilities we open in new markets may also take longer to reach expected revenue and profit levels on a consistent basis and may have higher construction, occupancy or operating costs than facilities we open in existing markets, thereby affecting our overall profitability. New markets may have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than our existing markets.

Our Future Success Depends on Our Ability to Grow and Expand Our Customer Base.

Our success and the planned growth and expansion of our business depend on us achieving initial and broader acceptance of our products and services and expanding our customer base. There can be no assurance that customers will purchase our products and/or services or that we will be able to establish and expand our customer base. If we are unable to effectively market or expand our product and/or service offerings, we will be unable to grow and expand our business or implement our business strategy, which could materially impair our ability to increase sales and revenue.

There Is Substantial Doubt About Our Ability to Continue as a Going Concern.

Our financial statements have been prepared on a going concern basis, which assumes we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future. We have incurred a loss since January 1, 1996 (Inception) resulting in an accumulated deficit of approximately $3,489,162 as of December 31, 2015 and further losses are anticipated in the development of our business.

Our ability to continue as a going concern is dependent upon our becoming profitable in the future and, or, obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. There is no guarantee that we will be successful in achieving these objectives.

We Operate in a Highly Competitive Industry and Potential Competitors Could Duplicate Our Business Model.

We are involved in a highly competitive industry where we compete with numerous other companies who offer products and services similar to those we offer. There is currently no aspect of our business, which is protected by patents, copyrights, trademarks, or trade names. As a result, potential competitors could duplicate our business model with little effort. Some of our potential competitors may have significantly greater resources than we have, which may make it difficult for us to compete. There can be no assurance that we will be able to successfully compete against these other entities.

Competitors Will Have Significantly Greater Financial and Other Resources Than the Company, and They May Sell Competing Products and Services at Lower Prices or At Lower Profit Margins, Resulting in Pressures on Our Prices and Margins.

The sizes of our competitors vary widely across market and service segments. Therefore, most of our competitors will have significantly greater financial, technical, marketing or other resources than we do in any one or more of our market segments, or overall. As a result, our competitors may be in a position to respond more quickly than we can to new or emerging technologies, methodologies and changes in customer requirements, or may devote greater resources than we can to the development, promotion, sale and support of products and services. Moreover, new competitors or alliances among our competitors may emerge and potentially reduce our market share, revenue or margins. Some of our competitors also may choose to sell products or services competitive to ours at lower prices by accepting lower margins and profitability, or may be able to sell products or services competitive to ours at lower prices given proprietary ownership of data, technical superiority, a broader or deeper product or experience set, or economies of scale. Price reductions or pricing pressure by our competitors could negatively impact our margins and results of operations, and could also harm our ability to obtain new customers on favorable terms. Competitive pricing pressures tend to increase in difficult economic environments, such as the current environments in the U.S. and other economies, due to reduced marketing expenditures of many of our clients and prospects and the resulting impact on the competitive business environment for marketing service providers such as our company.

We Must Effectively Manage Our Costs and Maintain Effective Internal Controls. If We Do Not Achieve Our Cost Management Objectives, Our Financial Results Could Be Adversely Affected.

Our business plan and expectations for the future require that we effectively manage our cost structure, including our operating expenses and capital expenditures across our planned operations. To the extent that we do not accurately anticipate and effectively manage our costs, our financial results may be adversely affected in any economic climate and even more so during a prolonged recession, such as the recent economic downturn in the U.S. and elsewhere.

In designing and evaluating our internal controls over financial reporting, we recognize that any internal control or procedure, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives and that no system of internal controls can be designed to provide absolute assurance of effectiveness. If we fail to implement and maintain a system of effective internal controls, it could have a material adverse effect on our business, financial position or operating results. Additionally, adverse publicity related to a failure in our internal controls over financial reporting could have a negative impact on our reputation and business.

If Our Leaders are Unsuccessful, or If We Lose Key Management and Are Unable to Attract and Retain the Talent Required for Our Business, Our Operating Results Could Suffer.

In the past, we replaced many of our officers and directors, including our President, Chief Executive Officer and Chairman, and significantly reorganized our operational structures. If our officers and directors fail in their roles and responsibilities (and more generally if we are unable to attract new officers and directors with the necessary skills to manage our business) our business and its operating results may suffer.

Further, our future prospects depend in large part upon our ability to attract, train and retain experienced technical, client services, sales, consulting, research and development, marketing, administrative and management personnel. While the demand for personnel is dependent on employment levels, competitive factors and general economic conditions, qualified personnel historically have been in great demand. The loss or prolonged absence of the services of these individuals could have a material adverse effect on our business, financial position or operating results.

We Will Need Additional Capital in the Future to Finance Our Planned Growth, Which We May Not Be Able to Raise or It May Only Be Available on Terms Unfavorable to Us or Our Stockholders. Ultimately, This May Result in Our Inability to Fund Our Working Capital Requirements and Harm Our Operational Results.

We need capital to operate and fund our business plan. We do not know what the terms of any future capital raising may be but any future sale of our equity securities will dilute the ownership of existing stockholders. Additional financing might not be available on terms favorable to us, or at all. If adequate funds were not available or were not available on acceptable terms, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our business or otherwise respond to competitive pressures would be significantly limited. In such a capital restricted situation, we may curtail our marketing, development, and operational activities or be forced to sell some of our assets on an untimely or unfavorable basis, each of which could have a material adverse effect on our results of operations and financial condition.

We Must Successfully Identify and Evaluate Acquisition Targets and Integrate Acquisitions.

Acquisitions are an essential component of our strategy to grow the Company, and we have announced plans to actively pursue acquisitions. We plan to evaluate acquisition opportunities to expand our planned product and service offerings and geographic locations, including potential international acquisitions. Acquisition activities, even if not consummated, require substantial amounts of management time and can distract from normal operations. In addition, we have in the past and may in the future be unable to achieve the profitability goals, synergies and other objectives initially sought in acquisitions, and any acquired assets, data or businesses may not be successfully integrated into our operations. Acquisitions may result in the impairment of relationships with employees and customers. Moreover, although we plan to review and analyze assets or companies we plan to acquire, such reviews are subject to uncertainties and may not reveal all potential risks, and we may incur unanticipated liabilities and expenses as a result of our acquisition activities. The failure to identify appropriate candidates, to negotiate

favorable terms, or to successfully integrate future acquisitions into existing operations could result in not achieving planned revenue growth and could negatively impact our net income and earnings per share.

We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results.

Our recent and future planned acquisitions or investments may not be successful; and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed. We have incurred costs and encountered difficulties in the past in connection with our acquisitions and investments. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business.

If We Are Unable to Manage Growth, Our Operations Could be Adversely Affected.

Our progress is expected to require the full utilization of our management, financial and other resources. Our ability to manage growth effectively will depend on our ability to improve and expand operations, including our financial and management information systems, and to recruit, train and manage personnel. There can be no absolute assurance that management will be able to manage growth effectively.

If we do not properly manage the growth of our business, we may experience significant strains on our management and operations and disruptions in our business. Various risks arise when companies and industries grow quickly. If our business or industry grows too quickly, our ability to conduct business in a timely and efficient manner could be challenged. Our failure to properly manage the growth that we or our industry might experience could negatively impact our ability to execute on our operating plan and, accordingly, could have an adverse impact on our business, our cash flow and results of operations, and our reputation with our current or potential customers.

We May Experience in the Future Reduced Demand for our Products and Services Because of General Economic Conditions and Other Factors That May Impact the Industry Verticals That We Plan to Serve.

Our planned revenues and expenditures are dependent on national, regional and international economies and business conditions. A lasting economic recession or anemic recovery in the markets in which we plan to operate (such as the recent recession and recovery) could have material adverse effects on our business, financial position or operating results. Similarly, industry or company-specific factors may negatively impact our future customers and prospective customers, and in turn result in reduced demand for our planned products and services and collection difficulties.

We Are Exposed to Insurance and Claims Costs, as a Result of the Nature of Our Business.

Any business where the product is consumed by the general public is exposed to potential product liability risks that are inherent in the design, manufacture and sale of products. While we intend to maintain suitable product liability insurance, there can be no assurance that we will be able to obtain or maintain this insurance on acceptable terms or that this insurance will provide adequate protection against potential liabilities. A series of product liability claims against the Company, whether successful or not, could materially and adversely affect our reputation and business.

War or Terrorism Could Affect Our Business.

War, terrorism or the threat thereof involving a market we serve could have a significant impact on our business, financial position or operating results whether due to economic declines, decreased or slowed international trade, reactions to security risks or other factors. In addition, each of our businesses could be affected by operation disruptions and a shortage of supplies and labor related to such a war or terrorism or threat thereof.

Real Estate Risk Factors

The Price We Pay for to Acquire Real Property Will Be Based on Our Projections of Market Factors, and Our Return on Investment May Be Lower Than Expected If Any of Our Projections Are Inaccurate.

The price we pay for real property investments will be based on our projections of market demand, the costs of any renovation of a property and other factors. In addition, as the real estate market continues to strengthen with the improvement of the U.S. economy, we will face increased competition, which may drive up prices for real estate assets, result in less available distressed properties and make acquisitions less favorable to us. If any of our projections are inaccurate or we ascribe a higher value to assets and their value subsequently drops or fails to rise because of market factors, returns on our investment may be lower than expected and could experience losses.

We will experience competition for real estate investments from individuals, corporations and other entities engaged in real estate investment activities, many of whom have greater financial resources than us. Competition for investments may have the effect of increasing costs and reducing returns to our investors.

Because We Plan to Buy, Sell and Lease Property, We Will Be Subject to General Real Estate Risks.

We will be subject to risks generally incident to the ownership of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of, or demand for, similar or competing properties in the area; (c) bankruptcies, financial difficulties or defaults by tenants or other parties; (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve full stabilized occupancy at rental rates adequate to produce targeted returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards (as further described below); and (j) changes in tax, real estate, environmental, zoning or other laws or regulations. For these and other reasons, no assurance can be given that we will be profitable and one or more of these risks could be detrimental to our business.

Because We Are Liable for Hazardous Substances on Our Properties, Environmental Liabilities Are Possible and Can Be Costly.

Federal, state and local laws impose liability on a landowner for releases or the otherwise improper presence on the premises of hazardous substances. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials brought onto a property before it acquired title and for hazardous materials that are not discovered until after it sells the property. Similar liability may occur under applicable state law. Sellers of properties may make only limited representations as to the absence of hazardous substances. If any hazardous materials are found within our properties in violation of law at any time, we may be liable for all cleanup costs, fines, penalties and other costs. This potential liability will continue after we sell the properties and may apply to hazardous materials present within the properties before we acquire the properties. If losses arise from hazardous substance contamination which cannot be recovered from a responsible party, the financial viability of the properties may be adversely affected. It is possible that we will purchase properties with known or unknown environmental problems which may require material expenditures for remediation.

Because Our Business Model Depends Upon the Availability of Private Financing, Any Change in Our Ability to Raise Money Will Adversely Affect Our Financial Condition.

Our ability to acquire, operate and sell properties, engage in the business activities that we have planned and achieve positive financial performance depends, in large measure, on our ability to obtain financing in amounts and on terms that are favorable. The capital markets in the United States have recently undergone a turbulent period in which lending was severely restricted. Although there appears to be signs that financial institutions are resuming lending, the market has not yet returned to its pre-2008 state. Obtaining favorable financing in the current environment remains challenging. In the event the lender or any other is unable to finance our business, we will not be able to implement our business plan and our financial performance could be adversely affected.

Because We May Not Be Adequately Insured, We Could Experience Significant Liability for Uninsured Events.

While we intend to carry comprehensive insurance on our properties, including fire, liability and extended coverage insurance, there are certain risks that may be uninsurable or not insurable on terms that management believes to be economical. For example, management may not obtain insurance against floods, terrorism, mold-related claims, or earthquake insurance. If such an event occurs to, or causes the damage or destruction of, a property, we could suffer financial losses.

If We Are Found in Non-Compliance with the Americans with Disabilities Act, We will be Subject to Significant Liabilities.

If any of our properties are not in compliance with the Americans with Disabilities Act of 1990, as amended (the "ADA"), we may be required to pay for any required improvements. Under the ADA, public accommodations must meet certain federal requirements related to access and use by disabled persons. The ADA requirements could require significant expenditures and could result in the imposition of fines or an award of damages to private litigants. We cannot assure that ADA violations do not or will not exist at any of our properties.

Information Technology, Direct Marketing and Intellectual Property Risk Factors

We Must Maintain Technological Competitiveness, Continually Improve Our Processes and Develop and Introduce New Products and Services in a Timely and Cost-Effective Manner.

We believe that our future success depends on, among other things, maintaining technological competitiveness in our products, processing functionality and software systems and services. Technology changes rapidly as makers of computer hardware, network systems, programming tools, programming languages, operating systems, database technology and mobile devices continually improve their offerings.

Advances in information technology may result in changing customer preferences for products and product delivery channels in our industry. The increasingly sophisticated requirements of our customers require us to continually improve our processes and provide new products and services in a timely and cost-effective manner (whether through development, license or acquisition). We may be unable to successfully identify, develop and bring new and enhanced services and products to market in a timely and cost-effective manner, such services and products may not be commercially successful, and services, products and technologies developed by others may render our services and products noncompetitive or obsolete.

Privacy, Information Security and Other Regulatory Requirements May Prevent or Impair Our Ability to Offer Our Products and Services.

We are subject to and affected by numerous laws, regulations and industry standards that regulate our business in general and our direct marketing activities specifically, including those that address privacy, data protection, information security and marketing communications.

As a result of increasing public awareness and interest in privacy rights, data protection and access, information security, environmental protection and other concerns, national and local governments and industry organizations regularly consider and adopt new laws, rules, regulations and guidelines that restrict or regulate marketing communications, services and products. Examples include data encryption standards, data breach notification requirements, registration/licensing requirements (often with fees), consumer choice, notice and consent restrictions and penalties for infractions, among others. Current and future restrictions and regulations could increase compliance requirements and costs, and restrict or prevent the collection, management, aggregation, transfer, use or dissemination of information, or change the requirements therefore so as to require other changes to our business. We anticipate that additional restrictions and regulations will continue to be proposed and adopted in the future.

We cannot predict the scope of any new laws, rules, regulations or industry guidelines or how courts or agencies may interpret current ones. Additionally, enforcement priorities by governmental authorities will change over time, which may impact our business. Understanding the laws, rules, regulations and guidelines applicable to specific client multichannel engagements and across many jurisdictions poses a significant challenge, as such laws, rules,

regulations and guidelines are often inconsistent or conflicting, and are sometimes at odds with our objectives. Our failure to properly comply with these regulatory requirements and client needs may materially and adversely affect our business. General compliance with privacy, data protection and information security obligations are costly and time-consuming, and we may encounter difficulties, delays or significant expenses in connection with our compliance. We may be exposed to significant penalties, liabilities, reputational harm and loss of business in the event that we fail to comply. We could suffer a material adverse impact on our business due to the enactment or enforcement of legislation or industry regulations affecting us, the issuance of judicial or governmental interpretations, changed enforcement priorities of governmental agencies or a change in behavior arising from public concern over privacy, data protection and information security issues.

Consumer Perceptions Regarding the Privacy and Security of their Data May Prevent or Impair Our Ability to Offer Our Products and Services.

Various local, national and international regulations, as well as industry standards, give consumers varying degrees of control as to how certain data regarding them is collected, used and shared for marketing purposes. If, due to privacy, security or other concerns, consumers exercise their ability to prevent or limit such data collection, use or sharing, it may impair our ability to provide marketing to those consumers and limit our future clients' demand for our services. Additionally, privacy and security concerns may limit consumers' willingness to voluntarily provide data to our customers or marketing companies. Some of our planned services will depend on voluntarily provided data and therefore may be impaired without such data.

We May Not Be Able to Adequately Protect Our Information Systems.

Our ability to protect our planned information systems against damage from a data loss, security breach, human error, malfeasance, computer virus, fire, power loss, telecommunications failure or other disaster is critical to our future success. Some of these systems may be outsourced to third-party providers from time to time. Any damage to our information systems that causes interruptions in our operations or a loss of data could affect our ability to meet our customers' requirements, which could have a material adverse effect on our business, financial position or operating results. While we plan to take precautions to protect our information systems, such measures may not be effective, and existing measures may become inadequate because of changes in future conditions. Although we plan to maintain insurance which may respond to cover some types of damages incurred by breaches of (or problems with) our information systems, such insurance will be limited and expensive, and may not respond or be sufficient to offset the costs of such damages, and therefore such damages may materially harm our business.

Our Reputation and Business Results May Be Adversely Impacted if We, or Subcontractors Upon Whom We Will Rely, Do Not Effectively Protect Sensitive Personal Information of Our Future Customers.

Current privacy and data security laws and industry standards impact the manner in which we plan to capture, handle, analyze and disseminate customer and prospect data as part of our customer engagements. In many instances, our customer contracts may also mandate privacy and security practices. If we fail to effectively protect and control sensitive personal information (such as personal health information, social security numbers or credit card numbers) of our clients and their customers or prospects in accordance with these requirements, we may incur significant expense, suffer reputational harm and loss of business, and, in certain cases, be subjected to regulatory or governmental sanctions or litigation. These risks may be increased due to our reliance on subcontractors and other third parties in providing a portion of our overall services in certain engagements. We cannot guarantee that these third parties will effectively protect and handle sensitive personal information or other confidential information, or that we will have adequate recourse against these third parties in that event.

Entertainment Industry Risks

We Face Substantial Capital Requirements and Financial Risks

The development, production, acquisition and distribution of motion pictures and television programs require a significant amount of capital. A significant amount of time may elapse between the expenditure of funds and the receipt of revenues from motion pictures or television programs. This time lapse may require the Company to fund a significant portion of the capital requirements from the Company's financing sources. Although the Company

intends to reduce the risks of development and production exposure through financial contributions from broadcasters and distributors, tax credit programs, government and industry programs, and co-financiers and other sources, we cannot assure our stockholders that the Company will be able to successfully implement these arrangements or that it will not be subject to substantial financial risks relating to the development, production, acquisition, completion and release of motion pictures and television programs. Any of the foregoing could have a material adverse effect on Sky440's business, financial condition, operating results, liquidity and prospects.

The costs of producing and marketing feature films generally increase from year to year, which may make it more difficult for films to generate a profit or compete against other films. A continuation of this trend would leave the Company more dependent on other media, such as home entertainment, television, international markets and digital, which revenues may not be sufficient to offset an increase in the cost of motion picture production and marketing. If the Company cannot successfully exploit these other media, it could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

While the Company's business model requires that it be efficient in the development and production of motion pictures and television programs, actual motion picture and television production costs may exceed their budgets. The development, production, completion and distribution of motion pictures and television productions can be subject to a number of uncertainties, including delays and increased expenditures due to disruptions or events beyond our control. As a result, if a motion picture or television production incurs substantial budget overruns, the Company may have to seek additional financing from outside sources to complete production or fund the overrun in house. The Company cannot make assurances regarding the availability of such financing or on terms acceptable to it, nor can the Company assure our stockholders that it will recoup these costs. Increased costs incurred with respect to a particular film may result in any such film not being ready for release at the intended time and the postponement to a potentially less favorable date, all of which could cause a decline in box office performance, and, thus, the overall financial success of such film. Budget overruns could also prevent a picture from being completed or released. Any of the foregoing could have a material adverse effect on Sky440's business, financial condition, operating results, liquidity and prospects.

We May Incur Significant Write-Offs If Our Planned Feature Films and Other Projects Do Not Perform Well Enough to Recoup Development, Production, Marketing and Distribution Costs.

The Company will be required to amortize capitalized production costs over the expected revenue streams as it recognizes revenue from its planned films or other projects. The amount of production costs that will be amortized each quarter depends on, among other things, how much future revenue the Company expects to receive from each project. Unamortized production costs are evaluated for impairment each reporting period on a project-by-project basis. If estimated remaining revenue is not sufficient to recover the unamortized production costs, the unamortized production costs will be written down to fair value. In any given quarter, if the Company lowers its previous forecast with respect to total anticipated revenue from any individual feature film or other project, it may be required to accelerate amortization or record impairment charges with respect to the unamortized costs, even if the Company has previously recorded impairment charges for such film or other project. Such impairment charges could adversely impact Sky440's business, operating results and financial condition.

Our Success Depends on the Commercial Success of Motion Pictures and Television Programs, Which Is Unpredictable.

Generally, the popularity of motion pictures and television programs depends on many factors, including the critical acclaim they receive, the format of their initial release (for example, theatrical or direct-to-video), their actors and other key talent, their genre and their specific subject matter, audience reaction, the quality and acceptance of motion pictures or programs that our competitors release into the marketplace at or near the same time, critical reviews, the availability of alternative forms of entertainment and leisure activities, general economic conditions and other tangible and intangible factors, many of which the Company does not control and all of which may change. The Company cannot predict the future effects of these factors with certainty. In addition, because a motion picture's or television program's performance in ancillary markets, such as home video and pay and free television, is often directly related to its box office performance or television ratings, poor box office results or poor television ratings may negatively affect future revenue streams. The Company's success will depend on the experience and judgment of its management to select and develop new investment, development and production opportunities. The Company

cannot make assurances that its motion pictures and television programs will obtain favorable reviews or ratings, that its motion pictures will perform well at the box office or in ancillary markets or that broadcasters will license the rights to broadcast any of its television programs in development or renew licenses to broadcast programs the Company may have in its library in the future. The failure to achieve any of the foregoing could have a material adverse effect on Sky440's business, financial condition, operating results, liquidity and prospects.

Global Economic Turmoil and Regional Economic Conditions in the U.S. Could Adversely Affect Our Business.

Global economic turmoil may cause a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, levels of intervention from the U.S. federal government and other foreign governments, decreased consumer confidence, overall slower economic activity and extreme volatility in credit, equity and fixed income markets. A decrease in economic activity in the U.S. or in other regions of the world in which the Company may do business could adversely affect demand for its films, thus reducing its revenues and earnings. A decline in economic conditions could reduce performance of any theatrical, television and home entertainment releases. In addition, an increase in price levels generally, could result in a shift in consumer demand away from the entertainment the Company may offer in the future, which could also adversely affect its revenues and, at the same time, increase its costs. Moreover, financial institution failures may cause the Company to incur increased expenses or make it more difficult to finance any future acquisitions, or engage in other financing activities. The Company cannot predict the timing or the duration of any downturn in the economy and it is not immune to the effects of general worldwide economic conditions.

Licensed Distributors' Failure to Promote Our Programs May Adversely Affect Our Business.

The Company generally does not control the timing and manner in which its licensed distributors may in the future distribute its motion pictures or television programs; their decisions regarding the timing of release and promotional support are important in determining success. Any decision by those distributors not to distribute or promote one of the Company's motion pictures, television programs or related products or to promote its competitors' motion pictures, television programs or related products to a greater extent than they promote the Company's could have a material adverse effect Sky440's business, financial condition, operating results, liquidity and prospects.

We Could Be Adversely Affected by Strikes or Other Union Job Actions.

If and when the Company commences production on one or more films ion the future, it may be directly or indirectly dependent upon highly specialized union members who are essential to the production of motion pictures and television programs. A strike by, or a lockout of, one or more of the unions that provide personnel essential to the production of motion pictures or television programs could delay or halt the Company's planned production activities, or could cause a delay or interruption in its release of new motion pictures and television programs, which could have a material adverse effect on Sky440's business, financial condition, operating results, liquidity and prospects.

We Expect Initially to Be Smaller and Less Diversified Than Many of Our Competitors.

Unlike the Company, which envisions itself as a small independent development entity, potential distributor and producer, most of the major U.S. studios are part of large diversified corporate groups with a variety of other operations, including television networks and cable channels that can provide both the means of distributing their products and stable sources of earnings that may allow them to better offset fluctuations in the financial performance of their motion picture and television operations. In addition, the major studios have more resources with which to compete for ideas, storylines and scripts created by third parties as well as for actors, directors and other personnel required for production. The resources of the major studios may also give them an advantage in acquiring other businesses or assets, including film libraries, that the Company might also be interested in acquiring.

The Motion Picture Industry Is Highly Competitive and At Times May Create an Oversupply of Motion Pictures in the Market.

The number of motion pictures released by the Company's competitors, particularly the major studios, may create an oversupply of product in the market, reduce the Company's future share of box office receipts and make it more

difficult for its films to succeed commercially. The limited supply of motion picture screens compounds this product oversupply problem. Oversupply may become most pronounced during peak release times, such as school holidays and national holidays, when theater attendance is expected to be highest. As a result of changes in the theatrical exhibition industry, including reorganizations and consolidations, and major studio releases occupying more screens, the number of screens available to the Company and or its distribution partners when it wants to release a picture may decrease. If the number of motion picture screens decreases, box office receipts, and the correlating future revenue streams, such as from home entertainment and pay and free television, of the Company's future motion pictures may also decrease. Moreover, the Company cannot guarantee that it can release all of its future films when they are otherwise scheduled due to production or other delays, or a change in the schedule of a major studio. Any such change could adversely impact a film's financial performance. In addition, if the Company cannot change its schedule after such a change by a major studio because it is too close to the release date, the major studio's release and its typically larger promotion budget may adversely impact the financial performance of the Company's film.

Piracy of Motion Pictures May Reduce the Gross Receipts From the Exploitation of our Planned Films.

Motion picture piracy is extensive in many parts of the world, including South America, Asia, and certain Eastern European countries, and is made easier by technological advances and the conversion of motion pictures into digital formats. This trend facilitates the creation, transmission and sharing of high quality unauthorized copies of motion pictures in theatrical release on DVDs, Blu-ray discs, from pay-per-view through set-top boxes and other devices and through unlicensed broadcasts on free television and the Internet. The proliferation of unauthorized copies of these products will likely have an adverse effect on the Company's future business, because these products reduce the revenue the Company may receive from its products. Additionally, in order to contain this problem, the Company may have to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and losses of revenue. The Company cannot assure our stockholders that even the highest levels of security and anti-piracy measures will prevent piracy.

In particular, unauthorized copying and piracy are prevalent in countries outside of the U.S., Canada and Western Europe, whose legal systems may make it difficult for the Company to enforce its intellectual property rights. While the U.S. government has publicly considered implementing trade sanctions against specific countries that, in its opinion, do not make appropriate efforts to prevent copyright infringements of U.S. produced motion pictures, there can be no assurance that any such sanctions will be enacted or, if enacted, will be effective. In addition, if enacted, such sanctions could impact the amount of revenue that the Company realizes from the international exploitation of motion pictures. If no embargoes or sanctions are enacted, or if other measures are not taken, the Company may lose revenue as a result of motion picture piracy.

Cannabis Industry Risk Factors

Because We Have No Operating History in the Cannabis Industry, We May Not Succeed.

The Company has no specific operating history or experience in procuring, building out or leasing real estate for agricultural purposes, specifically medical marijuana grow facilities, or with respect to any other activity in the cannabis industry. Moreover, we are subject to all risks inherent in a developing a new business enterprise. Our likelihood of success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with establishing a new business and the competitive and regulatory environment in which we operate. For example, the medical marijuana industry is new and may not succeed, particularly should the federal government change course and decide to prosecute those dealing in medical and/or recreational marijuana. If that happens there may not be an adequate market for our properties or other activities we propose to engage in.

You should further consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages. For example, unanticipated expenses, delays and or complications with build outs, zoning issues, legal disputes with neighbors, local governments, communities and or tenants. We may not successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could impair the value of our common stock to the point investors may lose their entire investment.

The Cannabis Industry Faces Significant Opposition.

It is believed by many that large well-funded businesses may have a strong economic opposition to the cannabis industry. Further, the medical cannabis industry could face a material threat from the pharmaceutical industry, should cannabis displace other drugs or encroach upon the pharmaceutical industry's products. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical cannabis industry. Any inroads the pharmaceutical industry could make in halting or impeding the cannabis industry could have a detrimental impact on our proposed business.

The use of medical and recreational marijuana still carries significant social stigma. We are substantially dependent on continued market acceptance and proliferation of consumers of medical and recreational marijuana. We believe that as marijuana becomes more accepted the stigma associated with marijuana use will diminish and as a result consumer demand will continue to grow. And while we believe that the market and opportunity in the marijuana space continues to grow, we cannot predict the future growth rate and size of the market. Any negative outlook on the marijuana industry will adversely affect our business operations.

Because Marijuana Is Illegal Under Federal Law, We Could be Subject to Criminal and Civil Sanctions for Engaging in Activities That Violate Those Laws.

Despite the development of a legal cannabis industry under the laws of certain states, these state laws legalizing medical and adult cannabis use are in conflict with the Federal Controlled Substances Act, which classifies cannabis as a Schedule-I controlled substance and makes cannabis use and possession illegal on a national level. The United States Supreme Court has ruled in *United States v. Oakland Cannabis Buyers' Coop*. and *Gonzales v. Raich* that it is the federal government that has the right to regulate and criminalize cannabis, even for medical purposes, and thus federal law criminalizing the use of cannabis preempts state laws that legalize its use. In March 2015, bipartisan legislation was introduced in the U.S. Senate proposing to change federal law such that states could regulate medical use of cannabis without fear of prosecution. A key component of the proposed Compassionate Access, Research Expansion, and Respect States Act (the "CARERS Act") is to reclassify cannabis under the Controlled Substances Act to Schedule II, thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses.

The Obama administration has effectively stated that it is not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the administration will not change its stated policy regarding the low-priority enforcement of federal laws. Additionally, any new administration that follows could change this policy and decide to enforce the federal laws strongly. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to us and our shareholders.

Should such a change occur, our business operations would be affected. If our marijuana tenants are forced to shut their operations, we would need to seek to replace those tenants with non-marijuana tenants, who would likely expect to pay lower rents. Moreover if the marijuana industry were forced to shut down at once, it would result in a high amount of vacancies at once and create a surplus of supply, driving leases and property values lower. Additionally, we would realize an economic loss on any and all improvements made to the properties that were specific to the marijuana industry and we would likely lose any and all investments in the US market that were marijuana-related.

Further, and even if we do not directly harvest, cultivate, possess, distribute or sell cannabis, by leasing facilities and financing growers of medicinal marijuana, we could be deemed to be participating in marijuana cultivation or aiding and abetting, which remains illegal under federal law, and exposes us to potential criminal liability, with the additional risk that our properties could be subject to civil forfeiture proceedings. Moreover, since the use of marijuana is illegal under federal law, we may have difficulty acquiring or maintaining bank accounts and insurance and our shareholders may find it difficult to deposit their stock with brokerage firms.

Our Contemplated Business Plan is Dependent on State Laws Pertaining to the Cannabis Industry.

Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of cannabis, which would negatively impact our proposed business.

As of the date of this filing, more than twenty-three states and the District of Columbia allow their residents to use medical cannabis. Voters in the states of Alaska, Colorado, Oregon and Washington approved and implemented, or are implementing, regulations to legalize recreational cannabis for adult use. As stated above, the state laws are in conflict with the federal Controlled Substances Act, which makes cannabis use and possession illegal on a national level.

Laws and Regulations Affecting the Regulated Marijuana Industry are Constantly Changing, Which Could Detrimentally Affect our Proposed Operations, and We Cannot Predict the Impact that Future Regulations May Have on Us

Federal, state and local cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. Furthermore, it is possible that regulations may be enacted in the future that will be directly applicable to our proposed business. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

FDA Regulation of Marijuana and the Possible Registration of Facilities Where Medical Marijuana Is Grown Could Negatively Affect the Cannabis Industry Which Would Directly Affect our Financial Condition.

Should the federal government legalize marijuana for medical use, it is possible that the U.S. Food and Drug Administration (FDA) would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including cGMPs (certified good manufacturing practices) related to the growth, cultivation, harvesting and processing of medical marijuana. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical marijuana is grown be registered with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, we do not know what the impact would be on the medical marijuana industry, what costs, requirements and possible prohibitions may be enforced. If we or our tenants are unable to comply with the regulations and or registration as prescribed by the FDA, we and or our tenants may be unable to continue to operate their and our business in its current form or at all.

Because We May Be Unable to Identify and/or Successfully Acquire Properties Which Are Suitable for Our Cannabis Business, Our Financial Condition May Be Negatively Affected.

Our business plan involves the identification and the successful acquisition of real properties which are zoned for marijuana businesses, including grow and retail. The properties we acquire will be leased or sold to licensed marijuana operators. Local governments must approve and adopt zoning ordinances for marijuana facilities and retail dispensaries. A lack of properly zoned real estate may reduce our prospects and limit our opportunity for growth and or increase the cost at which suitable properties are available to us. Conversely a surplus of real estate zoned for marijuana establishments may reduce demand and prices we are able to charge for properties we may have previously acquired. There can be no assurance that we will be able to obtain the capital needed to purchase any properties.

Our Customers and Our Company May Have Difficulty Accessing the Service of Banks, which May Make It Difficult to Operate and/or Contract.

Since the use of cannabis is illegal under federal law, many banks will not accept for deposit funds from businesses involved with cannabis. Consequently, businesses involved in the cannabis industry often have trouble finding a

bank willing to accept their business. The inability to open bank accounts may make it difficult for potential customers, clients and tenants of the Company to operate.

On February 14, 2014, The U.S. government issued rules allowing banks to legally provide financial services to state-licensed marijuana businesses. A memorandum issued by the Justice Department to federal prosecutors re-iterated guidance previously given, this time to the financial industry that banks can do business with legal marijuana businesses and "may not" be prosecuted. The Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued guidelines to banks that "it is possible to provide financial services"" to state-licensed marijuana businesses and still be in compliance with federal anti-money laundering laws. The guidance falls short of the explicit legal authorization that banking industry officials had pushed the government to provide and to date it is not clear what if any banks have relied on the guidance and taken on legal marijuana companies as clients. The aforementioned policy may be administration dependent and a change in presidential administrations may cause a policy reversal and retraction of current policies, wherein legal marijuana businesses may not have access to the banking industry. We could be subject to sanctions if we are found to be a financial institution and not in harmony with FinCET guidelines. Also, the inability of potential clients in our target market to open accounts and otherwise use the service of banks may make it difficult for them to contract with us.

Public Company Risk Factors including those specifically related to "Penny Stocks"

If the Ownership of Our Common Stock Continues to Be Highly Concentrated, It May Prevent You and Other Stockholders From Influencing Significant Corporate Decisions and May Result in Conflicts of Interest That Could Cause Our Stock Price to Decline.

Our executive officers, directors and their affiliates beneficially own or control approximately 90% percent of our common stock voting rights. Accordingly, these executive officers, directors and their affiliates, acting as a group, will have considerable influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. However, as a result of their positions, these stockholders may also delay or prevent a change of control, even if such a change of control would benefit other stockholders. A significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise,

Our Articles of Incorporation, Bylaws and Nevada Law Contain Provisions That Could Discourage an Acquisition or Change of Control.

Our articles of incorporation authorize our board of directors to issue common and preferred stock without stockholder approval. Our outstanding preferred stock makes it more difficult for a third party to acquire control of us. In addition, provisions of the articles of incorporation and bylaws could also make it more difficult for a third party to acquire control of us. In addition, Nevada's "Combination with Interested Stockholders' Statute" and its "Control Share Acquisition Statute" may have the effect in the future of delaying or making it more difficult to effect a change in control.

These statutory anti-takeover measures may have certain negative consequences, including an effect on the ability of the stockholders of the Company or other individuals to (i) change the composition of the incumbent board of directors; (ii) benefit from certain transactions which are opposed by the incumbent board of directors; and (iii) make a tender offer or attempt to gain control of the Company, even if such attempt were beneficial to the Company and our stockholders. Since such measures may also discourage the accumulations of large blocks of our common stock by purchasers whose objective is to seek control of our company or have such common stock repurchased by us or other persons at a premium, these measures could also depress the market price of our common stock. Accordingly, our stockholders may be deprived of certain opportunities to realize the "control premium" associated with take-over attempts.

Fluctuation in Our Revenue and Operating Results and Other Factors May Impact the Volatility of Our Stock Price.

The price at which our common stock has traded in recent years has fluctuated greatly. Our common stock price may continue to be volatile due to a number of factors including the following (some of which are beyond our control):

- the impact of the uneven and lackluster economic recovery from the last recession, the overall strength of the economies of the markets we serve and general market volatility;
- variations in our operating results from period to period and variations between our actual operating results and the expectations of securities analysts, investors and the financial community;
- unanticipated developments with customer engagements or customer demand, such as variability in the market demand for our services;
- announcements of developments affecting our businesses;
- competition and the operating results of our competitors; and
- other factors discussed elsewhere in "Risk Factors".

As a result of these and other factors, investors in our common stock may not be able to resell their shares at or above their original purchase price.

We Have Never Paid Dividends on Our Common Stock and We Do Not Expect to Pay Any Cash Dividends in the Foreseeable Future; a Return on Investment May Be Limited to the Value of Our Common Stock.

We have never paid dividends on our common stock and we intend to retain our future earnings, if any, in order to reinvest in the development and growth of our business and, therefore, do not intend to pay dividends on our common stock for the foreseeable future. There can be no assurance that the Company will ever have sufficient earnings to declare and pay dividends to the holders of our common stock, and in any event, any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, and such other factors as our board of directors deems relevant. Accordingly, investors may need to sell their shares of our common stock to realize a return on their investment, and they may not be able to sell such shares at or above the price paid for them.

Our Stockholders May Experience Significant Dilution; Future Sales of Our Common Stock May Result in a Decrease in the Market Price of Our Common Stock, Even If Our Business Is Doing Well.

If our future operations or acquisitions are financed through the issuance of equity securities as expected, our stockholders could experience significant dilution. In addition, securities issued in connection with future financing activities or potential acquisitions may have rights and preferences senior to the rights and preferences of our common stock. We may grant options to purchase shares of our common stock to our directors, employees and consultants. The issuance of shares of our common stock upon the exercise of these options may result in dilution to our stockholders.

The market price of our common stock, when and if established, could drop due to sales of a large number of shares of our common stock in the market after the offering or the perception that such sales could occur. This could make it more difficult to raise funds through future offerings of common stock.

Because We Are Subject to Additional Regulatory Compliance Matters As a Result of Being a Public Company, which Compliance Includes Section 404 of the Sarbanes-Oxley Act of 2002, the Failure to Comply with These Regulatory Matters Could Harm Our Business.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses. Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new Securities and Exchange Commission, or SEC, regulations and NASDAQ Exchange rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by

ongoing revisions to disclosure and corporate governance practices. As a result, our efforts to comply with evolving laws, regulations and standards may result in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our management and outside professionals will need to devote a substantial amount of time to new compliance initiatives and to meeting the obligations that are associated with being a public company. The Company will rely on legal counsel and accounting professionals to help with our future SEC reporting requirements. This will likely divert needed capital resources away from the objectives of implementing our business plan. These expenses could be more costly that we are able to bear and could result in us not being able to successfully implement our business plan.

Disclosure Requirements Pertaining to Penny Stocks May Reduce the Level of Trading Activity in the Market for Our Common Stock and Investors May Find It Difficult to Sell Their Shares.

Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. Trades of our common stock will be subject to Rule 15g-9 of the SEC which rule imposes certain requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

For transactions covered by the rule, the broker-dealer must prior to a transaction make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

B. Date and State (or Jurisdiction) of Incorporation

August 22, 1997 in Florida; August 21, 2001 in Nevada (the result of a merger transaction).

C. The Issuer's Primary and Secondary SIC Codes

Primary: 8742. Secondary: 6531.

D. The Issuer's Fiscal Year End Date

12/31

E. Principal Products or Services, and their Markets

See 6.A. Above

7) Describe the Issuer's Facilities

The Issuer shares approximately two hundred square feet of modern office space in Irvine, California on an as needed basis. The Issuer's physical space requirements are limited due to operational parameters, which necessitate minimal desk, computer and storage space. The issuer has no on-site inventory or retail operational requirements.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons.

Robert P. Atwell, Chairman, Sole Officer and Sole Director. Mr. Atwell has accrued all his compensation during the prior two fiscal years. (See "Financial Statements – Notes to Financial Statements" as filed with OTCIQ.com on December 31, 2015)

B. Legal/Disciplinary History.

Please Identify Whether Any of the Foregoing Persons Have, in the Last Five Years, Been the Subject of:

1. A Conviction in a Criminal Proceeding or Named as a Defendant in a Pending Criminal Proceeding (excluding Traffic Violations and Other Minor Offenses);

   None

2. The Entry of an Order, Judgment, or Decree, not Subsequently Reversed, Suspended or Vacated, by a Court of Competent Jurisdiction that Permanently or Temporarily Enjoined, Barred, Suspended or Otherwise Limited such Person's Involvement in Any Type of Business, Securities, Commodities, or Banking Activities;

   None

3. A Finding or Judgment by a Court of Competent Jurisdiction (in a Civil Action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a State Securities Regulator of a Violation of Federal or State Securities or Commodities Law, which Finding or Judgment has not been Reversed, Suspended, or Vacated; or

   None

4. The Entry of an Order by a Self-Regulatory Organization that Permanently or Temporarily Barred Suspended or Otherwise Limited such Person's Involvement in Any Type of Business or Securities Activities.

   None

C. Beneficial Shareholders. Provide a List of the Name, Address and Shareholdings or the Percentage of Shares Owned by all Persons Beneficially Owning More than Ten Percent (10%) of Any Class of the Issuer's Equity Securities. If Any of the Beneficial Shareholders are Corporate Shareholders, Provide the Name and Address of the Person(s) Owning or Controlling Such Corporate Shareholders and the Resident Agents of the Corporate Shareholders.

Robert P. Atwell and Affiliates
300 Spectrum Center Drive
Suite 400
Irvine, CA 92618

0 Common Shares	0% Control Affiliate Restricted
6,800,000 Preferred A Shares	96% Control Affiliate Restricted
5,100,000 Preferred B Shares	98% Control Affiliate Restricted

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel

Name	Christopher P. Flannery
Firm	Law Offices of Christopher P. Flannery
Address 1	4 Hillman Drive, Suite 104
Address 2	Chadds Ford, PA 19317
Phone	1-610-361-8016
Email	cpflannerylaw@gmail.com

Accountant

Name	N/A
Firm	N/A
Address 1	N/A
Address 2	N/A
Phone	N/A
Email	N/A

Investor Relations Consultant

Name	N/A
Firm	N/A
Address 1	N/A
Address 2	N/A
Phone	N/A
Email	N/A

Other Advisor: Any Other Advisor(s) that Assisted, Advised, Prepared or Provided Information with Respect to this Disclosure Statement.

Name	N/A
Firm	N/A
Address 1	N/A
Address 2	N/A
Phone:	N/A
Email:	N/A

The Company has not entered into any agreement to promote its stock nor has it authorized any third party to conduct any type of promotion on its behalf.

10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Robert P. Atwell, certify that:

1. I have reviewed this annual disclosure statement of Sky440, Inc.; and

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

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated as of February 16, 2016 for the Annual Report for fiscal year's ended December 31, 2014 and 2015.

/s/ Robert P. Atwell [CEO's Signature]

/s/ Robert P. Atwell [CFO's Signature]