MILLENNIUM PRIME, INC. AND SUBSIDIARY

Consolidated Financial Statements

For the Years Ended September 30, 2013 and 2012

MILLENNIUM PRIME, INC. AND SUBSIDIARY
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Millennium Prime, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Millennium Prime, Inc. (the "Company") as of September 30, 2013 and 2012, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the two years ended September 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Millennium Prime, Inc. at September 30, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the two years ended September 30, 2013 and 2012, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 3 to the consolidated financial statements, the Company has incurred recurring operating losses and has a working capital deficiency. These conditions among others raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 3. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

RBSM LLP

New York, NY
October 31, 2014

MILLENNIUM PRIME, INC. AND SUBSIDIARY
Consolidated Balance Sheets

	September 30,	
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ -	$ 47,339
Accounts receivable, net	5,987	-
Inventory	67,351	17,710
Total Current Assets	73,338	65,049
Initial contribution to joint venture	11,745	-
Security deposits	8,290	-
Intangible assets, net	2,350	-
TOTAL ASSETS	$ 95,723	$ 65,049
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 458,197	$ 466,381
Accrued interest	169,090	137,997
Settlement payable	36,819	25,000
Convertible notes, net	1,065,085	983,459
Convertible debentures, net	-	145,000
Loans payable	600,000	600,000
Loans payable - related parties	65,327	11,295
Due to others	5,000	-
Total Current Liabilities	2,399,518	2,369,132
TOTAL LIABILITIES	2,399,518	2,369,132
Commitments and contingencies		
STOCKHOLDERS' DEFICIT:		
Preferred stock, $1.00 par value, 10,000,000 shares authorized; 500,000 and 500,000 shares issued and outstanding, respectively	500,000	500,000
Common stock, $0.0001 par value, 1,000,000,000 shares authorized; 301,508,837 and 296,483,760 shares issued and outstanding, respectively	30,151	29,648
Additional paid-in capital	51,267,748	51,117,498
Accumulated deficit	(54,101,694)	(53,951,229)
TOTAL STOCKHOLDERS' DEFICIT	(2,303,795)	(2,304,083)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 95,723	$ 65,049

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

MILLENNIUM PRIME, INC. AND SUBSIDIARY
Consolidated Statements of Operations

	Years Ended September 30,	
	2013	2012
NET REVENUES:		
Revenues, net	$ 77,364	$ 146,844
TOTAL NET REVENUES	77,364	146,844
COST OF GOODS SOLD:		
Cost of goods sold	12,374	70,012
TOTAL COST OF GOODS SOLD	12,374	70,012
GROSS PROFIT	64,990	76,832
OPERATING EXPENSES:		
General and administrative expenses	51,438	140,647
Marketing expenses	11,402	7,878
Sales expenses	6,325	25,740
TOTAL OPERATING EXPENSES	69,165	174,265
LOSS FROM OPERATIONS	(4,175)	(97,433)
OTHER (EXPENSE) INCOME:		
Interest expense	(118,471)	(116,278)
Other income	(27,819)	125,742
TOTAL OTHER (EXPENSE) INCOME	(146,290)	9,464
NET LOSS	$ (150,465)	$ (87,969)
NET LOSS PER COMMON SHARE:		
Basic and diluted	$ 0.00	$ 0.00
NET LOSS PER SHARE - BASIC AND DILUTED	$ 0.00	$ 0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic and diluted	301,094,868	296,483,760

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

MILLENNIUM PRIME, INC. AND SUBSIDIARY
Consolidated Statements of Stockholders' Deficit

	Preferred Stock		Common Stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balances, September 30, 2011	1,000,000	$ 1,000,000	296,483,760	$ 29,648	$ 51,117,498	$ (53,863,260)	$ (2,216,114)
Return of preferred shares issued to Company	(500,000)	(500,000)	-	-	500,000	-	-
Net loss	-	-	-	-	-	(87,969)	(87,969)
Balances, September 30, 2012	500,000	$ 500,000	296,483,760	$ 29,648	$ 51,617,498	$ (53,951,229)	$ (2,304,083)
Issuance of common stock for conversion of debt	-	-	5,025,077	503	150,250	-	150,753
Net loss	-	-	-	-	-	(150,465)	(150,465)
Balances, September 30, 2013	500,000	$ 500,000	301,508,837	$ 30,151	$ 51,767,748	$ (54,101,694)	$ (2,303,795)

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

MILLENNIUM PRIME, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (150,465)	$ (87,969)
Adjustment to reconcile change in net loss to net cash and cash equivalents used in operating activities:		
Compounded interest on Quest Notes	81,626	75,371
Loss on lawsuit settlement	31,819	-
Changes in operating assets and liabilities:		
Accounts receivable	(5,987)	5,232
Inventory	(49,641)	27,181
Accounts payable and accrued expenses	(8,184)	(134,118)
Accrued interest	36,846	40,907
Settlement payable	(20,000)	(30,000)
NET CASH USED IN OPERATING ACTIVITIES	(83,986)	(103,396)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Initial contribution to joint venture	(11,745)	-
Payments towards security deposits	(8,290)	-
Payments towards intangible assets	(2,350)	-
NET CASH USED IN INVESTING ACTIVITIES	(22,385)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible debentures	-	145,000
Proceeds from loans payable - related parties	54,032	500
Net advances from others	5,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	59,032	145,500
Net (decrease) increase in cash and cash equivalents	(47,339)	42,104
Cash and cash equivalents, beginning of year	47,339	5,235
Cash and cash equivalents, end of year	$ -	$ 47,339
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -
NON-CASH ACTIVITIES:		
Conversion of convertible debentures and accrued interest to common stock	$ 150,753	$ -
Return of preferred shares issued to the Company	$ -	$ 500,000

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

NOTE 1 – ORGANIZATION

Millennium Prime, Inc. ("Millennium") is a Delaware corporation that develops "Superior Lifestyle Innovations for the Millennial Generation". Millennium's focus is on marketing products for the beverage, apparel and entertainment categories where it can achieve a clear and authentic market position.

In September 2010, Millennium completed the acquisition of Bong Spirit Imports, LLC ("BSI") a Florida Limited Liability Corporation (collectively, the "Company") pursuant to which Millennium acquired 100% of the membership interests from the equity owners of BSI, as well as settlement of certain debts, in exchange for 60,000,000 shares of Millennium's common stock. BSI is an importer and distributor of alcohol products including Bong Spirit's Super Premium Vodka® from Holland. BSI has its headquarters in Florida and the spirit distillation and bottling of its proprietary vodka formula occurs in the Netherlands.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Millennium Prime, Inc. and its subsidiary, Bong Spirits Import, LLC. Intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the reporting of assets and liabilities as of the dates of the financial statements and revenues and expenses during the reporting period. These estimates primarily relate to the sales recognition, allowance for doubtful accounts, inventory obsolescence and asset valuations. Actual results could differ from these estimates. Management's estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the periods they are determined to be necessary.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally Accepted Accounting Principles ("GAAP") requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal, or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs 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 included within Level 1 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.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updated ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual and interim periods beginning on or after December 15, 2016, and early adoption is not permitted. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in the ASU. The Company is currently evaluating the impact of adopting this guidance.

In June 2014, the FASB issued ASU 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period*. This ASU provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

All other issued accounting pronouncement but not yet effective have been reviewed and are not deemed to have a material financial impact on the Company once adopted.

ADVERTISING

Advertising is expensed as incurred and is included in selling costs on the accompanying statements of operations. Advertising and marketing expense for the years ended September 30, 2013 and 2012 was $4,624 and $7,862, respectively.

ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At September 30, 2013 and 2012, the Company has established, based on a review of its outstanding balances, that no allowance is necessary.

CASH AND CASH EQUIVALENTS

The Company considers highly liquid investments with original maturities of three months or less when purchased as cash equivalents. At times throughout the year, the Company might maintain bank balances that may exceed Federal Deposit Insurance Corporation insured limits. Periodically, the Company evaluates the credit worthiness of the financial institutions, and has not experienced any losses in such accounts. At September 30, 2013, the Company had $0 over the insurable limit.

CONVERTIBLE INSTRUMENTS

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for "Accounting for Derivative Instruments and Hedging Activities".

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as freestanding derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of "Conventional Convertible Debt Instrument".

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

FOREIGN CURRENCY

Monetary assets and liabilities of the Company's foreign operations are translated into U.S. dollars at period-end exchange rates. Non-monetary assets and liabilities are translated at historical rates. Net exchange gains or losses resulting from such translation are excluded from net loss but are included in comprehensive income and accumulated in a separate component of stockholders' equity. Income and expenses are translated at weighted average exchange rates for the period. Foreign currency transactions denominated in a currency other than the US Dollar, which is the Company's functional currency, are included in determining net income for the period.

INVENTORY

Inventory is stated at the lower of cost or market value using the FIFO method. Inventory consists primarily of only finished goods, which represents the final product ready for sale. A periodic inventory system is maintained by 100% count. Inventory is replaced periodically to maintain the optimum stock on hand available for immediate shipment.

INCOME TAXES

Millennium, along with its consolidated subsidiary, is deemed a corporation and thus is a taxable entity. Bong is not subject to Federal and State income taxes, as it is a limited liability company. Each member was responsible for the tax liability, if any, related to its proportionate share of their taxable income. Bong is a pass-through entity. No provision for income taxes was reflected in the accompanying consolidated financial statements, as the Company did not have income through September 30, 2013. There were no uncertain tax positions that would require recognition in the consolidated financial statements through September 30, 2013.

Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing, and the current and prior three years remain subject to examination as of September 30, 2013.

The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

The Company accounts for income taxes under Accounting Standards Codification ("ASC") 740-10-30, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

LONG LIVED ASSETS

The Company follows ASC 360-10, *Property, Plant and Equipment*. ASC 360-10 requires those long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360-10 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

RECOGNITION OF REVENUE

Sales are recorded at the time title of goods sold passes to customers, which based on shipping terms, which generally occurs when the product is shipped to the customer and collectability is reasonably assured. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a sale is negotiated. The Company does not grant price adjustments after a sale is complete.

The Company's revenue is primarily derived from sales of their 750 ML and 1000 ML bottles of Bong Premium Vodka through distributors who distribute their products to retailers.

SHIPPING COSTS

Shipping costs are included in cost of goods sold and totaled $0 and $1,083 for the years ended September 30, 2013 and 2012, respectively.

STOCK BASED COMPENSATION

The Company accounts for the grant of stock options and restricted stock awards in accordance with ASC 718, *Compensation-Stock Compensation*. ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation. GAAP prescribes that accounting and reporting standards for all stock-based payment awards to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if:

a) the option to settle by issuing equity instruments lacks commercial substance, or

b) the present obligation is implied because of an entity's past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

With respect to stock-based compensation issued to non-employees and consultants GAAP requires that the amount of share-based payment transactions be based on the fair value of whichever is more reliably measurable:

a) the goods or services received or

b) the equity instruments issued.

The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

NOTE 3 – GOING CONCERN

The Company's consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred net losses of $150,465 and $87,969 during the years ended September 30, 2013 and 2012, respectively. Cash on hand will not be sufficient to cover debt repayments, operating expenses and capital expenditure requirements for at least twelve months from the consolidated balance sheet date. As of September 30, 2013 and 2012, the Company had working capital deficits of $2,326,180 and $2,304,083,

respectively. In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to seek equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 – LOSS PER SHARE

The Company utilizes the guidance per ASC 260, *Earnings Per Share*. Basic earnings per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation, plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding, is not presented separately as it is anti-dilutive. Such securities, shown below, presented on a common share equivalent basis and outstanding as of September 30, 2013 and 2012 have been excluded from the per share computations:

	2013	2012
Convertible notes payable	1,065,085,290	983,458,680
Series A preferred stock	500,000	500,000
Total diluted shares	1,065,585,290	983,958,680

NOTE 5 – INVENTORY

Inventory consisted of the following at September 30, 2013 and 2012:

	2013	2012
Finished goods	$ 67,351	$ 17,710
Totals	$ 67,351	$ 17,710

NOTE 6 – INITIAL CONTRIBUTION IN JOINT VENTURE

In November 2012, the Company made a contribution of $11,745 towards the creation of a joint venture, Bong Spirits International, with the Company's primary distributor. To date the joint venture has not been established and negotiations with the Company's primary distributor are currently ongoing.

NOTE 7 – INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following at September 30, 2013 and 2012:

	2013	2012
Patents	$ 32,652	$ 32,652
Trademarks	4,850	2,500
Less: accumulated amortization	(35,152)	(35,152)
Totals	$ 2,350	$ -

There was no amortization expense for the years ended September 30, 2013 and 2012.

NOTE 8 – INCOME TAXES

The provision for income taxes represents estimated federal and state income taxes. The effective tax rate for the year ended September 30, 2013 was 35% and diverged from the combined federal and state statutory rates strictly due to differences in the tax rates.

Reconciliation between the statutory United States corporate income tax rate (35%) and the effective income tax rates based on continuing operations is as follows:

Year ended September 30,	2013	2012
Income tax benefit at Federal statutory rate of 35%	$ (52,179)	$ (30,240)
State Income tax benefit, net of Federal effect	-	-
Change in valuation allowance	52,179	30,240
Total	$ -	$ -

The Company did not have a deferred tax asset or liability as of September 30, 2013 and 2012.

At September 30, 2013 the Company has available net operating losses of approximately $54,102,000 which may be carried forward to apply against future taxable income. These losses will expire in 2031. Deferred tax assets related to these losses have not been recorded due to uncertainty regarding their utilization.

The provisions of ASC 740 require companies to recognize in their consolidated financial statements the impact of a tax position if that position is more likely than not to be sustained upon audit, based upon the technical merits of the position. ASC 740 prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure.

Management does not believe that the Company has any material uncertain tax positions requiring recognition or measurement in accordance with the provisions of ASC 740. Accordingly, the adoption of these provisions of ASC 740 did not have a material effect on the Company's consolidated financial statements. The Company's policy is to record interest and penalties on uncertain tax positions, if any, as income tax expense.

The Company has not filed its applicable Federal and State tax returns for the year ended September 30, 2013 and may be subject to penalties for noncompliance.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at September 30, 2013 and 2012:

		2013		2012
Accounts payable	$	457,095	$	466,381
Bank overdraft		1,102		-
Totals	$	458,197	$	466,381

NOTE 10 – CONVERTIBLE NOTES

On December 23, 2009, the Company's former sole officer and director assigned certain convertible debentures and other liabilities of the Company owed to him to Quest Capital Markets, Inc. ("Quest"). On March 24, 2010, the Company and Quest entered into an agreement whereby these liabilities were restructured into a convertible promissory note (the "Quest Note"). The Quest Note compounds interest monthly at a rate of 8% per annum and is convertible into shares of Company common stock at the rate of $0.001 per share. On April 9, 2010, the Company issued 22,000,000 shares of common stock as conversion of $22,000 of principal on the Quest Note.

The principal balance on the Quest Note was $559,235 as of September 30, 2013 and 2012. Accrued interest on the Quest Note was $505,850 and $424,224 as of September 30, 2013 and 2012, respectively.

NOTE 11 – CONVERTIBLE DEBENTURES

During the year ended September 30, 2012, the Company issued four separate convertible debentures aggregating $145,000. The debentures incur 8% simple interest annually and automatically convert six months after issuance. The conversion price is 85% of the 45-day average prior to the conversion date, and cannot be lower than $0.03 per share or higher than $0.25 per share. Since the stock price at the time of issuance was less than the floor conversion price of $0.03, no beneficial conversion was recorded.

In October and November 2012, all debentures and accrued interest automatically converted into an aggregate of 5,025,077 shares of common stock at $0.03 per share. The total principal converted was $145,000 and the total accrued interest converted was $5,752.

NOTE 12 – LOANS PAYABLE

In connection with the acquisition of BSI, debt holders were offered common stock as payment of outstanding debt. Three separate debt holders did not accept the Company's common stock as payment for their loans to BSI, which were valued at $400,000, $50,000 and $200,000, for a total of $650,000. Interest has continued to accrue at a rate of 6% per annum, and the Company continues to attempt to settle these outstanding loans with the debt holders. One of the debt holders with a loan balance of $50,000 entered

into a settlement agreement with the Company in May 2011, and as a result this loan balance was reclassified as settlement payable on the consolidated balance sheet (see Note 15 – Litigation).

As of September 30, 2013 and 2012, the total principal balance of all loans payable was $600,000, and accrued interest on these loans totaled $169,090 and $133,090, respectively.

NOTE 13 – LOANS PAYABLE – RELATED PARTIES AND DUE TO OTHERS

Certain related parties have advanced the Company $65,327 and $11,295 as of September 30, 2013 and 2012, respectively, of which $54,032 and $500 was advanced during the years ended September 30, 2013 and 2012, respectively. These advances are due on demand and do not bear interest.

During the year ended September 30, 2013, a third party investor advanced the Company $5,000 as a payment towards a future debenture to be entered into in 2014. This advance will be applied towards the total debenture to be issued, and will not accrue interest until the debenture is issued in 2014. This advance is currently classified as due to others on the consolidated balance sheet.

NOTE 14 – EQUITY

Preferred Stock

On January 18, 2012, the former CEO of the Company returned 500,000 share of Series A preferred stock back to the Company as a result of his termination with the Company. These shares were recorded against additional paid in capital.

As of September 30, 2013, the Company has 10,000,000 authorized shares of Series A preferred stock, par value $1.00, of which 500,000 shares are issued and outstanding. The Series A preferred stock has a conversion price of $1.00 per share.

Common Stock

During the year ended September 30, 2013, convertible debenture holders converted $145,000 of principal and $5,752 of accrued interest for 5,025,077 shares of common stock.

As of September 30, 2013, the Company has 1,000,000,000 authorized shares of common stock, par value $0.0001, of which 301,508,837 shares are issued and outstanding.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Lease commitments

On February 1, 2013, the Company entered into a lease agreement to lease office space in Plainview, NY. The term of the agreement is for three years beginning on February 1, 2013 and ending on January 31, 2016, with the Company's option to renew for two more years. The first year's base rent payment is $2,656, and increases by 3% each year. There is a security deposit of $8,290, which is recorded on the consolidated balance sheet.

Rent expense for the years ended September 30, 2013 and 2012 was $13,004 and $0, respectively.

As of September 30, 2013, future minimum lease payments due under non-cancelable lease agreements having initial terms in excess of one year, are as follows:

For the year ended September 30,		
2014	$	32,752
2015		33,734
2016		2,818
Total	$	69,304

Litigation

On May 23, 2011, the Company entered into a settlement agreement with a legacy note holder on a Senior Secured Promissory Note by which the principal balance of $50,000, accrued interest to date, were in default. Per the terms of the settlement agreement, the Company would pay a total settlement amount of $70,000, consisting of $5,000 bi-monthly payments commencing in May 2011, and concluding in July 2013, as long as the Company did not default on the bi-monthly payments. If the Company did default on any of its payments, the settlement amount would increase to $80,000, not including the note holders' legal fees. As of September 30, 2013, the Company was in default of these payments, having made $65,000 of the total required $70,000 due.

On January 3, 2014, a judgment was reached against the Company as a result of their default in payments. The terms of the judgment state that the Company has a principal balance of $36,819 due to the note holder, and simple interest of 4.75% will start accruing on the principal balance on the date of judgment. The Company has recorded the principal balance of $36,819 on the consolidated balance sheet as of September 30, 2013. The Company is currently seeking to negotiate the terms of this judgment with the note holder and expects a favorable outcome.

NOTE 16 – SUBSEQUENT EVENTS

On January 15, 2014, the Company issued a private offering for thirty one-year convertible promissory notes totaling $1,500,000. All convertible notes incur 8% simple interest annually and automatically convert six months after issuance. The conversion price for these convertible notes is 85% of the 45-day average prior to the conversion date, and cannot be lower than $0.10 per share or higher than $0.35 per share.

On August 31, 2014 the Company surrendered and terminated its lease for office space in Plainview, NY. The landlord agreed to the termination, and as part of the termination the Company agreed to forfeit its security deposit to be used for any balances owed.

Management has evaluated all transactions and events after the balance sheet date through October 31, 2014, the date on which these financials were available to be issued, and except as already included in the notes to these financial statements, has determined that no additional disclosures are required.