

Soul & Vibe Interactive Inc.  
Form 10-Q  
May 15, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
X 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015**

**OR  
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**Commission File Number 000-55091**

**SOUL AND VIBE INTERACTIVE INC.**

*(Exact name of registrant as specified in its charter)*

**Nevada**

*(State of incorporation)*

1600 South Hwy 100, Suite 500

St. Louis Park, MN 55416

*(Address of principal executive offices)*

(763) 400-8040

*(Registrant's telephone number)*

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. **YES x NO**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (SS 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **YES x NO**

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

**Large Accelerated Filer**  **Accelerated Filer**   
**Non-accelerated Filer**  **Smaller Reporting Company**   
*(Do not check if smaller reporting company)*

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

**YES**  **NO**

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

As of May 11, 2015, there were 67,074,680 shares of the registrant's \$0.001 par value common stock issued and outstanding.

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### **Special Note Regarding Forward-Looking Statements**

Information included in this Form 10-Q contains forward-looking statements that may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Soul and Vibe Interactive Inc. (at times referred to as “SVI”) and its wholly owned subsidiary (at times referred to as “Soul” and collectively with SVI, the “Company”), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” or “project” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

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**SOUL AND VIBE INTERACTIVE INC. AND SUBSIDIARY**

## Consolidated Balance Sheets

	March 31, 2015 (unaudited)	December 31, 2014
<b>ASSETS</b>		
Current Assets		
Cash	\$83,791	\$ 25,752
Accounts Receivable	658	3,619
Debt Issue Cost	7,689	6,190
Prepaid Expenses	26,718	7,500
Total Current Assets	118,856	43,061
Fixed Assets		
Furniture and Equipment	9,470	9,470
Accumulated Depreciation	(2,012 )	(1,538 )
Total Fixed Assets	7,458	7,932
Other Assets		
Development Costs, net of accumulated amortization of \$58,169 and \$45,704 as of March 31, 2015 and December 31, 2014, respectively	383,236	383,701
Total Assets	\$509,550	\$ 434,694
<b>LIABILITIES AND SHAREHOLDER'S DEFICIT</b>		
Current Liabilities		
Accounts payable	\$361,898	\$ 346,928
Accrued expenses	130,222	33,113
Accrued interest, related party	1,708	1,458
Note payable, related party	-	2,500
Convertible note payable, related party, net of discount of \$0 and \$324 as of March 31, 2015 and December 31, 2014, respectively	10,000	8,626
Convertible notes payable, net of discount of \$252,555 and \$5,204 as of March 31, 2015 and December 31, 2014, respectively	27,421	118,624
Convertible debentures, net of discount of \$60,962 and \$130,413 as of December 31, 2014 and 2013, respectively	149,705	80,254
Derivative liability	621,634	1,081,318
Total Current Liabilities	1,302,588	1,672,821

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Shareholder's Deficit		
Preferred Stock, \$0.001 par value, 10,000,000 authorized, 130,000 issued and outstanding as of March 31, 2015 and December 31, 2014	130	130
Common Stock, \$0.001 par value, 300,000,000 authorized, 50,213,700 and 37,043,492 issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	50,214	37,044
Common Stock Held in Escrow	(7,000 )	-
Additional Paid-in Capital	3,453,194	3,171,722
Accumulated Deficit	(4,289,576)	(4,447,023 )
Total Shareholder's Deficit	(793,038 )	(1,238,127 )
Total Liabilities & Shareholder's Deficit	\$ 509,550	\$ 434,694

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

**SOUL AND VIBE INTERACTIVE INC. AND SUBSIDIARY**

## Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended March 31, 2015 (unaudited)	For the Three Months Ended March 31, 2014 (unaudited)
Revenues	\$ 2,622	\$ 1,526
Cost of Sales	(13,262)	(8,405)
Gross Profit (Loss)	(10,640)	(6,879)
Operating Expenses		
General & Administrative	299,052	143,158
Professional Fees	148,576	354,176
Total Operating Expenses	447,628	497,334
Operating Loss	(458,268)	(504,213)
Other Income (Expense)		
Gain (Loss) on Derivative	709,310	1,222,598
Loss on Extinguishment of Debt	(8,096)	-
Interest Expense	(85,499)	(167,026)
Total Other Income (Expense)	615,715	1,055,572
Income before Income Taxes	157,447	551,359
Income Taxes	-	-
Net Income	\$ 157,447	\$ 551,359
Income per Share		
Basic	\$ -	\$ 0.03
Diluted	\$ -	\$ 0.03
Weighted Average Shares Outstanding		
Basic	41,018,595	17,685,997
Diluted	61,779,602	18,825,203

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



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**SOUL AND VIBE INTERACTIVE INC. AND SUBSIDIARY**

## Consolidated Statement of Changes in Shareholder's Deficit

(Unaudited)

	Preferred Stock		Common Stock			Additional Paid- in Capital	Accumulated Deficit	Total Shareholder's Deficit
	Shares	Amount	Shares	Amount	Held in Escrow			
Balance at December 31, 2014	130,000	\$ 130	37,043,492	\$37,044	\$ -	\$ 3,171,722	\$(4,447,023 )	\$(1,238,127 )
Common stock issued for services (unaudited)	-	-	4,229,816	4,230		111,022	-	115,252
Converted note principal (unaudited)	-	-	980,392	980		23,823	-	24,803
Common stock and warrants issued as compensation (unaudited)	-	-	960,000	960		146,627	-	147,587
Common stock issued into escrow (unaudited)			7,000,000	7,000	(7,000 )			-
Net income (unaudited)	-	-	-	-		-	157,447	157,447
Balance at March 31, 2015 (unaudited)	130,000	\$ 130	50,213,700	\$50,214	\$(7,000 )	\$ 3,453,194	\$(4,289,576 )	\$(793,038 )

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

**SOUL AND VIBE INTERACTIVE INC. AND SUBSIDIARY**

## Consolidated Statements of Cash Flows

(Unaudited)

	For the Three Months Ended March 31, 2015 (unaudited)	For the Three Months Ended March 31, 2014 (unaudited)
Cash Flows from Operating Activities		
Net Income	\$ 157,447	\$ 551,359
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	474	193
Amortization of debt issuance costs	3,501	3,296
Amortization of debt discount	84,663	154,105
Amortization of software development costs	12,465	8,000
Wages and interest contributed to capital	-	23,470
Common stock issued for services	44,151	249,212
Gain on derivative	(709,310)	(1,222,598)
Loss on extinguishment of debt	8,096	-
Common stock and warrants issued as compensation	147,587	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in accounts receivable	2,961	(1,524)
Decrease in prepaid expenses	51,882	-
Increase in accounts payable	14,970	32,095
Increase in accrued expenses	100,000	-
Increase (Decrease) in accrued interest	2,652	(790)
Net cash used in operating activities	(78,461)	(203,182)
Cash Flows from Investing Activities		
Purchased of fixed assets	-	(4,059)
Cash paid for development costs	(12,000)	(100,000)
Net cash used in investing activities	(12,000)	(104,059)
Cash Flows from financing activities		
Repayment of related party notes payable	(2,500)	(17,000)
Payment of debt issuance costs	(5,000)	-
Proceeds from the issuance of convertible debenture and notes payable	156,000	-
	-	375,355

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Proceeds from sale of common stock and warrants, net of offering costs

Net cash provided by financing activities	148,500	358,355
Net increase in cash	58,039	51,114
Cash Balance at Beg of Period	25,752	114,429
Cash Balance at End of Period	\$ 83,791	\$ 165,543

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Supplemental Disclosure of NonCash Transactions

Capital stock issued for software development costs	\$ -	\$ 25,000
Debenture principal converted to capital stock	\$ 15,000	\$ -
Debt discount removed upon extinguishment of debt	\$ 14,959	\$ -
Derivative liability removed upon extinguishment of debt	\$ 16,667	\$ -
Capital stock issued for prepaid expenses	\$ 71,100	\$ -
Fair value of derivative conversion option recorded as debt discount	\$ 156,000	\$ -
Discount on issuance of convertible debenture and notes payable	\$ 10,906	\$ -
Accrued interest converted to debt principal in note exchange	\$ 5,293	\$ -

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

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Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

## **Note 1 - Nature of Operations and Continuance of Business**

The unaudited interim consolidated financial statements included herein have been prepared by Soul and Vibe Interactive Inc. (“SVI”) and its wholly owned subsidiary Soul and Vibe Entertainment, Inc., a Nevada corporation (“Soul,” and collectively with SVI, the “Company”) in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (the “SEC”). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2014, as filed with the SEC. We believe that all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein and that the disclosures made are adequate to make the information not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited consolidated financial statements for the most recent fiscal year as reported in Form 10-K have been omitted.

## **Note 2 - Summary of Significant Accounting Policies**

### Derivative Instruments

The Company accounts for derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging*, all derivative instruments are reflected as either assets or liabilities at fair value in the balance sheet. The Company uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company’s policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads (including for the Company’s liabilities), relying first on observable data from active markets. Additional adjustments may be made for factors including liquidity, credit, bid/offer spreads, etc., depending on current market conditions. Transaction costs are not included in the determination of fair value. When possible, the Company seeks to validate the model’s output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. The Company categorizes its fair value estimates in accordance with ASC 820 based on the hierarchical framework associated with the three levels of price transparency utilized in measuring financial instruments at fair value as discussed above.

### Revenue Recognition

The Company primarily digitally distributes its products through (an) online merchants / portal service(s). The Company recognizes revenue at the "on demand" point of sale by the customer and recognizes a receivable. (For the purposes of digital distribution, customer is equivalent to end consumer.) The portal service(s) track product sales on a daily / near-daily basis. Every two weeks, monthly, or quarterly (depending upon the digital merchant / portal service) payment is remitted to the Company. Ownership of product is transferred to the customer with a no refund, no return policy, as set by the online portal service(s). For retail distributed products (pick-ups and select licensed-brand games), the Company recognizes revenue through traditional retail "sell-in" and "sell-through." Receivables are logged based on "sell-through" reports from retailers and distributors. Based on the distributor, product sales are tracked on a monthly basis. On average, between thirty (30) to forty-five (45) days following the end of a month, the distributor remits payment to the Company. Ownership of product is transferred to the customer (end user) with a no refund, no return policy, as set by individual retailers.

### Basic and Diluted Earnings Per Share

The basic net income per common share is computed by dividing the net income by the weighted average number of common shares outstanding. Diluted net income per common share is computed by dividing the net income adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

### Development Costs

The Company capitalizes all game software development costs once upon reaching the application development stage, management has authorized and committed funding to the project and it is probable that the project will be completed. Costs that are capitalized are primarily fees paid to consultants in the form of cash and common stock of the Company. Capitalization ceases no later than the point at which the project is substantially complete and ready for its intended use, generally after all substantial testing is completed.

Capitalized software development costs are amortized over the estimated useful life of 5 years, using the greater of the straight-line method or the ratio of current revenues to total projected future revenues. Amortization expense related to capitalized software development costs for the three month periods ending March 31, 2015 and 2014 was \$12,465 and \$4,833, respectively.

### Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements*, (ASC 820) and ASC 825, *Financial Instruments* (ASC 825), requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. It establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. It prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts payable, notes, convertible notes, accrued liabilities, and derivative liabilities. The recorded values of financial instruments other than the derivative liability approximate their current fair values because of their nature and respective maturity dates or durations. The derivative liability is measured at fair value.

### **Note 3 - Going Concern**

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplate continuation of the Company as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. Through March 31, 2015, the Company had incurred cumulative losses of \$4,289,576 since inception. Additionally, the Company has accumulated significant losses, has negative working capital, and a deficit in shareholder's equity. All of these items raise substantial doubt about its ability to continue as a going concern. In view of these matters, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital and generate revenues from its operations. The financial statements do not include classification of recorded asset amounts or amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. Management devoted considerable effort during the three month period ended March 31, 2015, towards (i) obtaining additional equity financing, (ii) evaluation of its distribution and marketing methods, and (iii) identifying and negotiating development/publishing and product acquisition opportunities for the Company. In addition, the Company began to generate its first revenues in the first quarter of 2014 and has continued to generate revenue through the first quarter of 2015.



Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

Management's plans with respect to alleviating the adverse financial conditions that caused the Company's independent auditors to express substantial doubt about the Company's ability to continue as a going concern are as follows:

Management requires \$2.5M to \$3.0M in financing in order to begin execution of its business plan and to continue operations. This capital, if raised, would be utilized over a twelve-month period. The financing will cover the acquisition of pick-ups (depending on the value of the financing, also the development of a proprietary intellectual property (IP) product) along with the release of the games as well as the marketing and public relations (PR) expenses associated with bringing them to market on a variety of hardware platforms that include: video game consoles, mobile devices, and personal computers. The anticipated number of pick-ups is two. The financing would also cover general and administrative expenses, operational expenses and will allow the Company to secure an initial number of premium full-time employees. The Company is currently evaluating financing opportunities that are compatible with its growth plans and business model. Additional financing (beyond the identified \$2.5M to \$3.0M; cumulatively of \$5.0M) would allow the Company to pursue development of multiple projects "from scratch" and publish them in a "staggered" release, as per its current three-year business plan.

During 2014 the Company completed the development of, and released into the market, two products: Timeless Gems and Striker Rush: Champion Edition. Timeless Gems was released on Facebook, through Apple's App Store for iPhone, iPad, and iPod Touch mobile devices, and through Google Play for Android devices. Striker Rush: Champion Edition was released through Apple's App Store for iPhone, iPad, and iPod Touch mobile devices, and through Google Play and Amazon.com for Android devices in concert with its development partner, 1DER Entertainment. In addition to the development and release of the Timeless Gems product, two packages of expansion content for Timeless Gems were developed and released during 2014. A third package of expansion content for Timeless Gems was developed during 2014 but this package has not yet been released. It is anticipated that this third expansion package will be released during the 2nd quarter of 2015.

During the three months ended March 31, 2015, the Company also continued the development of additional products that, as of March 31, 2015, have not been publically announced. It is anticipated that these products will be released into the market in the second quarter of 2015 on the following hardware platforms: Facebook, through Apple's App Store for iPhone, iPad, and iPod Touch mobile devices, through Google Play and Amazon.com for Android devices, and on the Windows Mobile Platform with anticipated future support for Xbox Live, as a feature set, primarily to coincide with Microsoft's launch of the Windows 10 OS platform.

**Note 4 - Notes Payable and Convertible Notes Payable - Related Party**

Notes Payable

During the three month period ended March 31, 2015, the Company paid an amount due of \$2,500 to an officer of the Company. This amount was unsecured and bore no interest.

Convertible Notes Payable

During July 2013, the Company received \$9,000 in exchange for a Convertible Note with a maturity value of \$10,000 and a warrant to purchase up to 33,334 shares of the Company's common stock for a period of two years at a price of \$0.60 per share. The convertible note is unsecured, due one year from the date of issue and accrues interest at a rate of approximately 10% per annum. During August 2014 an agreement was signed extending the due date of the convertible note to February 2015. Pursuant to this agreement, the holder was issued a warrant to purchase 40,000 additional shares of the Company's common shares for a period of two years at a price of \$0.06 per share.

The Company valued the initial warrant and beneficial conversion feature of the convertible note at \$10,000, which was recorded as a discount to the convertible note. This discount was being amortized over the initial life of the convertible note, which expired in July 2014. The Company valued the additional warrant at \$1,728, which was recorded as a discount to the convertible note. This discount is being amortized over the remaining life of the convertible note or until such time as the convertible note is repaid or converted, or upon exercise of the warrants. During the three months ended March 31, 2015 and 2014, the Company amortized \$324 and \$2,473 of this debt discount to interest expense, respectively.

Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

## **Note 5 - Convertible Notes Payable**

### Convertible Notes Payable

During August 2013, the Company received a total of \$110,500 in exchange for three convertible notes with a maturity values totaling \$122,778 and warrants to purchase up to 245,556 shares of the Company's common stock for a period of two years at a price of \$0.75 per share. The convertible notes are unsecured, due one year from the date of issue and accrue interest at a rate of approximately 10% per annum. During August 2014 an agreement was signed extending the due date of the convertible notes to February 2015. Pursuant to this agreement, the holders were issued warrants to purchase 491,112 additional shares of the Company's common shares for a period of two years at a price of \$0.06 per share.

The Company valued the initial warrants and beneficial conversion features of the convertible notes at \$122,778, which was recorded as a discount to the convertible notes. This discount was being amortized over the initial life of the convertible notes, which expired in August 2014. The Company valued the additional warrants at \$21,214, which was recorded as a discount to the convertible note. This discount is being amortized over the remaining life of the convertible notes or until such time as the convertible notes are repaid or converted, or upon exercise of the warrants. During the three months ended March 31, 2015 and 2014, the Company amortized \$5,204 and \$30,191 of this debt discount to interest expense, respectively.

During March 2015, the Company issued an exchange note to an accredited investor in substitution for \$105,000 of previously outstanding convertible note principal to an unrelated third party, pursuant to an exchange agreement. The exchange note was issued with a maturity value of \$105,000, plus accrued interest of \$5,293, is due in March 2016, bears no interest and is convertible into shares of the Company at a rate equal to 65% of the average of the three lowest trading prices during the 25 consecutive trading days immediately preceding the conversion date. The note also stipulates a conversion limitation, whereby the holder may not convert more than 33.33% of the principal balance within a 15-day period during the 90 days following the date of issuance.

During February 2015, the Company received \$50,000 from an accredited investor in exchange for a convertible note with a principal balance of \$55,556. The proceeds and principal are an installment of a larger convertible note with an aggregate principal amount of \$400,000. The note carries an original issue discount of 10%. The note provisions contain a 90-day interest free period and a one-time interest charge of 12% upon expiration of the interest free period

and applied to each principal installment. The note is due two years from the date of each installment and is convertible using a conversion price of the lesser of \$0.03 or 60% of the lowest trade price in the 25 trading days immediately preceding the conversion date.

During March 2015, the Company entered into a common stock purchase agreement with an accredited investor, pursuant to which the investor issued a promissory note with the principal amount of \$52,500. Interest on the note accrues at the rate of 8% per annum. The note is convertible into the Company's common stock at a conversion price per share equal to 60% of the lowest trade price in the 15 trading days immediately preceding the conversion date.

During March 2015, the Company received \$53,500 from an accredited investor in exchange for a convertible note with a principal balance of \$58,850. The proceeds and principal are an installment of a larger convertible note with an aggregate principal amount of \$294,250. The note carries an original issue discount of approximately 10%. The note is subject to a one-time interest charge of 10% of the original principal installment. The note is due two years from the date of each installment and is convertible using a conversion price of the average of 60% of the three lowest closing share prices occurring during the 25 trading days immediately preceding the conversion date.

Due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options embedded in the Convertible Notes Payable, the conversion options were deemed and classified as derivative liabilities, recorded at fair value. The Company valued the convertible debentures at \$266,293, which was recorded as a discount to the convertible notes payable. This discount was being amortized over the life of the convertible debenture. During the three months ended March 31, 2015, the Company amortized \$9,685 of the debt discount related to convertible notes to interest expense.

Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

The following table summarizes the Company's Convertible Notes Payable at:

	March 31, 2015	December 31, 2014
Convertible Notes Payable, due on demand, bearing interest at 10% per annum, net of discount \$0 and \$5,204 as of March 31, 2015 and December 31, 2014, respectively	\$ 17,778	\$ 117,574
Convertible Note Payable, due March 2016, non-interest bearing, net of discount of \$93,511	1,782	-
Convertible Note Payable, due February 2017, bearing interest at 12% per annum, net of discount of \$51,376	4,180	-
Convertible Note Payable, due March 2016, bearing interest at 8% per annum, net of discount of \$50,348	2,151	-
Convertible Note Payable, due March 2017, bearing interest at 10%, net of discount of \$57,320	1,530	-
	\$ 27,421	\$ 117,574

#### Convertible Debentures

During September 2014, the Company received a total of \$200,000 in exchange for a convertible debenture with a maturity value of \$210,667, due in June of 2015. The Debenture accrues interest at a rate of approximately 10% per annum, is convertible into shares of the Company's common stock at the option of the holder at a conversion price per share equal to the lesser of the trading price on the date immediately preceding the conversion date, or an amount equal to 60% of the lowest trading price for the ten trading days immediately preceding the conversion date. The Convertible Debenture is subject to adjustment for stock splits, reverse stock splits, stock dividends and other similar transactions and subject to the terms of the Debenture. The Company may redeem the Debentures, subject to prior notice to the Investors, by paying an amount equal to 100% - 130% of the principal and interest payable under the Debentures, depending on when the prepayment option is exercised.

Due to there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion option embedded in the Convertible Debenture, the conversion option was deemed and classified as a derivative liability, recorded at fair value. The Company valued the conversion option at \$149,285, which was recorded as a discount to the convertible debenture. This discount is being amortized over the life of the convertible debenture or until such time as the convertible debenture is repaid or converted. During the three months ended March 31, 2015, the Company amortized \$69,451 of the debt discount to interest expense.

The following table summarizes the Company's Convertible Debentures at:

	March 31, 2015	December 31, 2014
Convertible Debenture, due June 2015, bearing interest at 10% per annum, net of discount of \$60,962 and \$130,413 at March 31, 2015 and December 31, 2014, respectively	\$ 149,705	\$ 80,254
	\$ 149,705	\$ 80,254

**Note 6 – Derivative Liabilities**

The Company analyzed the conversion options embedded in the above referenced Convertible Debt Instruments for derivative accounting consideration under ASC 815 and determined that the instruments embedded in the above referenced Convertible Debt Instruments should be classified as liabilities and recorded at fair value. Additionally, the above referenced Convertible Debt Instruments contain dilutive issuance clauses. Under these clauses, based on future issuances of the Company's common stock or other convertible instruments, the conversion price of the above referenced Convertible Debt Instruments can be adjusted downward. The fair values of the conversion option instruments were determined using a Black-Scholes option-pricing model. During the three months ended March 31, 2015 and upon the issuance dates of the above referenced Convertible Notes Payable, \$266,293 was recorded as debt discount and \$333,470 was recorded as day one loss on derivative liability. At March 31, 2015, the conversion options were valued at \$621,634.

Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

The Company valued the conversion option derivatives using the Black-Scholes option-pricing model using the following level 3 input assumptions: (1) risk-free interest rate of 0.03% to 0.56%, (2) lives of 0.22 to 1.95 years, (3) expected volatility of 136% to 322%, (4) zero expected dividends, (5) conversion prices as set forth in the Convertible Debt Instruments, and (6) the common stock price of the underlying shares on the valuation date.

The following table summarizes the derivative liabilities included in the balance sheet at March 31, 2015:

Conversion option derivative liabilities December 31, 2014	\$1,081,318
Addition of new conversion option derivatives	599,763
Reclassification of conversion option derivative to gain on extinguishment of debt	(16,667 )
Change in fair value	(1,042,780)
Balance at March 31, 2015	\$621,634

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities measured at fair value on:

March 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets	\$ -	\$ -	\$-	\$-
Liabilities	-	-	-	-
Derivative financial instruments	\$ -	\$ -	\$621,634	\$621,634

December 31, 2014:

	Level 1	Level 2	Level 3	Total
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Assets	\$ -	\$ -	\$-	\$-
Liabilities	-	-	-	-
Derivative financial instruments	\$ -	\$ -	\$1,081,318	\$1,081,318

**Note 7 – Common Stock and Common Stock Warrants**

Common Stock

During the three months ended March 31, 2015, pursuant to terms of their individual consulting agreements, the Company’s advisory board members were issued a total of 626,472 shares of common stock for services, respectively. The total market value of the shares issued for advisory services was \$17,349, equivalent to approximately \$1,000 for each month of service per member.

The Company issued 3,603,344 common shares to individuals for consulting services rendered for the three months ended March 31, 2015. The total market value of the shares issued for consulting services was \$97,902, \$71,100 of which was recorded as prepaid expenses and \$26,802 of which is included in professional fees on the statement of operations for the three months ended March 31, 2015.

During January 2015, pursuant to an employment agreement, the Company issued 960,000 shares to the officer of the Company (Note 8). These shares were valued at \$28,800 and are included in general & administrative expenses on the statement of operations.



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Notes to the Unaudited Condensed Consolidated Financial Statements

During February 2015, the Company entered into a common stock purchase agreement with an accredited investor, pursuant to which the Company may issue and sell, and the investor is committed to purchase, up to \$2,000,000 of shares of the Company's common stock over the 36-month term following the effective date of the agreement. Pursuant to the terms of the purchase agreement, the Company has issued 7,000,000 shares of common stock to be held in escrow and to be disbursed to the investor in the event the Company terminates the purchase agreement or certain capital draw down thresholds are not met.

During the three months ended March 31, 2015 \$15,000 of note principal, as described in Note 5, was converted into 980,392 common shares.

Common Stock Warrants

During January 2015, pursuant to an employment agreement, the Company issued a warrant to purchase 4,000,000 shares of the Company (Note 8). The warrant is exercisable after the date of grant for a period of five years and has an exercise price of \$0.03 per share. Additionally, the warrant is callable by the Company after six months from the grant date at a price of \$0.10 per share.

The Company valued its warrant using the Black-Scholes option-pricing model. Assumptions used during the three months ended March 31, 2015 include (1) a risk-free interest rate of 1.61%, (2) a life of 5 years, (3) expected volatility of 512%, (4) zero expected dividends, (5) a conversion price as set forth in the related instrument, and (6) the common stock price of the underlying share on the valuation date.

The following table summarizes the outstanding warrants and associated activity for the three months ended March 31, 2015:

Number of Warrants Outstanding	Weighted Average Price	Weighted Average Remaining Contractual Life
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Balance, December 31, 2014	1,760,002	\$ 0.25	3.00
Granted	4,000,000	0.03	5.00
Exercised	-	-	-
Expired	-	-	-
Balance, March 31, 2015	5,760,002	\$0. 10	4.07

### Note 8 – Employment Agreement

During January 2015, the Company entered into an employment agreement with its Chief Executive Officer. This agreement provides terms including initial base compensation, stock compensation, incentive pay provisions, termination and non-compete clauses as well as other customary terms and provisions. Pursuant to the terms of the agreement, the executive will be entitled to receive 4,000,000 shares of the Company's common stock, of which 960,000 such shares were issued in January 2015 (Note 7) with the remaining 3,040,000 shares to be issued at the rate of 160,000 shares per quarter on the first day of each quarter beginning April 1, 2015 and continuing up to and including December 31, 2019. Also related to the execution of this agreement, the Company issued a warrant to purchase 4,000,000 commons shares of the Company's common stock (Note 7). Additionally, pursuant to the terms of the employment agreement, the Chief Executive Officer has the option to receive his compensation in cash or in the form of the Company's common stock. The total issuable shares under the provision are determined using 70% of the volume-weighted average share price of the five days immediately preceding the end of the month in which the services were earned. The value of the shares will be based on the closing price of the end of the month in which the services were earned. This employment agreement is effective for five years and contains an automatic renewal provision for a period of one year.

### Note 9 – Subsequent Events

Subsequent to March 31, 2015, the Company issued a total of 16,860,980 shares of the Company's common stock. 160,000 shares were issued to the officer of the Company, pursuant to an employment agreement, valued at \$3,360. 600,000 shares were issued in exchange for legal services valued at \$12,600. 16,100,980 shares were issued in exchange for \$58,024 of convertible note principal and \$27,000 of convertible debenture principal.

During May 2015, the Company issued an exchange note to an accredited investor in substitution for previously outstanding convertible notes payable by the Company, one of which was payable to a related party, pursuant to an exchange agreement. The exchange note was issued with a maturity value of \$32,024, is due in May 2016, is non-interest bearing and is convertible into shares of the Company at a rate equal to 65% of the average of the three lowest trading prices during the 25 consecutive trading days immediately preceding the conversion date. The note also stipulates a conversion limitation, whereby the holder may not convert more than 33.33% of the principal balance within a 15-day period during the 90 days following the date of issuance.

During May 2015, the Company issued an exchange note to an accredited investor in substitution for a previously outstanding convertible debenture, pursuant to an exchange agreement. The exchange note was issued with a maturity

value of \$250,799, is due in May 2016, accrues interest at 10% per annum and is convertible into shares of the Company at a rate equal to 60% of the average of the three lowest trading prices during the 10 consecutive trading days immediately preceding the conversion date. The note also stipulates a conversion limitation, whereby the holder may not convert more than 33.33% of the principal balance within a 15-day period during the 90 days following the date of issuance.

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Soul and Vibe Interactive Inc.

Notes to the Unaudited Condensed Consolidated Financial Statements

During April 2015, the company received \$50,000 from an accredited investor in exchange for a note payable with a principal amount of \$53,500. Interest on the note accrues at the rate of 8% per annum. The note is convertible into the Company's common stock at a conversion price equal to 60% of the average of the three lowest trading prices occurring during the 25 consecutive days immediately preceding the conversion date.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains forward-looking statements that involve known and unknown risks, significant uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, or implied, by those forward-looking statements.

You can identify forward-looking statements by the use of the words may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, intends, potential, proposed, or continue or the negative of those terms.

These statements are only predictions. In evaluating these statements, you should consider various factors, which may cause our actual results to differ materially from any forward-looking statements. Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

### RESULTS OF OPERATIONS

#### *Working Capital*

	March 31, 2015	December 31, 2014
Current Assets	\$118,856	\$43,061
Current Liabilities	1,302,588	1,672,821
Working Capital (Deficit)	\$(1,183,732)	\$(1,629,760)

#### *Cash Flows*

	Three months ended March 31, 2015	Three months ended March 31, 2014
Cash Flows Used in Operating Activities	\$ (78,461)	) \$ (203,182)
Cash Flows Provided by (used in) Investing Activities		(104,059)
Cash Flows Provided by Financing Activities	(12,000)	) 358,355

Net Increase (Decrease) in Cash During Period	\$ 148,500	\$ 51,114
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***Balance Sheet***

As at March 31, 2015, the Company had total assets of \$509,550 compared with total assets of \$434,694 as at December 31, 2014. The assets are mainly comprised of cash and development costs. The increase in development costs are primarily due to the launch and eventual launch of multiple products in 2015 and 2016.

The Company had total liabilities of \$1,302,588 at March 31, 2015, compared with \$1,672,821 as at December 31, 2014. The decrease in total liabilities is mainly attributable to the decrease of \$459,684 in the derivative liability.

***Operating Expenses***

During the three months ended March 31, 2015, the Company incurred operating expenses totaling \$447,628 compared with \$497,334 for the three months ended March 31, 2014. The slight decrease in operating expenses is primarily attributable to a reduction in marketing and consulting expenses as the Company is currently between product launches.

***Net Income (Loss)***

During the three months ended March 31, 2015, the Company realized net income of \$157,447 compared with net income of \$551,359, for the three months ended March 31, 2014. The decrease in net income from the three month period ended March 31, 2014 to the three month period ended March 31, 2015 was primarily due to a smaller decrease in the derivative liability and the Company is currently between product launches.

Timeless Gems was released on Facebook, through Apple's App Store for iPhone, iPad, and iPod Touch mobile devices, and through Google Play for Android devices. Striker Rush: Champion Edition was released through Apple's App Store for iPhone, iPad, and iPod Touch mobile devices, and through Google Play and Amazon.com for Android devices. In addition to the development and release of the Timeless Gems product, two packages of expansion content for Timeless Gems were developed and released during 2014. A third package of expansion content for Timeless Gems was developed during 2014 but this package has not yet been released. It is anticipated that this third expansion package will be released during the 2nd quarter of 2015.

During the three months ended March 31, 2015, the Company also continued the development of additional products that, as of March 31, 2015, have not been publically announced. It is anticipated that these products will be released into the market in the second quarter of 2015 on the following hardware platforms: Facebook, through Apple's App Store for iPhone, iPad, and iPod Touch mobile devices, through Google Play and Amazon.com for Android devices, and on the Windows Mobile Platform with anticipated future support for Xbox Live, as a feature set, primarily to coincide with Microsoft's launch of the Windows 10 OS platform.

#### ***Liquidity and Capital Resources***

As at March 31, 2015, the Company had a cash balance of \$83,791 and a working capital deficit of \$1,183,732 compared with a cash balance of \$25,752 and working capital deficit of \$1,629,760 at December 31, 2014. The increase in working capital is primarily due to a decrease in the derivative liability.

#### ***Cash Flows from Operating Activities***

During the three months ended March 31, 2015, the Company used \$78,461 of cash in operating activities compared with use of \$203,182 of cash in operating activities during the three months ended March 31, 2014. The decrease in the use of cash for operating activities is mainly attributable to a decrease in general and administrative expenses.

#### ***Cash Flows from Investing Activity***

During the three months ended March 31, 2015, the Company used \$12,000 of cash in investing activities compared with \$104,059 of cash provided during the nine months ended March 31, 2014. The decrease in cash used in investing activities is mainly due to the Company nearing completion of a product under development.

***Cash Flows from Financing Activities***

During the three months ended March 31, 2015, the Company received \$148,500 of cash from financing activities compared with the receipt of \$358,355 of cash during the three months ended March 31, 2014. During the three months ended March 31, 2015 the Company secured financing from three convertible notes payable and is continuing to search for future debt and equity financing. The Company is using proceeds received from the issuance of common stock and convertible debentures to fund product development costs, product marketing and product publicity costs along with general and administrative expenses.

***Going Concern***

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive acquisitions and activities. For these reasons, our auditors stated in their report on our audited financial statements that they have substantial doubt that we will be able to continue as a going concern without further financing. Our intended source of future cash flow to fund our growth model until we are able to establish profitable operations are through additional debt and equity offerings.

***Off-Balance Sheet Arrangements***

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.



### *Future Financings*

We will continue to rely on the issuance of debt and equity in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Evaluation of disclosure controls and procedures**

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined) in Exchange Act Rules 13a – 15(c) and 15d – 15(e)). Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered in this report, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer does not expect that our disclosure controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive officer and principal financial officer has determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls

can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

### **Changes in Internal Control over Financial Reporting**

There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2015, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

### **ITEM 1A. RISK FACTORS.**

Not applicable.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

During the three months ended March 31, 2015, advisory board members were issued a total of 626,472 shares of common stock for services.

We issued 3,378,344 common shares to individuals and entities for consulting services rendered and software development costs incurred for the three months ended March 31, 2015.

During the three months ended March 31, 2015 we issued 960,000 shares to our chief executive officer, pursuant to an employment agreement, for services rendered.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

- 31.1 Section 302 Certification of Principal Executive Officer+
- 31.2 Section 302 Certification of Principal Financial Officer+
- 32.1 Section 906 Certification of Principal Executive Officer and Principal Financial Officer+
- 101.INS XBRL Instance Document +
- 101.SCH XBRL Taxonomy Extension Schema Document +
- 101.CAL XBRL Taxonomy Calculation Linkbase Document +
- 101.LAB XBRL Taxonomy Labels Linkbase Document +
- 101.PRE XBRL Taxonomy Presentation Linkbase Document +
- 101.DEF XBRL Definition Linkbase Document +

+filed herewith

\*furnished herewith

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on this 15<sup>th</sup> day of May, 2015.

**Soul and Vibe Interactive Inc.**

Date: May 15, 2015 BY: /s/ Peter Anthony Chiodo  
Peter Anthony Chiodo

President and Chief Executive Officer