SKY 440

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

QUARTERLY REPORT

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

MARCH 31, 2016

Filed May 23, 2016

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UNAUDITED

FINANCIAL STATEMENTS & BALANCE SHEET

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Sky 440, Inc.
(A Development Stage Company)
Balance Sheets
(Unaudited)

		Mar 31, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash	$	4,369	$	1,277
Prepaid Expenses		-		-
Total Current Assets		4,369		1,277
Other Assets				
Trademarks	$	25,000		25,000
Entertainment Properties	$	20,000		20,000
Total Assets	$	49,369	$	46,277
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities				
Accounts Payable and Accrued Liabilities	$	16,181	$	13,981.00
Accrued Payroll Liabilities		718,515		664,504
Shareholder Advances		26,000		26,000
Notes Payable (Current Portion)		305,884		331,624
Total Current Liabilities		1,066,580		1,036,108
Long Term Liabilities				
Notes Payable, Net of Current Portion		464,842		448,771
Long Term Liability Contingency		100,000		100,000
Total Long Term Liabilities		564,842		548,771
Total Liabilities		1,631,421		1,584,879
Stockholder's Deficit				
Preferred Stock Class A				
Par value $0.001 per share; 10,000,000 shares authorized, 6,800,000 shares issued and outstanding as of March 31, 2016 and December 31, 2015.		6,800		6,800
Preferred Stock Class B				
Par value $0.001 per share; 10,000,000 shares authorized, 5,100,000 shares issued and outstanding as of March 31, 2016 and December 31, 2015.		5,100		5,100
Common Stock				
Par value $0.0001 per share; 6,950,000,000 shares authorized, 3,367,922,087 and 3,267,922,087 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively.		366,792		326,792
Additional Paid in Capital		1,796,144		1,796,144
Retained Earnings		(3,756,889)		(3,673,438)
Total Stockholders' Deficit		(1,582,053)		(1,538,602)
Total Liabilities and Stockholders' Deficit	$	49,369	$	46,277

The accompanying notes are an integral part of theses financial statements.

Sky 440, Inc.
(A Development Stage Company)
Statements of Operations
(Unaudited)

	For the Quarter ended Mar 31, 2016	For the Quarter ended Mar 31, 2015	From Inception on August 22, 1997 through March 31, 2016
REVENUE			
Sales (less Returns and Allowances)	$ -	$ -	$ 2,859,138
Cost of Goods Sold		-	(1,567,779)
Total Gross Profit	-	-	1,291,359
EXPENSES			
General and Administrative	$ 58,119	$ 17,801	$ 2,000,364
Payroll Expense	30,000	17,857	2,144,801
Total Expenses	(88,119)	(35,658)	(4,145,165)
NET OPERATING LOSS	(88,119)	(35,658)	(2,853,806)
Depreciation & Amortization		-	(500,467)
INCOME (LOSS) BEFORE INTEREST & TAXES	(88,119)	(35,658)	(3,354,273)
Interest Income (Expense)	$ (10,332)	$ (8,641)	$ (350,058)
Other Income (Expense)	15,000	-	(35,989)
Discounts Allowed		-	(16,569)
NET LOSS	$ (83,450)	$ (44,299)	$ (3,756,889)
Basic and Dilutive Loss per Preferred A Shares	$ (0.01)	$ (0.01)	
Basic and Dilutive Loss per Preferred B Shares	$ (0.02)	$ (0.01)	
BASIC AND DILUTIVE LOSS PER COMMON SHARE	$ (0.00)	$ (0.00)	
Weighted Average Number of Preferred A Shares Outstanding	6,800,000	6,800,000	
Weighted Average Number of Preferred A Shares Outstanding	5,100,000	5,100,000	
Weighted Average Number of Common Shares Outstanding	4,941,620,717	6,097,922,087	

The accompanying notes are an integral part of theses financial statements.

Sky 440, Inc.
Consolidated Statement of Changes in Stockholders' Equity (Deficit) (Unaudited)

	Common Stock		Preferred A Stock		Preferred B Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit During the Development Stage	Total Stockholders' Equity (Deficit)
Balance at Inception, August 22, 1997	-	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -
Shares Issued for Cash, Debt and Services	315,422,087	315,422	6,800,000	6,800	5,100,000	5,100	656,834	-	984,156
Net Loss from Inception to the Period ended December 31, 2005	-	-	-	-	-	-	-	(1,581,186)	(1,581,186)
Net Loss for the Period ended December 31, 2006	-	-	-	-	-	-	-	(204,835)	(204,835)
Balance, December 31, 2006	315,422,087	$ 315,422	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 656,834	$ (1,786,021)	$ (801,865)
Adjustment to Additional Paid-In Capital	-	-	-	-	-	-	472,970	-	472,970
Net Loss for the Period ended December 31, 2007	-	-	-	-	-	-	-	(272,970)	(272,970)
Balance, December 31, 2007	315,422,087	$ 315,422	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,129,804	$ (2,058,991)	$ (601,865)
Shares Issued for Services	102,500,000	102,500	-	-	-	-	273,210	-	375,710
Net Loss for the Period ended December 31, 2008	-	-	-	-	-	-	-	(677,924)	(677,924)
Balance, December 31, 2008	417,922,087	$ 417,922	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,403,014	$ (2,736,915)	(904,079)
Stock Valuation Adjustment, August 20, 2009	-	(376,130)	-	-	-	-	376,130	-	-
Sale of Stock for Cash	1,045,000,000	104,500	-	-	-	-	(46,750)	-	57,750
Shares Issued for Debt	1,975,000,000	197,500	-	-	-	-	(98,750)	-	98,750
Shares Issued for Services	1,360,000,000	136,000	-	-	-	-	(68,000)	-	68,000
Net Loss for the Period ended December 31, 2009	-	-	-	-	-	-	-	(256,668)	(256,668)
Balance, December 31, 2009	4,797,922,087	$ 479,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,565,644	$ (2,993,583)	$ (936,247)
Net Loss for the Year ended December 31, 2010	-	-	-	-	-	-	-	(97,502)	(97,502)
Balance, December 31, 2010	4,797,922,087	$ 479,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,565,644	$ (3,091,085)	$ (1,033,749)
Net Loss for the Year ended December 31, 2011	-	-	-	-	-	-	-	(92,572)	(92,572)
Balance, December 31, 2011	4,797,922,087	$ 479,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,565,644	$ (3,183,657)	$ (1,126,321)
Net Loss for the Year ended December 31, 2012	-	-	-	-	-	-	-	(93,791)	(93,791)
Balance, December 31, 2012	4,797,922,087	$ 479,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,565,644	$ (3,277,448)	$ (1,220,112)
Net Loss for the Year ended December 31, 2013	-	-	-	-	-	-	-	(94,793)	(94,793)
Balance, December 31, 2013	4,797,922,087	$ 479,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,565,644	$ (3,372,241)	$ (1,314,905)
Sale of Stock for Cash	1,300,000,000	130,000	-	-	-	-	(52,500)	-	77,500
Net Loss for the Year ended December 31, 2014	-	-	-	-	-	-	-	(137,106)	(137,106)
Balance, December 31, 2014	6,097,922,087	$ 609,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,513,144	$ (3,509,347)	$ (1,374,511)
Stock Retirement & Cancellation	(2,830,000,000)	(283,000)	-	-	-	-	283,000	-	-
Net Loss for the Year ended December 31, 2015	-	-	-	-	-	-	-	(164,092)	(164,092)
Balance, December 31, 2015	3,267,922,087	$ 326,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,796,144	$ (3,673,438)	$ (1,538,602)
Shares Issued for Debt	400,000,000	40,000	-	-	-	-	-	-	-
Net Loss for the Quarter ended March 31, 2016	-	-	-	-	-	-	-	(83,450)	-
Balance, March 31, 2016	3,667,922,087	$ 366,792	6,800,000	$ 6,800	5,100,000	$ 5,100	$ 1,796,144	$ (3,756,889)	$ (1,538,602)

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

Sky 440, Inc.
Condensed Statements of Cash Flows
(Unaudited)

	For the Quarter ended Mar 31, 2016	2015	From Inception on August 22, 1997 through Mar 31, 2016
Cash Flows From Operating Activities			
Net Loss	$ (83,450)	$ (44,299)	$ (3,756,889)
Accounts Payable, Accrued and Other Liabilities	56,300	-	453,403
Accrued Interest	10,332	8,641	213,399
Accrued Salaries	30,000	17,857	530,000
Shareholder Advances	-	-	26,000
Changes in Operating Assets and Liabilities	13,181	(17,801)	(2,534,087)
Net Cash Provided by Investing Activities	-	-	-
Net Proceeds from Notes Payable	5,000	12,750	232,400
Shares Issued for Cash	-	-	1,691,126
Increase (Decrease) of Debt	(15,089)	(14,510)	171,219
Sale of Stock for Services	-	-	443,710
Decrease in Retained Earnings	-	-	-
Cash Flows from Financing Activities	(10,089)	(1,760)	2,538,455
Net Increase/(Decrease) in Cash	3,092	(19,561)	4,369
Cash, Beginning of Period	1,277	19,760	-
Cash, End of Period	$ 4,369	$ 199	$ 4,369
Supplemental Disclosure of Cash Flow Information			
Share Par Valuation Change	$ -		$ (376,130)
Common Stock Cancellation and Retirement (Par Value)	$ -		$ -

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

MARCH 31, 2016

Filed May 23, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and History

Sky440, Inc. (the "Company" or "Sky440"), a Nevada corporation, was incorporated in Nevada on August 22, 2001. It was originally incorporated in Florida on August 22, 1997 prior to being merged with the Nevada entity in 2001. It is a development stage company composed of two planned divisions: the products Development Division (the 'PD Division"), which includes the Company's entertainment, publishing and electronics related activity; and the Medical Marijuana Development Division (the "MD Division"). As of March 31, 2016, Sky440 continues to be classified as a development stage company and the Company is not and has never been a shell company.

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.

On February 29, 2016, the Company became current in its reporting requirements with OTC Markets. This filing was the culmination of a process that began in November 2014 when the Company decided to focus its efforts on two distinctive divisions, the PD Division and the MD Division, while incorporating its ongoing operations into the PD Division. The long timeframe endured by the Company and its stockholders in getting current was the result of legal and regulatory hurdles that Sky440 needed to work its way through, especially those it faced in the rapidly changing MD Division, and the accumulation of financial and operational records required as part of the process.

On March 30, 2016, the Company announced that it had entered into a joint venture agreement with Houston, Texas based Advantage Underwriters Services, Inc. and its Grow-Tech LLP division to manufacture and distribute state of the art customized grow containers. Highly engineered modules that allow for a wide range of horticulture and agriculture products, these specially designed and constructed insulated shipping containers provide a state-of-the-art modular and mobile vertical production environment that have been re-engineered to provide the optimum controlled environment for growing horticultural and agricultural products in any environment. Designed for growing crops all year without regard to weather, pollution and free from pests and diseases while being completely off the grid, these 40 foot and the new 53 foot containers use proprietary systems that incorporate the latest technology available.

Since entering into the joint venture, the Company and its new partners have been working on bringing the containers to market both domestically and internationally. In addition to making agreements with vendors and technology providers, the joint venture has been taking steps to secure its intellectual property rights, securing logos and trademarks, build out of the commercial website and establishment of revenue generating license agreements in separate regions throughout the domestic and international marketplace.

The Product Division

The PD Division is pursuing a strategy to develop, through acquisitions and in-house development, a consumer products business with a focus on domestic and international direct marketing and 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. 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. Once these initial steps are under way, the Company plans to secure additional products for distribution as well as pursue further acquisitions to complement and expand the Company's business model.

The Medical Marijuana Development Division

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 market 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. Opportunities exist to compete with companies such as WeedMaps. Land acquisitions are being pursued 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. Finally, there are significant opportunities to acquire international entities that are seeking to be part of a US public company.

The Company's MD Division plans to build a brand in the medical marijuana industry. 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. 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. The Company's MD Division also 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 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. In addition, the 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. 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.

Management, Operations and Risk

The primary focus of Sky440 during fiscal year 2015 was to reorganize the Company by streamlining its focus on what would ultimately result in two operating divisions, the PD Division and the MD Division, and to become current with its reporting obligations with OTC Markets. In accomplishing these two benchmarks, the Company had to work through various operational designs and structures to meet the needs of potential acquisition targets in the PD Division while navigating through a complex, difficult and ever-changing legal and regulatory landscape surrounding the MD Division. This process consumed a significant amount of resources and time, which placed a strain on the Company's ability to operate efficiently during this time period. Management felt that it was critical that the Company go through this process in order to establish a clear and succinct path that could lead the Company to sustained profitability, something that has eluded Sky440 in the past.

All of the aforementioned activities involve complex business and financial transactions and there can be no guarantee that the Company will be able to successfully develop its business plan, nor complete any or all of the transactions necessary for successful growth. Volatile market conditions and the ongoing uncertainty of the global economic outlook could stymie any potential growth the Company plans on achieving at any time and increase the pressure on an already strained corporate financial structure. In order to continue the development of its two main divisions, the Company must be successful in acquiring the necessary funding it is seeking. The inability to do so will result in the Company experiencing serious delays in implementing its business plan. Any or all of the above uncertainties could have a material adverse effect on the Company. Critical to success will be the ability to attract a strong management team at both the parent company and the divisional levels. As acquisition and financial transactions, even at a basic level, become more complex, the financial and managerial experience of the Company's management team will play a major role in the success or failure of the Company. These and other Risk Factors are discussed in further detail in the main section of the Company's annual report.

Authorized Stock

As of March 31, 2016, the authorized stock of Sky440 was 7 billion shares, consisting of 6.95 billion common shares authorized and 50 million preferred shares authorized.

Authorized Common Stock

As of March 31, 2016, Sky440 had an authorized common stock capital of 6.95 billion shares with a par value of $.0001. Authorized preferred stands at 50 million shares with a par value of $.001. These numbers remain unchanged as of the date of this filing and the Company has no current plans for any increase thereof. The Company issued 400,000,000 restricted shares of its common stock during the first quarter of 2016, 300,000,000 of which were issued to its Chairman as affiliate control restricted stock as part of the Company's ongoing debt retirement plan. The other 100,000,000 restricted shares were issued in exchange for debt incurred by the Company in 2014 and are eligible to become non-restricted.

Issued and Outstanding Common Stock

As of March 31, 2016, Sky440 had a total of 3,667,922,087 Common Shares outstanding, as compared to 3,267,922,087 Common Shares outstanding as of December 31, 2015. During fiscal year 2015, the Company canceled and or retired 2,830,000,000 common shares. This reduction of 2,830,000,000 Common Shares represents a reduction of 46.4% when compared to the 6,097,922,087 Common Shares outstanding as of December 31, 2014. Since fiscal year 2009, the following table details all of the stock issuances for the Company:

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
The Atwell Group	2/26/16	Common	300,000,000	300,000,000	.0001	.0001	4(a)(2)	Restricted	Restricted Control Affiliated	144	Debt	12/31/14
SFH Capital, LLC	3/2/16	Common	100,000,000	100,000,000	.0001	.0001	4(a)(2)	Restricted	Restricted Available for Resale	144	Cash	2/28/14

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

As of March 31, 2016, 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.

Authorized and Issued and Outstanding Preferred Stock

As of March 31, 2016, Sky440 has authorized a total of 50,000,000 Preferred Shares, consisting of two classes, Preferred A and Preferred B. Sky440 has authorized 10,000,000 Class A Preferred Shares, of which 6,800,000 are outstanding, and 10,000,000 Class B Preferred Shares, of which 5,100,000 are outstanding.

Basis of Presentation

Sky440 is considered to be a development stage enterprise as defined in Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises." Consequently, Sky440 has presented these financial statements in accordance with that Statement, including losses incurred from August 22, 1997 (Inception) to December 31, 2015.

Income Taxes - Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Due to historical net losses, a valuation allowance has been established to offset the deferred tax assets.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes— An Interpretation of FASB Statement No. 109 ("FIN 48")", codified into ASC 740. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 describes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect of adopting FIN 48 is required to be reported as an adjustment to the opening balance of retained earnings (or other appropriate components of equity) for that fiscal year, presented separately. The adoption of FIN 48 did not have a material impact to the Company's financial statements.

Fair Value of Financial Instruments - The carrying amount of the Company's cash, accounts receivables, accounts payables, and accrued expenses approximates their estimated fair values due to the short-term maturities of those financial instruments.

The Company has adopted a single definition of fair value, a framework for measuring fair value, and providing expanded disclosures concerning fair value whereby estimated fair value is the price to be paid for an asset or the amount to settle a liability in an orderly transaction between market participants at the measurement date. Accordingly, fair value is a market-based measurement and not an entity-specific measurement.

The Company utilizes the following hierarchy in fair value measurements:

- Level 1 – Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 – Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 – Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

As a result, prior to fiscal year ended December 31, 2015, the Company adopted ASC 820 ("ASC 820") Fair Value Measurements and Disclosures. The Company did not record an adjustment to retained earnings as a result of the adoption of the guidance for fair value measurements, and the adoption did not have a material effect on the Company's results of operations. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability.

As of March 31, 2016, the Company's derivative liabilities are considered a level 2 item, see Note 3 and 6.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation - The Company accounts for stock options issued to employees and consultants under ASC 718 formerly SFAS No. 123(R), "Share-Based Payment". Under SFAS 123(R), share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite vesting period. The Company measures compensation expense for its non-employee stock-based compensation under ASC 505 formerly EITF No. 96-18 "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ("EITF 96-18"). The fair value of the shares or options issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to stock-based compensation expense and credited to additional paid-in capital.

Impairment of Long-Lived Assets - Impairment of long-lived assets is assessed by the Company whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

Modifications to Convertible Debt -The Company accounts for modifications of Excess Cash Flows ("ECFs") in accordance with EITF 06-6 "Debtors Accounting for a Modification (or Exchange) of Convertible Debt Instruments", codified into ASC 470 EITF 06-6 requires the modification of a convertible debt instrument that changes the fair value of an ECF be recorded as a debt discount and amortized to interest expense over the remaining life of the debt. If modification is considered a substantial (i.e. greater than 10% of the carrying value of the debt), an extinguishment of the debt is deemed to have occurred, resulting in the recognition of an extinguishment gain or loss.

Equity Instruments Issued with Registration Rights Agreement - The Company accounts for registration rights agreement penalties as contingent liabilities. Accordingly, the Company recognizes the damages when it becomes probable that they will be incurred and amounts are reasonably estimable. As of December 31, 2015, the Company does not believe damages related to these rights are probable, and thus, an accrual has not been recorded.

Earnings (Loss) per Share - Basic earnings (loss) per share are based on the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings (loss) per share also includes the effect of stock options, other Common Stock equivalents outstanding during the during the period, and assumes the conversion of the Company's Class A and B preferred stock and conversion of convertible notes payable for the period of time such stock and notes were outstanding, if such preferred stock and convertible notes are dilutive.

The following table sets forth the computation of the numerator and of basic loss per share for the quarter ended March 31, 2016 and the year ended December 31, 2015. There were no adjustments to the denominator.

	March 31, 2016	December 31, 2015
Weighted average common shares outstanding		
Used in calculating basic loss per share	3,411,887,131	6,097,922,087

As of March 31, 2016, the Company has 6,950,000,000 common shares authorized, thus the effects of convertible preferred stock and notes into common stock are limited, if applicable, to the amount authorized by the Company's stockholders.

Recent Accounting Pronouncements - In May 2009, the FASB issued ASC 855 "Subsequent Events" (formerly SFAS No. 165, Subsequent Events). FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 is effective for interim and annual financial periods ending after June 15, 2009 with no impact on the accompanying financial statements.

In June 2009, the FASB issued ASC 105 "Generally Accepted Accounting Principles" (formerly SFAS No. 168 The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – A Replacement of FASB Statement No. 162). ASC 105 establishes the FASB Accounting Standards Codification as the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. ASC 105, which changes the referencing of financial standards, is effective for interim or annual financial periods ending after September 15, 2009. The Company adopted ASC 105 prior to fiscal year ended December 31, 2011 with no impact to its financial statements, except for the changes related to the referencing of financial standards.

2. GOING CONCERN

The accompanying financial statements have been prepared assuming that Sky440 will continue as a going concern. During the quarter ended March 31, 2016, Sky440 had limited revenue producing operations; working capital of $4,369 and an accumulated deficit from inception of $3,756,889. These conditions raise substantial doubt about Sky440's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the classification of liabilities that may result from the outcome of this uncertainty.

Management's plans with respect to the current situation consist of successfully completing the implementation of its business model and the resultant revenues that come as operations continue to develop, continuing to restructure its debt and seeking additional financial resources from its existing investors, officers and directors (past and present). There are no assurance that the Company's efforts will be successful and/or at acceptable terms.

3. NOTES PAYABLE

Notes Payable

As of March 31, 2016, Company has a current portion of notes payable outstanding in the principal amount of $305,884. In addition, the Company has an additional $564,842 in long-term notes payable, net of the current portion, including a long term liability contingency of $100,000. Prior to March 31, 2016, Sky440 issued various callable secured convertible notes payable for various amounts to various holders for proceeds either directly in cash or in consideration for services provided. The remaining note payable currently provide for annual interest ranging between 5% and 18%, secured by various assets of the Company, with maturity dates that began in 2015. The principal and accrued interest of the notes are convertible into Sky440's Common Stock either at the current par value at the time of issuance, the current market price, or at a variable conversion price, which can range between 10% to 50% of the average market price of the Common Stock of the lowest three to twenty trading days prior to the date of conversion. In addition, some of these notes may have registration rights agreements, which could call for liquidated damages in the event an effective registration statement is not filed within a timely basis. Many of the notes payable were issued at a time when the Company's common stock had limited or no trading and further, the bid was at par value or below. The Company is required to have sufficient authorized shares to allow for conversion of all of its convertible notes and other debt instruments that may result in the issuance of common and/or preferred stock.

Notes Payable (Current Portion)

Name	Issuance Date	Amount as of March 31, 2016 (in US$)	Term	Interest	Conversion Price	Maturity Date	Consideration
Chris Jensen	4/30/09	76,155	7 Years	10%	Market %	4/29/16	Settlement
A&M Management	5/31/09	157,995	7 Years	8%	Market %	5/30/16	Cash & Services
The Atwell Group	1/1/10	71,735	7 Years	8%	Market %	12/31/17	Cash & Services
Total at March 31, 2016		305,884					

Notes Payable (Long Term Portion)

Name	Issuance Date	Amount as of March 31, 2016 (in US$)	Term	Interest	Conversion Price	Maturity Date	Consideration
SFH Capital LLC	2/28/14 - 12/2/15	188,236	5 Years	8-10%	Market %	2/27/19- 12/1/20	Cash
Bennie Blankenship*	12/19/14	17,313	6 Months	12%	Market Price	6/19/15	Cash
George Wolfenden	11/3/14	3,130	8 Months	18%	None	6/30/15	Cash
Christopher Flannery	12/31/15- 3/31/16	36,513	3 Years	8%	Market %	12/30/18- 3/30/19	Legal Services
Left Coast Pictures	1/22/10	14,846	5 Years	5%	Market %	12/30/17	Cash
Playground Partners	3/20/14	21,803	7 Years	8%	Market %	3/19/21	Cash
Adam Reznikoff	8/15/10	172,995	7 Years	5%	Market %	8/14/17	Admin Services
Sammy Khalil	3/29/16	10,007	3 years	8%	Market %	3/28/19	Cash & Services
Long-Term Liability Contingency	3/31/16	100,000	N/A	N/A	N/A	N/A	Contingency
Total at March 31, 2016		564,842					

* Note retired subsequent to March 31, 2016.

Notes Assigned, Sold and/or Transferred

None

Notes Converted

During the quarter ended March 31, 2016, SFH Capital, LLC converted their $10,000 note, originally issued on February 28, 2014, into 100,000,000 shares of the Company's common stock at $.0001 per share.

4. INCOME TAXES

For the quarter ended March 31, 2016, Sky440 recorded a net loss of ($83,450). For the quarter ended March 31, 2015, the Company had a net loss of ($44,299). As a result of significant loss carry forwards prior to March 31, 2016, Sky440 has not recorded any income tax liability for any quarter in fiscal year 2016. As of March 31, 2016, the Company is required to file tax returns for one or more prior fiscal years. The Company does not owe any income tax for any prior fiscal year as it has recorded losses in each year prior to 2016 since inception, culminating in an accumulated deficit from inception of $3,756,889 at March 31, 2016.

State of Nevada

The Company is required to file its Annual Report with the State of Nevada for the current fiscal year tax including the payment of annual state fees. The Company is current with its filings. The Company does not have any income tax liability.

5. RELATED PARTY TRANSACTIONS

Accrued Salaries

At March 31, 2016, the Company had accrued compensation to officers of $530,000 remaining after its Chairman Robert Atwell had agreed to reduce his accrued historical salary by $1,500,000 during fiscal year 2015.

As of the quarter ended March 31, 2016, the Company's Chairman has not been paid any of his accrued salary.

Accrued salary therefore remains unchanged at $530,000.

Advances from Affiliates

During and prior to the quarter ended March 31, 2016, the Company had received and recorded an additional $29,749 in net advances from its Chairman Robert Atwell.

As of the quarter ended March 31, 2016, the Company had received $365,207 in net advances from affiliates, including its Chairman Robert Atwell.

Stock Issued to Affiliates

The Company's Chairman Robert Atwell was issued 300,000,000 restricted control affiliated shares during the first quarter of 2016 as part of the Company's debt reduction plan.

6. PREFERRED STOCK

Preferred Stock

As of December 31, 2015, Sky440 had two classes of Preferred Stock authorized for issuance in our Certificate of Incorporation, Class A Preferred and Class B Preferred.

The Class A Preferred converts to 50 shares of Common Stock for every one share of Class A Preferred. Each share of Class A Preferred is entitled to 50 votes on all matters put to a vote of the Company's stockholders and votes with the Common Stock on all matters. Class A Preferred ranks superior to our Common Stock and ranks junior to our Class B Preferred.

The Class B Preferred converts to 100 shares of Common Stock for every one share of Class B Preferred. Each share of Class B Preferred is entitled to 1,000 votes on each matter put to a vote of stockholders and votes with the Common Stock on all matters. Class B Preferred ranks superior to our Common Stock and our Class A.

2015 Issuances of Preferred Stock

None.

7. COMMITMENTS

Operating Leases

Current Leases:

Our corporate headquarters are located at 300 Spectrum Center Drive, Suite 400, Irvine, CA 92618. The space is leased on an as needed annual basis. The current lease expires on December 31, 2016. The agreement for the office is for a period of thirteen (12) months with base minimum monthly payments of approximately $285 per month. Annual base rent costs are approximately $3,420. In addition, the Company pays for phone, Internet and other office related services on an as needed basis. These services cost approximately $350 per month for an annual expense of $4,200. The office comes with reception service and other related general office activities, including usage of conference rooms, common areas and client lounge areas.

8. STOCKHOLDERS' DEFICIT

Authorized Shares

As of March 31, 2016, the Company's authorized shares of common stock was 6,950,000,000 shares with a par value of $.0001. The number of Preferred Stock authorized shares was 50,000,000 shares with a par value of $.001.

Determination of Fair Value

The fair value of the Company's Common Stock issuances are normally based upon the closing market price of the Company's Common Stock on the date of issuance assuming no future and or prior performance commitments exist. In some cases, the fair value is based upon the closing market price of the stock, if any, on the date consideration was paid and received by the Company for the shares. In some cases, the fair value is determined by terms and conditions of a specific contractual obligation between the Company and the stockholder. All shares discussed below are valued using these assumptions.

Common Stock Issued for Related Party Services during the quarter ended March 31, 2016:

None

Common Stock Issued for Services during the quarter ended March 31, 2016:

None

Common Stock Issued during the quarter ended March 31, 2016:

A total of 400,000,000 common stock shares were issued during the first quarter of 2016. Of those, the Company's Chairman Robert Atwell was issued 300,000,000 restricted control affiliated shares during the first quarter of 2016 as part of the Company's debt reduction plan. The other 100,000,000 restricted shares were issued in exchange for debt incurred by the Company in 2014 and are eligible to become non-restricted.

Common Stock Retired during the quarter ended March 31, 2016:

None

9. ACCOUNTS PAYABLE

Trade Payables

As of March 31, 2016, the Company does not have any current trade payables due.

Operating Payables

As of March 31, 2016, the Company had the following current operating payables due:

Item	Payee	Amount	Note
Legal Fees	Law Offices of Christopher Flannery	$5,000	Accrued Monthly Legal
Transfer Agent Fees	Pacific Stock Transfer	$1,000	Stockholder Maintenance
Office Rent	Regus	$2,200	Rent
Expenses	SFH Capital LLC	$400	Operating Expenses
Verizon	Phone	$831	Phone Exp.
Filing Fees	OTC Markets	$2,600	Semi-Annual fees
Accounting Fees	NowCFO	$1,450	Accounting
Filing Fees	OTC Markets	$400	Semi-Annual fees
Accounting Fees	NowCFO	$2,200	Accounting
Filing Fees	State of Nevada	$500	State Fees
Total:		$16,181	

Older Payables

None

Other Payables

None

Short Term Payables

As of March 31, 2016, the Company has $45,206 in Operating Payables and Affiliate Advances.

Accounts Payable and Accrued Liabilities Recap

Category	Amount
Affiliate Advances	$29,025
Operating Payables	$16,181
Reserves 1	$99,315
Reserves 2	$15,175
Script Costs	$20,000
Trademark Costs	$25,000
Total:	$204,696
***Subject to Adjustment	

10. NET INCOME

Revenue

During the first quarter of 2016, the Company did not generate any Gross Revenue.

Expenses

During the first quarter of 2016, the Company incurred $58,119 in General and Administrative Expenses and $30,000 in payroll expense (deferred).

Other Income

None.

Net Income/Loss

The Company recorded a Net Loss of $83,450 for the quarter ended March 31, 2016.

11. SUBSEQUENT EVENTS

On April 19th, 2016, the Company entered into a settlement agreement with Bennie Blankenship, which, as a result, the note between the Company and Mr. Blankenship has been retired.