

DraftDay Fantasy Sports, Inc.
Form PRE 14C
July 27, 2016

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of
the Securities Exchange Act of 1934

Check the appropriate box:

Preliminary Information Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))

Definitive Proxy Statement

Function(X) Inc.
(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Function(X) Inc.
902 Broadway, 11th Floor
New York, New York

NOTICE OF SHAREHOLDER ACTION BY WRITTEN CONSENT

WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Dear Shareholders:

We are furnishing the attached Information Statement to the holders of common stock of Function(X) Inc. (the “Company”, “Function(X)”, “we” or “us”). The purpose of the Information Statement is to notify shareholders that the holders of more than a majority of our common stock (the “Majority Shareholders”), has approved the following actions by written consent:

Authority for the Board of Directors, in their discretion, to file an amendment to the Company’s amended and restated certificate of incorporation until April 30, 2017 to effect a reverse stock split of the issued and outstanding shares of the Company’s common stock, whereby each twenty (20) outstanding shares of common stock will be exchanged for one (1) new share of common stock (the “Reverse Stock Split”);

A recapitalization plan involving the conversion of \$34.8 million of debt held by Sillerman Investment Company III, LLC (“SIC III”), Sillerman Investment Company IV, LLC (“SIC IV”) and Sillerman Investment Company VI, LLC (“SIC VI”), each an affiliate of the Company’s Chairman and Chief Executive Officer and the conversion of 3,000 shares of the Company’s Series C Preferred Stock into up to 396,000,000 shares (19,800,000 post Reverse Stock Split) of the Company’s common stock;

The issuance of up to 70,046,371 shares (3,502,319 post Reverse Stock Split) of common stock issuable upon the conversion of debentures and warrants issued in connection with a private placement of convertible debentures;

The issuance of up to 189,693,831 shares (9,484,691 post Reverse Stock Split) of common stock upon the conversion of shares of our outstanding Series E Convertible Preferred stock and convertible notes issued to Rant, Inc.; and

The issuance of up to 9,404,940 shares (470,247 post Reverse Stock Split) of common stock pursuant to an agreement with MGT Sports, Inc. to retire the debt owed by the Company to MGT Sports, Inc. by converting such debt into common stock of the Company.

The accompanying Information Statement and related materials are being furnished to our shareholders for informational purposes only, pursuant to Section 14(c) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations prescribed thereunder. As described in this Information Statement, the foregoing actions have been approved by shareholders representing more than a majority of the voting power of our outstanding shares of common stock. The Board is not soliciting your proxy or consent in connection with the matters discussed above. You are urged to read the Information Statement and related materials in their entirety for a description of the actions approved by the Majority Shareholders.

As required by Rule 14c-2(b) of the regulations of the Securities and Exchange Commission (“SEC”) this Information Statement must be sent to shareholders at least 20 calendar days prior to the earliest date on which the matters discussed may take effect.

This Information Statement is being mailed available on or about _____, 2016 to shareholders of record as of _____, 2016. The record date for determining our shareholders who were eligible to consent in writing to the matters discussed above and entitled to notice of those matters was _____, 2016, the date that the Board took prior action in connection therewith. These actions will be effective on or about _____, 2016.

THIS IS FOR YOUR INFORMATION ONLY. YOU DO NOT NEED TO DO ANYTHING IN RESPONSE TO THIS INFORMATION STATEMENT.

Function(X) Inc.
902 Broadway, 11th Floor
New York, New York

INFORMATION STATEMENT

WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND US A PROXY

_____, 2016

We are disseminating this Information Statement to notify you that the Majority Shareholders, being the owners of more than a majority of the voting power of the Company's outstanding shares of common stock, delivered written consent to the Company on _____, 2016 to approve the following actions:

Authority for the Board of Directors, in their discretion, to file an amendment to the Company's amended and restated certificate of incorporation until April 30, 2017 to effect a reverse stock split of the issued and outstanding shares of the Company's common stock, whereby each twenty (20) outstanding shares of common stock will be exchanged for one (1) new share of common stock (the "Reverse Stock Split");

A recapitalization plan involving the conversion of \$34.8 million of debt held by Sillerman Investment Company III, LLC ("SIC III"), Sillerman Investment Company IV, LLC ("SIC IV") and Sillerman Investment Company VI, LLC ("SIC VI"), each an affiliate of the Company's Chairman and Chief Executive Officer and the conversion of 3,000 shares of the Company's Series C Preferred Stock into up to 396,000,000 shares (19,800,000 post Reverse Stock Split) of the Company's common stock;

The issuance of up to 70,046,371 shares (3,502,319 post Reverse Stock Split) of common stock issuable upon the conversion of debentures and warrants issued in connection with a private placement of convertible debentures;

The issuance of up to 189,693,831 shares (9,484,691 post Reverse Stock Split) of common stock upon the conversion of shares of our outstanding Series E Convertible Preferred stock and convertible notes issued to Rant, Inc.; and

The issuance of up to 9,404,940 shares (470,247 post Reverse Stock Split) of common stock pursuant to an agreement with MGT Sports, Inc. to retire the debt owed by the Company to MGT Sports, Inc. by converting such debt into common stock of the Company.

This Information Statement and related materials are first being mailed to shareholders beginning on or about _____, 2016.

Voting Securities and Vote Required

We are not seeking consent, authorizations, or proxies from you. The vote which was required to approve the above referenced matters was the affirmative vote of the holders of a majority of the Company's voting stock.

On July 20, 2016 (the "Record Date"), there were 60,475,058 shares of the Company's common stock issued and outstanding. Each share of common stock is entitled to one vote.

The Delaware General Corporation Law (the "DGCL") permits the holders of a corporation's outstanding stock representing a majority of that corporation's voting power to approve and authorize corporate actions by written consent as if such actions were undertaken at a duly called and held meeting of stockholders. In order to significantly reduce the costs and management time involved in soliciting and obtaining proxies to approve the foregoing matters and in order to timely effectuate such matters, the Board elected to utilize, and did in fact obtain, the written consent of the holder of a majority of the voting power of the Company. The Company obtained the written consent of the

stockholders who, as of the Record Date, owned approximately 65.5% of the Company's voting stock. The written consent satisfies the stockholder approval requirement for the actions taken. Accordingly, under the DGCL no other Board or stockholder approval is required in order to effect such actions.

Effective Date

This Information Statement is being mailed on or about _____, 2016 to the Company's shareholders as of the Record Date. Even though these actions have been approved by the Majority Shareholders, the actions will not be effective until on or about _____, 2016, a date that is more than 20 calendar days after Notice is first sent to our shareholders.

The expenses of distributing the Notice and of mailing this Information Statement and related materials to the shareholders will be borne by the Company. The Company contemplates that brokerage houses, custodians, nominees, and fiduciaries will forward the Information Statement to the beneficial owners of the Company's common stock held of record by these persons and the Company will reimburse them for their reasonable expenses incurred in this process.

Cumulative voting is not allowed on any of the proposals that were approved by the Majority Shareholders.

No Dissenters Rights

The actions taken by written consent of the Majority Shareholders are not corporate actions for which stockholders of a Delaware corporation have the right to dissent under the DGCL.

Proposals by Security Holders

No shareholder requested that we include any additional proposals in this Information Statement or otherwise requested that any proposals be submitted to the shareholders for their approval.

Forward-Looking Statements

This Information Statement and the related materials may contain certain "forward-looking" statements, as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements.

Such forward-looking statements include statements about our expectations, beliefs or intentions regarding actions contemplated by this Information Statement, our potential business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and similar expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. Furthermore, such forward-looking statements speak only as of the date of this Information Statement. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

QUESTIONS AND ANSWERS ABOUT THIS INFORMATION STATEMENT

What action was approved by written consent?

The actions approved by the written consent of the Majority Shareholders (the “Action”) are more completely described elsewhere in this Information Statement, but in summary are:

Authority for the Board of Directors, in their discretion, to file an amendment to the Company’s amended and restated certificate of incorporation until April 30, 2017 to effect a reverse stock split of the issued and outstanding shares of the Company’s common stock, whereby each twenty (20) outstanding shares of common stock will be exchanged for one (1) new share of common stock (the “Reverse Stock Split”);

A recapitalization plan involving the conversion of \$34.8 million of debt held by Sillerman Investment Company III, LLC (“SIC III”), Sillerman Investment Company IV, LLC (“SIC IV”) and Sillerman Investment Company VI, LLC (“SIC VI”), each an affiliate of the Company’s Chairman and Chief Executive Officer and the conversion of 3,000 shares of the Company’s Series C Preferred Stock into up to 396,000,000 shares (19,800,000 post Reverse Stock Split) of the Company’s common stock;

The issuance of up to 70,046,371 shares (3,502,319 post Reverse Stock Split) of common stock issuable upon the conversion of debentures and warrants issued in connection with a private placement of convertible debentures;

The issuance of up to 189,693,831 shares (9,484,691 post Reverse Stock Split) of common stock upon the conversion of shares of our outstanding Series E Convertible Preferred stock and convertible notes issued to Rant, Inc.; and

The issuance of up to 9,404,940 shares (470,247 post Reverse Stock Split) of common stock pursuant to an agreement with MGT Sports, Inc. to retire the debt owed by the Company to MGT Sports, Inc. by converting such debt into common stock of the Company.

In each case, shareholders holding more than a majority of the votes that may be cast at a meeting of the shareholders provided written consent approving each of the Actions.

Why are you not soliciting proxies on these matters?

We are not soliciting proxies on the Actions because the Majority Shareholders who hold approximately 65.5% of the Company’s voting power, provided written consent approving each of the Actions.

RECORD DATE AND SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of the record date by:

- each person or entity known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our named executive officers;
- each of our directors and nominees for director; and
- all of our directors and executive officers, named as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the securities. Unless otherwise noted, each beneficial owner has sole voting and investing power over the shares shown as beneficially owned except to the extent authority is shared by spouses under applicable law. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, any shares of common stock subject to common stock purchase warrants or stock options held by that person that are exercisable as of July 20, 2016 or will become exercisable within 60 days thereafter are deemed to be outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

As of July 20, 2016, there were 60,475,058 shares of our common stock outstanding.

Name and Address of Beneficial Owner(1)	Common Stock		Preferred Stock	
	Shares Beneficially Owned	Percentage of Common Stock	Shares Beneficially Owned	Percentage of Class C Preferred Stock
Beneficial Owners of 5% or More				
Robert F.X. Sillerman (2)(3)	41,461,599	65.9 %	3,000	100.0 %
Directors and Named Executive Officers (not otherwise included above):				
Olga Bashkatova (4)	5,250	*		
Peter C. Horan (5)	258,170	*		
Michael J. Meyer (6)	217,111	*		
Mitchell J. Nelson (7)	32,442	*		
Birame Sock (8)	108,065	*		
All directors and named executive officers as a group (6 people)	42,082,637	66.9 %	3,000	100.0 %

* Represents less than 1%.

(1) Except as otherwise set forth below, the business address and telephone number of each of the persons listed above is c/o Function(X) Inc., 902 Broadway, New York, New York 10010, telephone (212) 231-0092.

(2) Mr. Sillerman beneficially owns 41,461,599 shares of common stock, including: (i) directly 162,268 shares of common stock owned by Mr. Sillerman (consisting of (A) 37,268 shares of common stock owned by Mr. Sillerman; and (B) 125,000 shares of common stock issuable upon the exercise of warrants held by Mr. Sillerman which are exercisable at \$80.00 per share); and (ii) indirectly 41,299,331 shares of common stock (consisting of (A) 62,500 shares of common stock issuable upon the exercise of warrants held by Sillerman Investment Company II LLC ("SIC II") that are exercisable at \$55.20 per share, (B) 175,563 shares of common stock issuable upon the exercise of warrants held by SIC II which are exercisable at \$80.00 per share; (C) 350,000 shares of common stock issuable upon the exercise of warrants held by Sillerman Investment Company III LLC ("SIC III") that are exercisable at \$1.78 per share, (D) 225,000 shares of common stock issuable upon the exercise of warrants held by SIC III that are exercisable at \$3.51 per share, (E) 150,000 shares of common stock that are issuable upon the exercise of warrants held by SIC III that are exercisable at \$2.98 per share, (F) 775,000 shares of common stock that are issuable upon the exercise of warrants held by SIC III that are exercisable at \$3.63 per share, (G) 30,811,268 shares of common stock held by SIC

III and (H) 8,750,000 shares of common stock held by Sillerman Investment Company IV LLC.

(3) SIC III holds 3,000 shares of Series C Preferred Stock, which, if converted into common stock, would be converted into 750,000 shares of common stock. Together with the amounts set forth in footnote 2 above, Mr. Sillerman therefore beneficially owns a total of 42,211,599 shares of common stock. The foregoing computation is prior to the Exchange Agreement consummation to be effectuated if approved in accordance with this Information Statement (if the conversion of these 3,000 shares is concluded into common shares at the exchange price of \$0.26 a share then 11,538,461 common shares would be issued).

- (4) Ms. Bashkatova beneficially owns 5,250 shares of common stock.
- (5) Mr. Horan beneficially owns (i) 1,563 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$400.00 per share; (ii) 630 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$100.00 per share; (iii) 388 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$60.00 per share; (iv) 282 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$154.40 per share; (v) 625 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$98.40 per share, (vi) 430 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$48.80 per share, (vii) 404 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$52.00 per share, (viii) 38,799 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$4.46 per share, (ix) 100,000 shares of common stock issuable upon the exercise of options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$2.33 per share, (x) 56,000 shares of common stock issuable upon the exercise of options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$0.46 per share and (xi) 59,049 shares of common stock.
- (6) Mr. Meyer beneficially owns (i) 410 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$48.80 per share, (ii) 457 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$52.00 per share, (iii) 43,880 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$4.46 per share, (iv) 50,000 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$2.33 per share, (v) 63,333 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$2.33 per share and (vi) 59,031 shares of common stock.
- (7) Mr. Nelson beneficially owns 32,442 shares of common stock.
- (8) Ms. Sock beneficially owns (i) 371 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$60.00 per share; (ii) 625 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$98.40 per share, (iii) 410 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$48.80 per share, (iv) 385 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$52.00 per share, (v) 36,952 shares of common stock exercisable upon the exercise of stock options that are exercisable or will be exercisable within 60 days of July 20, 2016 at \$4.46 per share, (vi) 15,000 shares of common stock issuable upon the exercise of stock options that are exercisable or that are exercisable within 60 days of July 20, 2016 at \$2.33 per share, (vii) 54,000 shares of common stock issuable upon the exercise of stock options that are exercisable or that are exercisable within 60 days of July 20, 2016 at \$0.46 per share, and (viii) 322 shares of common stock.
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ITEM 1

APPROVAL OF GRANT TO THE BOARD OF DIRECTORS THE DISCRETIONARY AUTHORITY TO EFFECT A REVERSE STOCK SPLIT OF THE COMPANY'S COMMON STOCK

Pursuant to the written consent, the Majority Shareholders authorized the Company's board of directors, in its discretion, to effect a reverse stock split of the Company's outstanding common stock at a ratio of one-for-twenty ("Reverse Stock Split"), to take effect upon the filing of the certificate of amendment to the amended and restated certificate of incorporation of the Company with the Secretary of State of the State of Delaware. The Board of Directors may file the amendment at any time on or before April 30, 2017. Upon the effective date of the Reverse Stock Split, shareholders entitled to a fractional share will be paid cash for their fractional shares.

Even though the Majority Shareholders approved the Reverse Split Proposal, we reserve the right not to affect any reverse stock split if the Board does not deem it to be in the best interests of our shareholders. The Board believes that granting this discretion provides the Board with maximum flexibility to act in the best interests of our shareholders. The Board now has the authority, in its sole discretion, without further action by the shareholders, to affect a reverse stock split.

The Board's decision as to whether and when to effect the reverse stock split will be based on a number of factors, including prevailing market conditions, existing and expected trading prices for our Common Stock, actual or forecasted results of operations, and the likely effect of such results on the market price of our Common Stock. The amendments will not change the number of authorized shares of Common Stock, or the relative voting power of our shareholders. Because the number of authorized shares will not be reduced, the number of authorized but unissued shares of our Common Stock will materially increase and will be available for reissuance by the Company. The Reverse Stock Split will affect all of our holders of Common Stock uniformly.

Following the Reverse Stock Split, the number of our outstanding shares of Common Stock will be significantly reduced. The Reverse Stock Split will also affect our outstanding stock options and shares of Common Stock issued under the Company's 2011 Executive Incentive Plan (the "Incentive Plan"). Under the Incentive Plan, the number of shares of Common Stock deliverable upon exercise or grant must be appropriately adjusted and appropriate adjustments must be made to the purchase price per share to reflect the Reverse Stock Split. However, the total number of shares available to the Incentive Plan will not change.

The Reverse Stock Split is not being proposed in response to any effort of which we are aware to accumulate our shares of Common Stock or obtain control of the Company, nor is it a plan by management to recommend a series of similar actions to our board of directors or our shareholders.

As discussed below, there are certain risks associated with a reverse stock split, and we cannot accurately predict or assure the Reverse Stock Split will produce or maintain the desired results. However, our board of directors believes that the benefits to the Company and our shareholders outweigh the risks.

Reasons for the Reverse Stock Split

The board of directors believes that the stock split, along with the Recapitalization Plan discussed under Item 2 of this Information Statement, may help to increase our stock price, though there can be no assurance that such an increase will occur. Our board of directors believes that implementing the reverse stock split and the Recapitalization Plan may, among other things, help us to:

- Meet certain listing requirements of the NASDAQ Capital Market;
- Appeal to a broader range of investors to generate greater investor interest in the Company,
- Improve the perception of our Common Stock as an investment security,
- Ensure that the Company has sufficient shares to pursue its strategic plan and issue shares upon conversion of debt or convertible stock.

Meet Certain Listing Requirements of the NASDAQ Capital Market – The Company's common stock is currently traded on the NASDAQ Stock Market ("NASDAQ"). On November 18, 2015, NASDAQ advised the Company that it did not comply with Listing Rule 5550(b)(1), which requires the Company to have a minimum of \$2.5 million in shareholders' equity. As of March 31, 2016, the Company had shareholders' equity of \$ (\$28,635,000). The Company

submitted a plan to NASDAQ outlining the steps the Company intended to take to regain compliance with the NASDAQ Listing Standards. The plan included converting substantially all of the debt held by affiliates of Robert F.X. Sillerman, Chief Executive Officer of the Company into equity and completing a public offering of common stock.

However, on February 23, 2016, NASDAQ determined to delist the Company, and informed us that trading of our common stock would be suspended unless the Company requested a hearing. The Company requested a hearing and appeared before NASDAQ on March 31, 2016 to present its plan for establishing compliance with NASDAQ listing requirements. On April 5, 2016, the

Company was informed by NASDAQ that it had approved its request for continued listing, but that the Company must satisfy all listing requirements no later than August 22, 2016 in order to avoid delisting.

In addition, on November 20, 2015, the Company received a notice from NASDAQ that it did not meet the requirement that the Company's common stock have a minimum bid price of at least \$1.00. The letter provided the Company 180 days to try to cure the violation. On May 25, 2016, the Company received a notice that the 180-day period to comply with the minimum bid rule had expired.

The Company believes that the Reverse Stock Split, together with the Recapitalization Plan described in Item 2, will help it to meet the requirements of Listing Rule 5550(b)(1) by strengthening the Company's balance sheet by reducing the amount of debt outstanding and increasing shareholders' equity. Even if the Company is not able to avoid delisting because it is unable to satisfy the requirements of Rule 5550(b)(1) by August 22, 2016, the Company believes the split and the Recapitalization Plan will help it be eligible for relisting once it has satisfied the listing requirements.

Improve the Perception of Our Common Stock as an Investment Security - Our board of directors unanimously approved the Reverse Stock Split as one potential means of increasing the share price of our Common Stock in order to improve the perception of our Common Stock as a viable investment security. Lower-priced stocks have a perception in the investment community as being risky and speculative, which may negatively impact not only the price of our Common Stock, but also our market liquidity. There is no assurance that the Reverse Stock Split will increase the share price of the Common Stock, or if it does increase the share price, how long such an increase will last.

Appeal to a Broader Range of Investors to Generate Greater Investor Interest in the Company - An increase in our stock price may make our Common Stock more attractive to investors. Brokerage firms may be reluctant to recommend lower-priced securities to their clients. Many institutional investors have policies prohibiting them from holding lower-priced stocks in their portfolios, which reduces the number of potential purchasers of our Common Stock. Investment funds may also be reluctant to invest in lower-priced stocks. Investors may also be dissuaded from purchasing lower-priced stocks because the brokerage commissions, as a percentage of the total transaction, tend to be higher for such stocks. Moreover, the analysts at many brokerage firms do not monitor the trading activity or otherwise provide coverage of lower-priced stocks. We believe the Reverse Stock Split may increase the price of the Common Stock which could make an investment more attractive to a broader range of investors. Because the number of shares outstanding would be significantly reduced, it is possible that the liquidity of the shares could be negatively impacted. This could make it more difficult for investors to buy and sell our stock, which could have a negative impact on the share price.

Ensure that the Company has sufficient shares to pursue its strategic plan and issue shares upon conversion of debt or convertible stock - As of July 20, 2016, the Company has 300,000,000 authorized shares and 60,475,058 shares issued and outstanding. As the Company pursues its strategic plan, it may issue shares of stock or issue securities that are convertible into common stock. In addition, as further described in this Information Statement, the Company has convertible debentures and convertible preferred stock outstanding, and the Company may be required to issue a substantial number of shares of common stock. We believe the Reverse Stock Split will help to ensure that we have a sufficient number of shares of common stock to meet our obligations and pursue other opportunities that may become available to us.

Certain Risks Associated with a Reverse Stock Split

When the Reverse Stock Split is effected, some or all of the expected benefits discussed above may not be realized or maintained. The market price of our Common Stock will continue to be based, in part, on our performance and other factors unrelated to the number of shares outstanding.

The Reverse Stock Split will reduce the number of outstanding shares of our Common Stock without reducing the number of shares of available but unissued Common Stock, which will also have the effect of increasing the number of authorized but unissued shares. The issuance of additional shares of our Common Stock may have a dilutive effect on the ownership of existing shareholders.

Principal Effects of a Reverse Stock Split

After giving effect to the Reverse Stock Split, our issued and outstanding shares of Common Stock will decrease substantially. After the Reverse Stock Split, there will be only one share of Common Stock outstanding for every

twenty shares of Common Stock currently outstanding. The Reverse Stock Split will be effected simultaneously for all of our Common Stock, and the exchange ratio will be the same for all shares of Common Stock. The Reverse Stock Split will affect all of our shareholders uniformly and will not affect any shareholder's percentage ownership interests in the Company, except to the extent that it results in a shareholder receiving cash in lieu of fractional shares. The Reverse Stock Split will not affect the relative voting or other rights that accompany the shares of our Common Stock, except to the extent that it results in a shareholder receiving cash in lieu of fractional shares. Common Stock issued pursuant to the Reverse Stock Split will remain fully paid and non-assessable. The Reverse Stock Split will not affect our securities law reporting and disclosure obligations, and we will continue to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The following chart depicts the capitalization structure of the Company both pre-Reverse Stock Split and post-Reverse Stock Split (the post-split shares of Common Stock may differ slightly based on the number of fractional shares), in each case based on the current outstanding common share number without giving effect to any other transactions described in this Information Statement:

Pre-Reverse Stock Split

Authorized Shares of Common Stock	Issued Shares	Authorized but Unissued
300,000,000	60,475,507	239,524,493

Post-Reverse Stock Split

Authorized Shares	Issued Shares	Authorized but Unissued
300,000,000	3,023,775	296,976,225

In addition to the change in the number of shares of Common Stock outstanding, a reverse stock split will have the following effects:

Potential Increase in the Per Share Price of our Common Stock - By effectively condensing a number of pre-split shares into one share of Common Stock, the per share price of a post-split share is generally greater than the per share price of a pre-split share. The amount of the initial increase in per share price and the duration of such increase, however, is uncertain.

Increase in the Number of Shares of Common Stock Available for Future Issuance - By reducing the number of shares outstanding without reducing the number of shares of available but unissued Common Stock, the Reverse Stock Split will increase the number of authorized but unissued shares. Our board of directors believes that the increase is appropriate for use to fund future operations of the Company and possible future acquisitions.

Although the Reverse Stock Split will not have any dilutive effect on our shareholders, a Reverse Stock Split without a reduction in the number of shares authorized for issuance will reduce the proportion of shares owned by our shareholders relative to the number of shares authorized for issuance, giving our board of directors an effective increase in the authorized shares available for issuance, in its discretion. Our board of directors from time to time may deem it to be in the best interests of the Company and our shareholders to enter into transactions and other ventures that may include the issuance of shares of our Common Stock. Therefore, the dilution to the ownership interest of our existing