DONINI INC.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2014

(UNAUDITED)

Amended 1/22/15

Donini Inc.

August 31, 2014

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Donini Inc.
Consolidated Balance Sheets
(Unaudited)

	August 31, 2014	May 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ -	$ -
Accounts receivables – net	-	-
Total Current Assets	-	-
Property and equipment - net	-	-
Investment	149,331	149,331
Trademarks - net	5,615	5,915
Total Assets	$ 154,946	$ 155,246
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	$ 96,798	$ 96,548
Accrued liabilities	328,350	320,171
Convertible notes payable	160,000	160,000
Loans from related parties	125,410	138,866
Loans payable	140,000	140,000
Total Current Liabilities	850,558	855,585
Notes payable	500,000	500,000
Total Liabilities	1,350,558	1,355,585
Commitments and Contingency		
Stockholders' Deficit		
Common Stock: 750,000,000 shares authorized, $0.001 par value, 447,598,300 and 447,598,300 shares issued and outstanding as of August 31, 2014, and May 31, 2014, respectively	447,598	447,598
Additional Paid-in Capital	6,873,472	6,873,472
Common stock issued as collateral for note payable	(672,000)	(672,000)
Foreign currency translation adjustment	(552,252)	(552,252)
Deficit Accumulated During the Development Stage	(7,292,430)	(7,297,157)
Total Stockholders' Deficit	(1,195,612)	(1,200,339)
Total Liabilities and Stockholders' Deficit	$ 154,946	$ 155,246

Donini Inc.
Consolidated Statements of Expenses
(Unaudited)

	For the period ended August 31, 2014	For the year ended May 31, 2014
Revenues		
Sales	$ -	$ -
Royalties and other related revenues	-	-
Total Revenues	-	-
Cost of Goods Sold	$ -	$ -
Gross Profit	$ -	$ -
Expenses		
General and administrative	$ 250	$ 8,055
Advertising and promotion	-	-
Depreciation and amortization expense	300	1,200
Total Operating Expenses	550	9,255
Gain (Loss) from Operations	(550)	(9,255)
Other Income (Expense)		
Interest expense	5,277	(32,720)
Gain on forgiveness	-	-
Total Other Income (Expense)	5,277	(32,720)
Gain (Loss)	4,727	(41,975)
Loss from Operations	-	-
Net Gain (Loss)	$ 4,727	$ (41,975)
Net Gain (Loss) Per Common Share – Basic and Diluted available to Donini Inc.	$ 0.00001	$ 0.00009
Weighted Average Common Shares Outstanding –Basic and Diluted	447,598,300	447,598,300

Donini Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the period ended August 31, 2014	For the year ended May 31, 2014
Cash Flows From Operating Activities:		
Net gain (loss)	$ 4,727	$ (41,975)
Adjustment to reconcile net gain (loss) to net cash used in operating activities:		
Depreciation and amortization	300	1,200
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Accounts payable and accrued liabilities	8,430	33,470
Net Cash Used in Operating Activities	(13,457)	(7,305)
Cash Flows From Financing Activities:		
Repayments of convertible notes	-	-
Repayments of loans payables	13,457	7,305
Cash Provided by Financing Activities	13,457	7,305
(Decrease) Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents – Beginning of Period	-	-
Cash and Cash Equivalents – End of Period	$ -	$ -

Donini Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Common Stock Issued As Collateral for Note Payable	Accumulated Deficit	Foreign Currency Translation	Total Stockholders' Deficit
Balance – May 31, 27, 2007	61,898,176	$ 61,898	$6,714,271	$ (672,000)	$ (7,571,739)	$ (532,405)	$ (1,999,975)
Currency translation adjustment	-	-	-	-	-	(10,773)	(10,773)
Issuance of common shares for debt	36,750,000	36,750	60,750	-	-	-	97,500
Net loss for the year	-	-	-	-	(63,546)	-	(63,546)
Balance – May 31, 2008	98,648,176	$ 98,648	$ 6,775,021	$ (672,000)	$ (7,635,285)	$ (543,178)	$ (1,976,794)
Currency translation adjustment	-	-	-	-	-	3,836	3,836
Effect of 500:1 reverse stock split	(98,450,880)	(98,451)	98,451	-	-	-	-
Issuance of common shares for debt	97,400,000	97,400	-	-	-	-	97,400
Net loss for the year	-	-	-	-	(40,156)	-	(40,156)
Balance – May 31, 2009	97,597,296	$ 97,597	$ 6,873,472	(672,000)	$ (7,675,441)	$ (539,342)	$ (1,915,714)
Issuance of common shares in exchange for debt	350,000,000	350,000	-	-	-	-	350,000
Adjustment for fractional shares	1,004	1	-	-	-	-	1
Currency translation adjustment	-	-	-	-	-	(12,910)	(12,910)
Net gain (loss) for the year	-	-	-	-	523,487	-	523,487
Balance – May 31, 2010	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,151,954)	$ (552,252)	$ (1,055,136)
Net gain (loss) for the year	-	-	-	-	(26,436)	-	(26,436)
Balance – May 31, 2011	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,178,390)	$ (552,252)	$ (1,081,572)
Net gain (loss) for the year	-	-	-	-	(39,119)	-	(39,119)
Balance – May 31, 2012	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,217,509)	$ (552,252)	$ (1,120,691)
Net gain (loss) for the year	-	-	-	-	(37,673)	-	(37,673)
Balance – May 31, 2013	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,255,182)	$ (552,252)	$ (1,158,364)
Net gain (loss) for the year	-	-	-	-	(41,975)	-	(41,975)
Balance – May 31, 2014	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,297,157)	$ (552,252)	$ (1,200,339)
Net gain (loss) for the period	-	-	-	-	4,727	-	4,727
Balance – August 31, 2014	447,598,300	$ 447,598	$ 6,873,472	(672,000)	$ (7,292,430)	$ (552,252)	$ (1,195,612)

1. Nature of Operations and Basis of Presentation

Donini Inc. (“we”, “our”, the “Company”) was incorporated in the State of New Jersey.

From 2010 until now, Donini, Inc. had not, as previously stated, "discontinued operations" but continued limited operations with an emphasis on soliciting for consulting engagements in the field of restaurant operations and franchising.

There were, however, two subsidiary entities that had ceased operations, the call center and manufacturing facility. As a result of these two subsidiaries ceasing operations in 2010, the financial statements and disclosures incorrectly characterized Donini, Inc. as a whole as ceasing operations. Donini, Inc. has had continuing business operations since its inception. While its successes in obtaining revenues during this period were negligible, Donini, Inc. continued to seek business opportunities and revenues, including but not limited to merger and/or acquisition candidates.

At present, the Company is negotiating with such an operating company and has received a Letter of Intent, dated September 26, 2014. There is no assurance that a transaction will be consummated as a result of this or any other negotiations.

EXISTING AND PROPOSED BUSINESSES

The Company's purpose, in addition to seeking consulting engagements for restaurants, is also to seek, investigate and, if such investigation warrants, affiliate with a business entity presented to it by persons or firms who or which desire to seek the perceived advantages of a corporation which has a class of securities registered under the Exchange Act. The Company will not restrict its search to any specific business, industry, or geographical location and the Company may participate in a business venture of virtually any kind or nature. This discussion of the proposed business is not meant to be restrictive of the Company's broad discretion to search for and enter into potential business opportunities. Management anticipates that it will be able to participate in only one potential business venture in the near future because the Company has nominal assets and limited financial resources. See "FINANCIAL STATEMENTS." This lack of diversification should be considered a substantial risk to the shareholders of the Company because it will not permit the Company to offset potential losses from one venture against gains from another.

The Company may seek a business opportunity with an entity which has recently commenced operations, or which wishes to utilize the public marketplace in order to raise additional capital to expand into new products or markets, to develop a new product or service, or for other corporate purposes. The Company may acquire assets and establish wholly-owned subsidiaries in various businesses or acquire existing businesses as subsidiaries.

The Company anticipates that the selection of a business opportunity in which to participate will be complex and extremely risky. Management believes (but has not conducted any research to confirm) that there are business entities seeking the perceived benefits of a publicly registered corporation. Such perceived benefits may include facilitating or improving the terms on which additional equity financing may be sought, providing liquidity for incentive stock options or similar benefits to key employees, increasing the opportunity to use securities for acquisitions, providing liquidity for shareholders and other factors. Business opportunities may be available in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities difficult and complex.

On September 26, 2014, the Company entered into a Letter of Intent with various parties whereby it agreed, if certain conditions are satisfied, to acquire all of the issued and outstanding ownership interests in a California-based production company will be exchanged for a majority of the issued and outstanding shares of the Company (the "Merger Agreement").

The Company has, and will continue to have, very limited to no capital with which to provide the owners of business opportunities with any cash or other assets. However, management believes the Company will be able to offer owners of acquisition candidates the opportunity to acquire a controlling ownership interest in a publicly registered company without incurring the cost and time required to conduct an initial public offering. Management has not conducted market research and is not aware of statistical data to support the perceived benefits of a merger or acquisition transaction for the owners of a business opportunity.

The Company will not restrict its search to any specific kind of firms, but may acquire an interest in a venture which is in its preliminary or development stage, which is already in operation, or any stage of its business life. It is impossible to predict at this time the status of any business in which the Company may become engaged, in that such business may need to seek additional capital, may desire to have its shares publicly traded; or may seek other perceived advantages which the Company may offer.

ACQUISITION OF OPPORTUNITIES

In implementing a structure for a particular business acquisition, the Company may become a party to a merger, consolidation, reorganization, joint venture, or licensing agreement with another corporation or entity. It may also acquire stock or assets of an existing business. Upon the consummation of such a transaction, it is probable that the present management and shareholders of the Company will no longer be in control of the Company. In addition, it is likely that the Company's officers and directors will, as part of the terms of the acquisition transaction, resign and be replaced by one or more new officers and directors.

It is anticipated that any securities issued in any such reorganization would be issued in reliance upon exemption from registration under applicable federal and state securities laws. In some circumstances, however, as a negotiated element of its transaction, the Company may agree to register all or a part of such securities immediately after the transaction is consummated or at specified times thereafter. If such registration occurs, of which there can be no assurance, it will be undertaken by the surviving entity after the Company has entered into an agreement for a business combination or has consummated a business combination and the Company is no longer considered a blank check company. Until such time as this occurs, it is the Company's intention not to attempt to register any additional securities. The issuance of substantial additional securities and their potential sale into any trading market which may develop in the Company's securities may have a depressive effect on the market value of the Company's existing publicly traded securities in the future if such a market develops, of which there is no assurance.

With respect to any merger or acquisition negotiations with a target company, management expects to focus on the percentage of the Company which the target company's shareholders would acquire in exchange for their holdings in the target company. Depending upon, among other things, the target company's assets and liabilities, the Company's shareholders will in all likelihood hold a substantially lesser percentage ownership interest in the Company following any merger or acquisition. Thus, the percentage of ownership may be subject to significant reduction in the event the Company acquires a target company with substantial assets. Any merger or acquisition effected by the Company can be expected to have a significant dilutive effect on the percentage of shares held by the Company's shareholders at such time.

The Company will participate in a business opportunity only after the negotiation and execution of appropriate agreements. Although the terms of such agreements cannot be predicted, generally such agreements require certain representations and warranties of the parties thereto, specify certain events of default, detail the terms of closing and the conditions which must be satisfied by the parties prior to and after such closing, outline the manner of bearing costs, including costs associated with the Company's attorneys and accountants, and include miscellaneous other terms.

On September 26, 2014, the Company entered into a Letter of Intent with various parties whereby it agreed, if certain conditions are satisfied, to acquire all of the issued and outstanding ownership interests in a California-based production company, Golden Dog Productions, LLC (“GDP”), which will be exchanged for a majority of the issued and outstanding shares of the Company (the "Merger Agreement").

GDP owns, develops, acquires and monetizes media technologies and media intellectual properties. GDP specializes in the development, production and exploitation of multi-platform media and entertainment properties worldwide. GDP has developed significant relationships with major corporations, investors, technologies and production facilities in the US, Canada, Korea, Thailand, China, Japan and other markets. GDP also owns a substantial amount of assets in children's content on DVDs, TV series and graphic novels based on well-known and internally developed characters.

Today, GDP, driven by its media technology focus, has a growing slate of family-friendly projects in development and ready for development, including a live stage production directed by award-winning creators of Cirque-style shows, targeting multiple markets in Asia and the rest of the world; an animated feature film under management with a committed multi-million dollar budget; and the co-production of a number of animated programs for children based on a highly successful series of children’s books. GDP has been in discussions with major Thailand conglomerates and corporations, to partner with them in developing location-based entertainment projects.

Basis of Presentation

These accompanying unaudited period-end financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the unaudited financial statements and notes thereto contained in the Company’s August 31, 2014 Disclosure Report filed with the OTC Markets. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations have been reflected herein.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. However, the accompanying financial statements reflect that the Company has incurred significant operating losses, has a deficit in shareholders’ equity and a working capital deficit of $850,558 at August 31, 2014. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations. As at August 31, 2014, the Company has accumulated losses of $7,292,430 since inception. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Basic Presentation and Consolidation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars.

Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, stock-based compensation, and deferred income tax valuations. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

Earnings (Loss) Per Share

The Company computes net earnings (loss) per share in accordance with ASC 260 *"Earnings per Share*". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic

EPS is computed by dividing net earnings (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method.

Financial Instruments and Fair Value Measurements

ASC 820 *"Fair Value Measurements*" requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 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. ASC 820 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, amounts due from related parties, accounts payable, convertible notes payable, loans payable, loans from related parties, and amounts due to related parties. Pursuant to ASC 820, the fair value of cash equivalents is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of all of other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, *"Income Taxes*". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. The Company has adopted guidance issued by the FASB that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Any interest and penalties related to uncertain tax positions would be recorded as part of income tax expense. No such interest or penalties were incurred in 2014 or 2013.

2. Related Party Transactions

a) On September 1, 2005, the Company entered into a Convertible Promissory Note with the Company's CEO for $50,000 ("CEO Loan"), which is included in loans from related parties. The loan bears interest at 8% per annum, compounded annually and was due on September 1, 2006. On January 15, 2008, $2,000, $8,000, $8,000 and $5,500 were assigned to third parties in exchange for debt and, subsequently converted into 2,000,000, 8,000,000, 8,000,000 and 5,500,000 shares of common stock, respectively. At August 31, 2014, a principal balance of $26,500 of the CEO Loan remains unpaid, including $25,424 in accrued interest.

At August 31, 2014, the Company is indebted to the CEO of the Company for $91,540 (Canadian Dollars) of a former subsidiary's accounts payables guaranteed by the CEO of the Company.

3. Loans payable

a) On November 25, 2005, the Company received $25,000 from an affiliate of the Company and entered into an unsecured loan agreement, bearing interest at 8% per annum. At August 31, 2014, the principal balance of $25,000 plus accrued interest of $17,538 remain outstanding and is included in accrued liabilities.

b) On December 27, 2006, the Company received $15,000 and entered into a promissory note agreement with an affiliate of the Company. Under the terms of the note, the principal of the loan is unsecured and bears 12% interest. At August 31, 2014, the principal balance of $15,000 plus accrued interest of $13,824 remain outstanding and is included in accrued liabilities.

c) On May 7, 2007, the Company entered into a promissory note in the principal amount of $100,000. Under the terms of the note, the principal of the loan is unsecured and bears 14% interest per annum. At August 31, 2014, the Company has not repaid the note and accrued interest of $102,433 remain outstanding and is included in accrued liabilities.

As at August 31, 2014, the Company is in default of loans amounting to an aggregate principal of $140,000.

4. Convertible Notes Payable

a) On July 23, 2004, the Company borrowed $250,000 and entered into an 8%, 5-year Promissory Note. The Note is guaranteed by the Company. The Promissory Note is payable in monthly installments of $5,054, including interest commencing in October 2004 through September 2009.

On September 2, 2009, a portion of the Promissory Note was assigned to a third party and the Company issued 6,000,000 shares of common stock upon the conversion of the principal amount of $6,000.

On January 15, 2010, portions of the Promissory Note were assigned to third parties and the Company issued 32,000,000, 22,000,000, 2,500,000 and 5,500,000 shares of common stock upon the conversion of the principal amounts of $32,000, $22,000, $2,500 and $5,500, respectively.

At August 31, 2014, the principal balance of $150,000 on the Promissory Note plus $165,167 in accrued interest remains unpaid.

b) On June 7, 2004, the Company entered into a Securities Purchase Agreement with Global Capital Funding Group, L.P. ("Global"), whereby Global purchased a $1,500,000 convertible note (the "Note") for $1,200,000. The Note was secured by the Company's accounts receivable, inventory, property and equipment, and general tangibles and matured on June 7, 2007.

Pursuant to the agreement, the Company issued a warrant to Global to purchase 500,000 shares of common stock as additional finance costs. In addition, the Company issued a warrant to an unrelated corporation to purchase 50,000 shares of common stock as a finder's fee. Both warrants were exercisable at $0.495 per share and expired on June 7, 2009.

On October 1, 2004, the Company and Global entered into an Exchange Agreement whereby the Note was exchanged for a new note (the "new Note") in the amount of $1,540,000. The New Note matured on June 7, 2006 and was secured by a first lien on the Company's non-real estate assets and the issuance and pledge of 8,400,000 shares of common stock. The effective interest rate on the New Note is 13%.

Other terms under the New Note are as follows:

i) As long as there is no event of default (as defined), the Company may, at its option, prepay the New Note at a price equal to the outstanding principal amount of the New Note, $40,000 of liquidating damages and all accrued and unpaid interest.

ii) Global has the right to convert the New Note into shares of common stock upon an event of default (as defined) or at any time following June 7, 2005 at the following conversion price – (a) Principal amount being converted together with the accrued and unpaid interest through the date of conversion divided by (b) 100% of the three lowest bid prices during the twenty (20) trading days immediately preceding the date of conversion. Global can only convert (other than due to an event of default) if the price of the Company's common stock is equal to or greater than $0.60 per share at the time of conversion.

During the quarter ended August 31, 2009, Global instituted a lawsuit in the United States District Court of New Jersey to collect on its defaulted loan. The Company subsequently filed an Answer to the Complaint. During the following quarter ended November 30, 2009, the Company and Global settled, in principal, their lawsuit and all disputes on the following terms:

i) The Company shall pay Global a total principal amount of $500,000 in two (2) years, evidenced by an interest-free note ("Interest-Free Note");

ii) Global shall retain its 16,800 (post 1:500 split) common shares, held as security, which shall be returned upon payment of the Interest-Free Note;

iii) Global shall return the 16,800 shares upon the payment of the first $25,000 due on the Note;

iv) The matter has been settled and an Order was entered reflecting the same.

At August 31, 2014, the principal balance of $500,000 on the Interest-Free Note remains unpaid.

6. Contingencies

a) The Company is a guarantor on a five-year, 8% promissory note ("Promissory Note") of $250,000 made by a non-affiliated person to a franchisee of the Company. The Promissory Note is payable in monthly instalments of $5,054, including interest commencing in October 2004 through September 2009.

On September 2, 2009, a portion of the Promissory Note was assigned to a third party and the Company issued 6,000,000 shares of common stock upon the conversion of the principal amount of $6,000.

On January 15, 2010, portions of the Promissory Note were assigned to third parties and the Company issued 32,000,000, 22,000,000, 2,500,000 and 5,500,000 shares of common stock upon the conversion of the principal amounts of $32,000, $22,000, $2,500 and $5,500, respectively.

Due to underperformance of the franchisee's operations, the franchisee was unable to make the monthly instalments and defaulted on the Promissory Note. The franchisee filed for bankruptcy and the franchisee ceased its operations on June 21, 2010.

At August 31, 2014, the principal balance of $150,000 on the Promissory Note plus $165,167 in accrued interest remains unpaid.

b) On June 7, 2004, the Company entered into a Securities Purchase Agreement with Global Capital Funding Group, L.P. ("Global"), whereby Global purchased a $1,500,000 convertible note (the "Note") for $1,200,000. The Note was secured by the Company's accounts receivable, inventory, property and equipment, and general tangibles and matured on June 7, 2007.

Pursuant to the agreement, the Company issued a warrant to Global to purchase 500,000 shares of common stock as additional finance costs. In addition, the Company issued a warrant to an unrelated corporation to purchase 50,000 shares of common stock as a finder's fee. Both warrants were exercisable at $0.495 per share and expired on June 7, 2009.

On October 1, 2004, the Company and Global entered into an Exchange Agreement whereby the Note was exchanged for a new note (the "new Note") in the amount of $1,540,000. The New Note matured on June 7, 2006 and was secured by a first lien on the Company's non-real estate assets and the issuance and pledge of 8,400,000 shares of common stock. The effective interest rate on the New Note is 13%.

Other terms under the New Note are as follows:

i) Global has the right to convert the New Note into shares of common stock upon an event of default (as defined) or at any time following June 7, 2005 at the following conversion price – (a) Principal amount being converted together with the accrued and unpaid interest through the date of conversion divided by (b) 100% of the three lowest bid prices during the twenty (20) trading days immediately preceding the date of conversion. Global can only convert (other than due to an event of default) if the price of the Company's common stock is equal to or greater than $0.60 per share at the time of conversion.

During the year ended May 31, 2010, Global instituted a lawsuit in the United States District Court of New Jersey to collect on its defaulted loan. The Company subsequently filed an Answer to the Complaint. During the year ended May 31, 2010, the Company and Global settled, in principal, their lawsuit and all disputes on the following terms:

i) The Company shall pay Global a total principal amount of $500,000 in two (2) years, evidenced by an interest-free note ("Interest-Free Note");

ii) Global shall retain its 16,800 (post 1:500 split) common shares, held as security, which shall be returned upon payment of the Interest-Free Note;

iii) Global shall return the 16,800 shares upon the payment of the first $25,000 due on the Note.