Turbodyne Technologies, Inc. Unaudited Annual Report for the Period Ending December 31, 2013 Pursuant to OTC Pink Basic Disclosure Guidelines

December 31

2013

This annual report for Turbodyne Technologies, Inc. was prepared pursuant to the OTC Pink Basic Disclosure Guidelines. The financial statements contained in this report were prepared in accordance with Generally Accepted Accounting Practices in the United States. The financial statements and disclosures contained in this report describe the financial and operational condition of Turbodyne Technologies, Inc. as of December 31, 2013 and are not audited or reviewed. An investment in our securities is speculative and involves a high degree of risk and should only be considered by those who have no need for liquidity and can withstand the loss of all or part of their investment. Prospective investors are urged to read the section titled “Risk Factors” prior to purchasing our securities.

Annual Report for Period Ending December 31, 2013

1) Name of the issuer and its predecessors (if any)

Turbodyne Technologies, Inc.

2) Address of the issuer's principal executive offices

Company Headquarters
250 West 57th Street
Suite 2328
New York, NY 10107
Phone: 646-308-1503
Email: info@turbodyne.net
Website(s): www.turbodyne.net

IR Contact
None.

3) Security Information

Trading Symbol: TRBD

Exact title and class of securities outstanding:
As of December 31, 2013:

Common Stock

CUSIP:	899905-10-3
Par or Stated Value:	$.001
Total shares authorized:	1,000,000,000
Total shares outstanding:	1,000,000,000

We have never paid cash dividends on the common stock and because of substantial deficit may not legally do so. Cash dividends are not expected to be paid on our common stock in the foreseeable future. Assuming we could eliminate the deficit, any future determination to declare or pay dividends will be at the discretion of the board of directors and will be dependent on our results of operations, financial condition, contractual and legal restrictions and other factors deemed relevant by the board of directors.

Preferred Stock

Par or Stated Value:	$.001
Total shares authorized:	1,000,000
Total shares outstanding:	12,675

Transfer Agent
Transfer Online, Inc.
512 SE Salmon St.
Portland, OR 97214
Phone: 503-227-2950
Is the Transfer Agent registered under the Exchange Act?* Yes: ☒ No: ☐

List any restrictions on the transfer of security:

None.

Describe any trading suspension orders issued by the SEC in the past 12 months.

None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None.

4) Issuance History

The following issuances of securities occurred in 2012 and 2013 and were not otherwise reported in our current or quarterly reports.

In October, 2012 we received total proceeds of $25,000 in connection with the sale of 12% two year convertible notes. The sale of the notes were exempt from registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Section 4(2) thereof. The principal and interest of the notes are convertible into shares of common stock at $.004 per share.

In January, 2013 we received total proceeds of $15,000 in connection with the sale of 12% two year convertible notes. The sale of the notes were exempt from registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Section 4(2) thereof. The principal and interest of the notes are convertible into shares of common stock at $.004 per share.

Between April and October of 2013 we received total proceeds of $110,000 in connection with the sale of 12% 180 day convertible notes. The sale of the notes were exempt from registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Section 4(2) thereof. The principal and interest of the notes are convertible into shares of common stock at $.004 per share.

In November, 2013 we received total proceeds of $40,000 in connection with the sale of 12% two year convertible notes. The sale of the notes were exempt from registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Regulation D 506 and Section 4(2) thereof. The principal and interest of the notes are convertible into shares of common stock at $.004 per share.

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

_____

B. Any jurisdictions where the offering was registered or qualified;

_____

C. The number of shares offered;

_____

D. The number of shares sold;

_____

E. The price at which the shares were offered, and the amount actually paid to the issuer;

_____

F. The trading status of the shares; and

_____

G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

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5) Financial Statements

ANNUAL REPORT

For the Fiscal Year Ended December 31, 2013



Turbodyne Technologies, Inc.

Nevada	**250 West 57th Street Suite 2328 New York, NY**	**10107**
(State or other jurisdiction of incorporation)	(Address of principal executive offices)	(Zip Code)
646-308-1503	**info@turbodyne.net**	**www.turbodyne.net**
(Phone)	(Email)	(Website)

This Annual Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties.

Forward-looking statements may include the words "may," "could," "will," "estimate," "intend," "continue," "believe," "expect," "desire," "goal," "should," "objective," "seek," "plan," "strive" or "anticipate," as well as variations of such words or similar expressions, or the negatives of these words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement. We caution readers not to place undue reliance on any such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes will likely vary materially from those indicated.

Turbodyne Technologies, Inc.
Consolidated Balance Sheets
(Unaudited)

	December 31, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	$ 9,993	$ 34
Total current assets	9,993	34
Property and equipment, net of accumulated depreciation of $71,943 and $69,897	463	2,509
Total assets	$ 10,456	$ 2,543
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current		
Accounts payable	$ 681,598	$ 800,270
Accounts payable related party	311,375	160,169
Accrued liabilities	794,128	700,715
Short-term convertible debt, net of unamortized discount of $2,166 and $Nil	172,834	65,000
Short-term convertible debt related party, net of unamortized discount of $89,645 and $179,287	843,444	753,802
Derivative liability	495,841	291,997
Current portion of deferred licensing fee	22,224	22,224
Total current liabilities	3,321,444	2,794,177
Short-term convertible debt, net of unamortized discount of $12,544 and $2,185	67,456	22,815
Deferred licensing fee	141,486	163,710
Reserve for lawsuits	500,000	519,500
Total liabilities	4,030,386	3,500,202
Contingencies and commitments		
Stockholders' Deficit		
Preferred Stock, $0.001 par value, 1,000,000 shares authorized, 12,675 shares issued and outstanding December 31, 2013 and 2012	12	12
Common Stock, $0.001 par value, 1,000,000,000 shares authorized, 1,000,000,000 (December 31, 2012 – 1,000,000,000) shares issued and outstanding	1,000,000	1,000,000
Additional paid-in capital	128,669,122	128,669,122
Other comprehensive income – foreign exchange translation gain	35,119	35,119
Treasury stock, at cost – 5,278,580 common shares	(1,963,612)	(1,963,612)
Accumulated deficit	(131,760,571)	(131,238,300)
Total stockholders' deficit	(4,019,930)	(3,497,659)
Total liabilities and stockholders' deficit	$ 10,456	$ 2,543

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

Turbodyne Technologies, Inc.
Consolidated Statements of Operations
(Unaudited)

	Year Ended December 31, 2013	Year Ended December 31, 2012
Expenses		
Selling, general and administrative expenses	$ 352,161	$ 262,494
Litigation expense	–	115,116
Depreciation and amortization	2,046	2,059
Total Expenses	354,207	379,669
Loss from operations	(354,207)	(379,669)
Other income (expenses)		
Licensing fees	22,224	22,224
Interest expense	(161,810)	(140,323)
Inducement expense	–	–
Gain (loss) on change in fair value of derivative	(189,811)	(239)
Gain on settlement of derivatives	7,967	5,196
Gains on settlement of debt and debt relief	153,366	5,336,212
Net income (loss)	$ (522,271)	$ 4,843,401
Earnings (Loss) per share – basic and diluted	$ (0.00)	$ 0.00
Basic weighted average common shares outstanding	1,000,000,000	1,000,000,000
Diluted weighted average common shares outstanding	1,000,000,000	1,926,277,000

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

Turbodyne Technologies, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Year Ended December 31, 2013	Year Ended December 31, 2012
Operating Activities		
Net income (loss)	$ (522,271)	$ 4,843,401
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	2,046	2,059
Amortization of convertible note discounts and warrants	99,117	89,956
Gain on settlement of liabilities	(153,366)	(5,336,212)
Gain on change in fair value of derivative	189,811	239
Gain on settlement of derivatives	(7,967)	(5,196)
Stock-based compensation	–	2,696
Changes in operating assets and liabilities:		
Accounts payable	15,194	24,041
Accounts payable – related parties	151,206	160,169
Deferred income	(22,224)	(22,224)
Reserve for lawsuits	–	115,116
Accrued expenses	93,413	80,377
Net Cash Used in Operating Activities	(155,041)	(45,578)
Financing Activities		
Proceeds from issuance of convertible debt	165,000	25,000
Net Cash Provided by Financing Activities	165,000	25,000
Net Change in Cash	9,959	(20,578)
Cash and cash equivalents – beginning of period	34	20,612
Cash and cash equivalents – end of period	$ 9,993	$ 34
Supplemental Disclosures:		
Interest paid	$ –	$ –
Income taxes paid	$ –	$ –
Non-Cash Transactions:		
Derivative reclassification	$ –	$ 116
Debt discounts due to derivative liabilities	$ 22,000	$ 2,500

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

Turbodyne Technologies, Inc.
Consolidated Statements of Stockholders' Deficit
For the Years Ended December 31, 2013 and 2012
(Unaudited)

	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-in		Other Comprehensive	
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Capital	Deficit	Income	Totals
Balance – December 31, 2011	12,675	$ 12	1,000,000,000	$1,000,000	5,278,580	$ (1,963,612)	$ 128,666,542	$ (136,081,701)	$ 35,119	$ (8,343,640)
Stock-based compensation	–	–	–	–	–	–	2,696	–	–	2,696
Reclassification of derivative from additional paid in capital	–	–	–	–	–	–	(116)	–	–	(116)
Net income for the year		–	–	–	–	–	–	4,843,401		4,843,401
Balance – December 31, 2012	12,675	$ 12	1,000,000,000	$1,000,000	5,278,580	$ (1,963,612)	$ 128,669,122	$ (131,238,300)	$ 35,119	$ (3,497,659)
Net loss for the year		–	–	–	–	–	–	(522,271)		(522,271)
Balance – December 31, 2013	12,675	$ 12	1,000,000,000	$1,000,000	5,278,580	$ (1,963,612)	$ 128,669,122	$ (131,760,571)	$ 35,119	$ (4,019,930)

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

1. Summary of Significant Accounting Policies

a) Nature of Business

Turbodyne Technologies, Inc., a Nevada corporation, and its subsidiaries (collectively, the "Company") engineer, develop and market products designed to enhance performance and reduce emissions of internal combustion engines.

b) Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered net operating losses in recent periods, is subject to lawsuit settlements and has a working capital deficit of $3,311,451 at December 31, 2013. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's operations have been financed principally through a combination of private and public sales of equity and debt securities. If the Company is unable to raise equity capital or generate revenue to meet its working capital needs, it may have to cease operating and seek relief and protection under appropriate legal statutes. These consolidated financial statements have been prepared on the basis that the Company will be able to continue as a going concern and realize its assets and satisfy its liabilities and commitments in the normal course of business and do not reflect any adjustment which would be necessary if the Company is unable to continue as a going concern.

c) Principles of Consolidation

The accompanying consolidated financial statements, stated in United States dollars, include the accounts of Turbodyne Technologies, Inc. and its wholly owned subsidiaries, Turbodyne Systems, Inc., Turbodyne Germany Ltd., Electronic Boosting Systems Inc. and Pacific Baja Light Metals Corp. ("Pacific Baja"). All intercompany accounts and transactions have been eliminated on consolidation.

d) Use of Estimates

The preparation of consolidated financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to useful life and recoverability of long-lived assets, stock-based compensation expense, deferred income tax asset valuations and loss contingencies. 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.

e) 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.

f) Basic and Diluted Net Income (Loss) Per Share

Earnings (loss) per share is calculated by dividing the net income (loss) available to common stockholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, dilutive common equivalent shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

A reconciliation of the components of basic and diluted net income (loss) per common share is presented in the tables below:

	For the Year Ended December 31,					
	2013			2012		
	Income (Loss)	Weighted Average Common Shares Outstanding	Per Share	Income (Loss)	Weighted Average Common Shares Outstanding	Per Share
Basic:						
Income (loss) attributable	$ (522,271)	1,000,000,000	$ (0.00)	$ 4,843,401	1,000,000,000	$ 0.00

to common stock						
Effective of Dilutive Securities:						
Preferred shares, stock options, warrants and convertible notes	–	–	–	104,788	926,277,000	–
Diluted:						
Income (loss) attributable to common stock, including assumed conversions	$ (522,271)	1,000,000,000	$ (0.00)	$ 4,948,189	1,926,277,000	$ 0.00

g) Property and Equipment

Depreciation and amortization of property and equipment is computed using the straight-line method over estimated useful lives as follows:

Computers and measurement equipment	3 years
Machinery and equipment	7 to 15 years
Furniture and fixtures	5 to 10 years

During the year ended December 31, 2013, the Company recorded depreciation expense of $2,046 (2012 - $2,059).

Property and equipment, at cost, is summarized as follows:

	December 31, 2013	December 31, 2012
Machinery and equipment	$ 72,406	$ 72,406
Less accumulated depreciation	(71,943)	(69,897)
Net capitalized costs	$ 463	$ 2,509

h) Long-lived Assets

The Company periodically and at least, annually, reviews the carrying value of long-lived assets for indications of impairment in value and recognizes impairment of long-lived assets in the event the net book value of such assets exceeds the estimated undiscounted future cash flows attributable to such assets. Long-lived assets to be disposed of by sale are to be measured at the lower of carrying amount or fair value less cost of sale whether reported in continuing operations or in discontinued operations. No impairment was required to be recognized during 2013 and 2012.

i) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted *ASC 740, Income Taxes* as of its inception. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

j) Financial Instruments

ASC 825 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. In determining fair value 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. Fair value is the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants. A liability is quantified at the price it would take to transfer the liability to a new obligor, not at the amount that would be paid to settle the liability with the creditor.

Fair Value Hierarchy

ASC 825 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 lowest level of input that is significant to the fair value measurement. ASC 825 establishes three levels of inputs that may be used to measure fair value.

Level 1

Level 1 applies to assets and liabilities for which there are quoted prices in active markets for identical assets or liabilities. Valuations are based on quoted prices that are readily and regularly available in an active market and do not entail a significant degree of judgment.

Level 2

Level 2 applies to assets and liabilities for which there are other than Level 1 observable inputs 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 2 instruments require more management judgment and subjectivity as compared to Level 1 instruments. For instance:

Determining which instruments are most similar to the instrument being priced requires management to identify a sample of similar securities based on the coupon rates, maturity, issuer, credit rating and instrument type, and subjectively select an individual security or multiple securities that are deemed most similar to the security being priced; and Determining whether a market is considered active requires management judgment.

Level 3

Level 3 applies to assets and 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 determination of fair value for Level 3 instruments requires the most management judgment and subjectivity.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, we perform a detailed analysis of our assets and liabilities that are measured at fair value. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

All financial liabilities that are measured at fair value have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. The carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued liabilities, amounts due to related parties and notes and loans payable. The fair value of the Company's convertible note payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The following table presents the derivative financial instruments, the Company's only financial liabilities measured and recorded at fair value on the Company's consolidated balance sheets on a recurring basis, and their level within the fair value hierarchy as of December 31, 2013 and 2012:

	December 31, 2013 Amount	Level 1	Level 2	Level 3
Embedded conversion derivative liabilities	$ 483,133	$ –	$ –	$ 483,133
Warrant derivative liabilities	4,908	–	–	4,908
Option derivative liabilities	7,133	–	–	7,133
Shares issuable	667	–	–	667
Total	$ 495,841	$ –	$ –	$ 495,841

	December 31, 2012 Amount	Level 1	Level 2	Level 3
Embedded conversion derivative liabilities	$ 277,504	$ –	$ –	$ 277,504
Warrant derivative liabilities	5,653	–	–	5,653
Option derivative liabilities	8,440	–	–	8,440
Shares issuable	400	–	–	400
Total	$ 291,997	$ –	$ –	$ 291,997

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial statement. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. See Note 4 for additional information.

k) Legal Fees

The Company records interest, legal and settlement costs as litigation expense. The Company expenses legal fees in connection with litigation as incurred. During the year ended December 31, 2013, the Company recorded $Nil (2012 - $115,116) of interest expense relating to settlements as litigation expenses.

l) Research and Development

Research and development costs related to present and future products are charged to operations in the period incurred. Previously, research prototypes were sold and proceeds reflected by reductions in our research and development costs. As new technology pre-production manufacturing units are produced and related non-recurring engineer services are delivered we will recognize the sales proceeds as revenue. The Company did not record any research or development costs during the years ended December 31, 2013 and 2012.

m) Derivative Liabilities

The Company accounts for derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging* and all derivative instruments are reflected as either assets or liabilities at fair value in the balance sheet.

The Company uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. The Company categorizes its fair value estimates in accordance with ASC 820 based on the hierarchical framework associated with the three levels of price transparency utilized in measuring financial instruments at fair value as discussed above. As at December 31, 2013 and 2012, the Company had a $495,841 and $291,997 derivative liability, respectively.

n) Stock-based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation – Stock Based Compensation* and ASC 505, *Equity Based Payments to Non-Employees*, using the fair value method. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

o) Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

p) Reclassifications

Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current year's presentation.

2. Short Term Convertible Notes Payable

(a) On November 23, 2005, the Company issued a $25,000 convertible note. The note bears interest at the rate of 5% per annum, is due and payable on November 23, 2006, and convertible into the Company's common shares at $0.005 per share. The convertible note was issued with detachable warrants to purchase 500,000 shares of the Company's common stock at $0.01 per share for five years.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the note is convertible into a fixed number of shares and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

In recording the transaction, the Company allocated the value of the proceeds to the convertible notes and the warrants based on their relative fair values. Fair value of the warrants was determined using the Black-Scholes valuation model. It was also determined that the convertible notes contained a beneficial conversion feature since the fair market value of the common stock issuable upon the conversion of the notes exceeded the value allocated to the notes. The value of the beneficial conversion feature and the value of the warrants were recorded as a discount to convertible notes and were amortized over the term of

the notes using the straight-line method. As of December 31, 2013 and 2012, the debt discount from the warrants and the beneficial conversion feature has been fully amortized and the note is in default.

During the year ended December 31, 2011, the Company no longer had enough available common stock to issue in satisfaction of all common stock equivalents. As a result, the Company reclassified the fair value of the conversion option as a derivative liability in accordance with ASC 815-15, *Embedded Derivatives.*

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to $0.002 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(b) On July 19, 2006, the Company issued a $10,000 convertible note. The note bears interest at the rate of 5% per annum, is due and payable on July 19, 2007, and convertible into the Company's common shares at $0.005 per share. The convertible note was issued with detachable warrants to purchase 200,000 shares of the Company's common stock at $0.01 per share for five years.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the note is convertible into a fixed number of shares and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

In recording the transaction, the Company allocated the value of the proceeds to the convertible notes and the warrants based on their relative fair values. Fair value of the warrants was determined using the Black-Scholes valuation model. It was also determined that the convertible notes contained a beneficial conversion feature since the fair market value of the common stock issuable upon the conversion of the notes exceeded the value allocated to the notes. The value of the beneficial conversion feature and the value of the warrants were recorded as a discount to convertible notes and were amortized over the term of the notes using the straight-line method. As of December 31, 2013 and 2012, debt discount from the warrants and the beneficial conversion feature have been fully amortized and the note is in default.

During the year ended December 31, 2011, the Company no longer had enough available common stock to issue in satisfaction of all common stock equivalents. As a result, the Company reclassified the fair value of the conversion option as a derivative liability in accordance with ASC 815-15, *Embedded Derivatives.*

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to $0.002 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(c) On May 26, 2006, the Company issued a $30,000 convertible note. The note bears interest at the rate of 5% per annum, is due and payable on October 31, 2007, and convertible into the Company's common shares at $0.005 per share. The convertible note was issued with detachable warrants to purchase 600,000 shares of the Company's common stock at $0.01 per share for five years.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, "*Embedded Derivatives*", and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the note is convertible into a fixed number of shares and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

In recording the transaction, the Company allocated the value of the proceeds to the convertible notes and the warrants based on their relative fair values. Fair value of the warrants was determined using the Black-Scholes valuation model. It was also determined that the convertible notes contained a beneficial conversion feature since the fair market value of the common stock issuable upon the conversion of the notes exceeded the value allocated to the notes. The value of the beneficial conversion feature and the value of the warrants were recorded as a discount to convertible notes and were amortized over the term of the notes using the straight-line method. As of December 31, 2013 and 2012, debt discount from the warrants and the beneficial conversion feature have been fully amortized and the note is in default.

During the year ended December 31, 2011, the Company no longer had enough available common stock to issue in satisfaction of all common stock equivalents. As a result, the Company reclassified the fair value of the conversion option as a derivative liability in accordance with ASC 815-15, *Embedded Derivatives.*

On February 24, 2015, the Company entered into a debt modification agreement to reduce the conversion price of the notes to $0.0025 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to

affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(d) On October 17, 2012, the Company issued a $25,000 convertible note. The note bears interest at 12% per annum, matures on the later of October 17, 2014 or two years from the date the Company completes its filing requirements. The note is convertible into common shares of the Company at $0.004 per share.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is convertible and the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $2,500 using a Black-Scholes option-pricing model. Upon the issuance dates of the $2,500 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $935.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increase the Company's authorized number of shares of common stock.

(e) On January 23, 2013, the Company issued a $15,000 convertible note. The note bears interest at 12% per annum matures on the later of January 23, 2015 or two years from the date the Company completes its filing requirements. The note is convertible into common shares of the Company at $0.004 per share.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is convertible and the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $1,125 using a Black-Scholes option-pricing model. Upon the issuance date the $1,125 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $609.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(f) On April 18, 2013, the Company issued a $75,000 convertible note. The note bears interest at 12% per annum, matures on the later of October 18, 2013 or six months from the date the Company completes its filing requirements. The note is convertible in minimum conversion amounts of $10,000 into common shares of the Company at $0.004 per share subject to adjustment.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is convertible and the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $1,875 using a Black-Scholes option-pricing model. Upon the issuance date the $1,875 was recorded as debt discount. As of December 31, 2013, the debt discount has been fully amortized and the note is in default.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(g) On August 5, 2013, the Company issued a $25,000 convertible note. The note bears interest at 12% per annum, matures on the later of February 5, 2014 or six months from the date the Company completes its filing requirements. The note convertible in minimum conversion amounts of $10,000 into common shares of the Company at $0.004 per share subject to adjustment.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is

convertible and the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $5,000 using a Black-Scholes option-pricing model. Upon the issuance date $5,000 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $833.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(h) On October 15 2013, the Company issued a $10,000 convertible note. The note bears interest at 12% per annum, matures on the later of April 15, 2014 or six months from the date the Company completes its filing requirements. The note is convertible in minimum conversion amounts of $10,000 into common shares of the Company at $0.004 per share subject to adjustment.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is convertible and the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $2,000 using a Black-Scholes option-pricing model. Upon the issuance date $2,000 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $1,333.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(i) On November 21, 2013, the Company issued a $25,000 convertible note and a $15,000 convertible note. The notes bear interest at 12% per annum, and mature on the later of November 21, 2015 or two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock. The notes are convertible in minimum conversion amounts of $10,000 into common shares of the Company at $0.004 per share subject to adjustment.

In connection with the issuance of the above convertible notes, the Company evaluated the conversion options for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the notes and conversion features qualified as derivatives. The conversion features qualified as derivatives because the notes are convertible and the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion features was determined to be $12,000 using a Black-Scholes option-pricing model. Upon the issuance dates $12,000 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $11,000.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the $25,000 note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

3. Short Term Convertible Notes – Related Party

(a) On June 15, 2006, the Company issued a $15,000 convertible note to ICMC Holdings LLC, a company controlled by Jason Meyers. The note bears interest at the rate of 5% per annum, is due and payable on June 15, 2007, and convertible into the Company's common shares at the lower of 70% of the previous day's market price (to a minimum of $0.003) or $0.025 per share.

In connection with the issuance of the convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the minimum conversion price provides a determinate number of shares issuable upon conversion and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

In recording the transaction, the Company determined that the convertible notes contained a beneficial conversion feature since the fair market value of the common stock issuable upon the conversion of the

notes exceeded the value allocated to the notes. The value of the beneficial conversion feature was recorded as a discount to convertible notes and was amortized over the term of the notes using the straight-line method. As of December 31, 2013 and 2012, the debt discount from the warrants and the beneficial conversion feature have been fully amortized and the note is in default.

During the year ended December 31, 2011, the Company no longer had enough available common stock to issue in satisfaction of all common stock equivalents. As a result, the Company reclassified the fair value of the conversion option as a derivative liability in accordance with ASC 815-15, *Embedded Derivatives.*

On February 24, 2015, the Company entered into a debt modification agreement to fix the conversion price of the note to $0.003 and extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(b) On January 17, 2007 and February 1, 2007, the Company issued convertible notes of $15,000 and $16,000, respectively to Aspatuck Holdings Ltd. The notes bear interest at a rate of 5% per annum, are due and payable one year following issuance, and convertible into the Company's common shares at convertible into the Company's common shares at the lower of 70% of the previous day's market price (to a minimum of $0.003) or $0.025 per share. The convertible notes were issued with detachable warrants to purchase 620,000 shares of the Company's common stock at $0.025 per share for five years.

In connection with the issuance of the convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the minimum conversion price provides a determinate number of shares issuable upon conversion and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

In recording the transaction, the Company allocated the value of the proceeds to the convertible notes and the warrants based on their relative fair values. Fair value of the warrants was determined using the Black-Scholes valuation model. It was also determined that the convertible notes contained a beneficial conversion feature since the fair market value of the common stock issuable upon the conversion of the notes exceeded the value allocated to the notes. The value of the beneficial conversion feature and the value of the warrants were recorded as a discount to convertible notes and were amortized over the term of the notes using the straight-line method. As of December 31, 2009, debt discount from the warrants and the beneficial conversion feature have been fully amortized and the note is in default.

In December 2009, the notes were modified to reduce the conversion price from the provision discussed above to a set amount of $0.005 per share. The Company analyzed the modification as prescribed by ASC 470-50 to determine whether it was substantial. Based on the analysis, the Company determined that the modifications were substantial and thus resulted in an extinguishment of the existing loans. Consequently, the old debt, along with any unamortized discount, is derecognized and the new debt is recorded at its fair value.

The Company evaluated the conversion option in the amended note for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the note is convertible into a fixed number of shares and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

Additionally it was determined that the amended notes contained beneficial conversion features since the fair market value of the common stock issuable upon the conversion of the notes exceeded the value allocated to the notes. The value of the beneficial conversion features, $31,000, was expensed immediately because the maturity date of the loan had passed.

During the year ended December 31, 2011, the Company repaid $9,338 of the notes and $7,648 of interest. As a result at December 31, 2013, the outstanding principal amount of the notes was reduced to $10,222 and $11,440.

During the year ended December 31, 2011, the Company no longer had enough available common stock to issue in satisfaction of all common stock equivalents. As a result, the Company reclassified the fair value of the conversion option as a derivative liability in accordance with ASC 815-15, *Embedded Derivatives.*

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity dates of the notes to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(c) On June 1, 2009, the Company issued a $50,000 convertible note to Mr. Robert Roche. Mr. Roche became a related party upon the conversion of debt into common shares exceeding 10% of the total shares

outstanding on November 10, 2011. The note bears interest at the rate of 12% per annum, is due and payable on June 1, 2011, and convertible into the Company's common shares at $0.01 per share. The convertible note was issued with detachable warrants to purchase 1,000,000 shares of the Company's common stock at $0.01 per share for five years.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature did not qualify as derivatives. The conversion feature did not qualify as a derivative because the note is convertible into a fixed number of shares and the Company had enough available common stock to issue in satisfaction of all common stock equivalents.

In recording the transaction, the Company allocated the value of the proceeds to the convertible notes and the warrants based on their relative fair values. Fair value of the warrants was determined using the Black-Scholes valuation model. It was also determined that the convertible notes contained a beneficial conversion feature since the fair market value of the common stock issuable upon the conversion of the notes exceeded the value allocated to the notes. The value of the beneficial conversion feature and the value of the warrants were recorded as a discount to convertible notes and were amortized over the term of the notes using the straight-line method.

On November 10, 2011, the Company amended the convertible note and warrants. Pursuant to the amendment, the conversion price of the note was reduced from $0.01 to $0.0005 and the exercise price of the warrant was reduced from $0.01 to $0.005. On November 10, 2011, the Company issued 111,904,471 common shares upon the conversion of $50,000 of the convertible note and $5,952 of interest at $0.0005 per share (additional accrued interest of $9,025 was forgiven). As of December 31, 2013, the Company owes the related party 18,528,862 shares of common stock as the result of the amendment but could not issue the shares as it has insufficient authorized shares. The then-unamortized discount was written off on the conversion date.

The conversion qualified for accounting as an induced conversion under ASC 470-20. The Company recognized an inducement expense equal to the fair value of common shares issued in excess of the fair value of securities issuable pursuant to the original conversion terms of $84,347.

On October 16, 2013, the Company entered into an amendment with the note holder. Pursuant to the amendment, the noteholder agreed to waive the 17,528,862 additional shares issuable upon the conversion of the note plus the 1,000,000 shares issuable by the Company in connection with the warrant exercise and additionally return to the Company 32,471,138 of the Company's common shares held by the note holder. The amendment becomes effective at the time that the Company amends its certificate of incorporation effecting a reverse split.

(d) On December 31, 2011, issued a convertible note to Aspatuck Holdings having a face value of $652,267 in satisfaction of consulting fees owed to it. Aspatuck Holdings is obligated to provide the services of Jason Meyers to the Company. The note bears interest at 5% per annum and is due on December 31, 2014. The noteholder can convert the note and interest into common shares of the Company at $0.001.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is convertible the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $195,680 using a Black-Scholes option-pricing model. Upon the issuance dates of the $195,680 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $65,227 and the carrying value of the note was $587,040.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

(e) On December 31, 2011, issued a convertible note to Debi Kokinos, the Company's chief financial officer, having a face value of $244,160 in satisfaction of consulting fees owed to her. The loan bears interest at 5% per annum and is due on December 31, 2014. The noteholder can convert the note and interest into common shares of the Company at $0.001.

In connection with the issuance of the above convertible note, the Company evaluated the conversion option for derivative treatment under ASC 815-15, *Embedded Derivatives*, and determined the note and conversion feature qualified as derivatives. The conversion feature qualified as a derivative because the note is convertible the Company did not have enough available common stock to issue in satisfaction of all common stock equivalents. The Company classified the conversion feature as a derivative liability at fair value.

The fair value of the conversion feature was determined to be $73,248 using a Black-Scholes option-pricing

model. Upon the issuance dates of the $73,248 was recorded as debt discount. As of December 31, 2013, the aggregate unamortized discount is $24,418 and the carrying value of the note was $219,742.

On February 24, 2015, the Company entered into a debt modification agreement to extend the maturity date of the note to the later of two years from the date of the agreement or the date that the Company completes an amendment of its articles of incorporation to affect a reverse split of its common stock or increases the Company's authorized number of shares of common stock.

4. Derivative Liability

On November 10, 2011, upon the amendment and conversion of the convertible note payable described in Note 3(c), the Company had issued the maximum number of common shares the Company is authorized to issue. As a result the Company no longer had enough authorized and unissued common shares to satisfy the conversion of outstanding convertible notes, warrants and options. As the Company no longer had enough authorized and unissued common shares to satisfy these conversions the Company was required to reclassify all embedded conversion features and non-employee warrants and options as derivative liabilities and record them at their fair values at each balance sheet date. Any change in fair value was recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date. The Company reassesses the classification of the instruments at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 financial liabilities:

Balance at December 31, 2011	$	294,338
Reclassification of fair value of stock options		116
Fair value of conversion features issued		2,500
Change in fair value of conversion features		(625)
Change in fair value of warrants		864
Fair value of warrants settled		(5,196)
Balance at December 31, 2012	$	291,997
Fair value of conversion features issued		22,000
Change in fair value of conversion features		183,627
Change in fair value of warrants		4,450
Change in fair value of options		1,467
Change in fair value of shares issuable		267
Fair value of warrants settled		(5,194)
Fair value of options settled		(2,773)
Balance at December 31, 2013	$	495,841

5. Share Capital

a) Authorized Capital

At the Annual General Meeting held on June 30, 2004, the shareholders approved an increase of authorized capital to 1,000,000,000 common shares.

b) Preferred Shares

i) The Company has 1,000,000 preferred shares authorized with a par value of $0.001.

ii) In 2003, 150,000 of the 1,000,000 preferred shares were designated as Series X preferred shares. The Series X preferred shares have a par value of $0.001 per share, do not have voting rights, and holders are entitled to receive dividends pro-rata with the issued and outstanding shares of the Company's common stock on an if converted basis when and if dividends are declared on the outstanding shares of the Company's common stock. The Series X preferred shares are each convertible into 100 common shares at the discretion of the holder. As of December 31, 2013 and 2012, 12,675 of Series X preferred shares convertible into 1,267,500 common shares are outstanding.

c) Common Shares

i) During 2002, in addition to 378,580 common shares acquired under the 1998 Share Buy-Back Plan, the Company entered into an agreement to acquire from a director for cancellation, 3,500,000 common shares for $152,078. The Company paid $152,078 in connection with the acquisition of the 3,500,000 common shares and has recorded amounts paid as a charge to Treasury shares. The related common shares have not yet been received or cancelled.

ii) At December 31, 2013, the Company owed 1,333,333 common shares to the co-CEO of the Company in consideration for services during fiscal 2010 with a fair value of $10,588 based on vesting date market prices from $0.0019 to $0.013 per share.

iii) During the year ended December 31, 2013, the Company recorded stock-based compensation of $Nil (2012 - $2,696) related to the vesting of stock options as described in Note 6.

6. Stock Options

2003 Stock Incentive Plan

On August 12, 2003, the Company established the 2003 Stock Incentive Plan (the "2003 Plan"). Under the 2003 Plan, the Company may grant common stock or incentive stock options to its directors, officers, employees and consultants for up to 15,000,000 common shares. The maximum term of the 2003 Plan is ten years. The Board of Directors will determine the terms and matters relating to any awards under the 2003 Plan including the type of awards, the exercise price of the options and the number of common shares granted.

The value of the shares of common stock used in determining the awards shall not be less than 85% of the fair market value of the common shares of the Company on the date of grant. During the year ended December 31, 2013, the stock option plan expired.

2004 Nevada Stock Incentive Plan

On March 31, 2004, the Company established the 2004 Nevada Stock Incentive Plan (the "2004 Plan"). Under the 2004 Plan, the Company may grant common stock or incentive stock options to its directors, officers, employees and consultants for up to 15,000,000 common shares. The maximum term of the 2004 Plan is ten years. The Board of Directors will determine the terms and matters relating to any awards under the 2004 Plan including the type of awards, the exercise price of the options and the number of common shares granted. The value of the shares of common stock used in determining the awards shall not be less than 85% of the fair market value of the common shares of the Company on the date of grant. As of December 31, 2013, the number of unoptioned shares available for granting of options under the plan was 1,703,500 (2012 - 1,703,500). Subsequent to December 31, 2013, the stock option plan expired.

All options granted under the above plans are fully vested and exercisable immediately.

The determination of fair value of share-based payment awards to employees, directors and non-employees on the date of grant using the Black-Scholes model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Management has used historical data to estimate forfeitures. The risk-free rate is based on U.S. Treasury rates in effect during the corresponding period of grant. The expected volatility is based on the historical volatility of the Company's stock price.

On January 31, 2009, the Company granted 10,666,666 options to the President of the Company and 3,200,000 options to the Company's Chief Financial Officer. The options are exercisable at $0.0117 per share for 7 years and vest 1/36 per month for 36 months and had a fair value of $0.007 per share. During the year ended December 31, 2013, the Company recorded $Nil (2012 - $2,696) of stock-based compensation relating to the vesting of stock options.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2011 and 2012	28,133,322	$ 0.013	1.70	$ –
Expired	(13,866,656)	$ 0.012		
Exercisable, December 31, 2013	14,266,666	$ 0.014	2.03	$ –

A summary of the changes of the Company's non-vested stock options is presented below:

Non-vested stock options	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2011	385,189	$ 0.005
Vested	(385,189)	0.005
Non-vested at December 31, 2012 and 2013	–	–

As at December 31, 2013 and 2012, there was $Nil of unrecognized compensation cost related to non-vested stock option agreements.

7. Warrants

A summary of the changes in the Company's common share purchase warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2011	33,284,444	$ 0.017		
Expired	(14,440,000)	$ 0.021		
Outstanding, December 31, 2012	18,844,444	$ 0.015	1.33	$ –
Expired	(9,027,779)	$ 0.018		
Outstanding, December 31, 2013	9,816,665	$ 0.011	1.12	$ –

As at December 31, 2013, the following common share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Remaining Contractual Life (years)
5,540,745	$ 0.0117	0.08 – 1.33
620,368	$0.0117	1.41 – 2.16
555,552	$0.04	0.08 – 1.00
1,000,000	$0.01	0.89
500,000	$0.005	1.19
1,600,000	$0.002	2.65 – 2.79
9,816,665		

8. Commitments

Litigation

(a) TST, Inc.

In 2011 the company recorded $5,138,097 as a reserve against the payment of the principal and accrued interest in connection with the entry of a settlement agreement and judgment as the result of an action brought against the Company by TST, Inc. in March, 2000. Based on an opinion of counsel that the collection of liabilities reserved against the Company was time barred, by applicable statute of limitations with respect to the state that has jurisdiction over the transactions, the Company wrote off such reserve in 2012 and reduced liabilities by $5,336,212 and realized a gain in such amount. Refer to Note 11(a).

(b) Pacific Baja Bankruptcy

In July 1999, a major creditor of the Company's wholly-owned major subsidiary, Pacific Baja, began collection activities against Pacific Baja which threatened Pacific Baja's banking relationship with, and source of financing from, Wells Fargo Bank. As a result, Pacific Baja and its subsidiaries commenced Chapter 11 bankruptcy proceedings on September 30, 1999.

In September 2001, the Pacific Baja Liquidating Trust (the "Trust") commenced action against us in the aforesaid Bankruptcy Court. The Trust was established under the Pacific Baja bankruptcy proceedings for the benefit of the unsecured creditors of Pacific Baja.

The Company vigorously contested the Complaint until April 22, 2005 when the Company entered into a stipulation for entry of judgment and assignment in the Pacific Baja bankruptcy proceedings for $500,000 to be issued in common stock or cash or a combination. Additionally the Company assigned to the bankruptcy Trust the rights to $9,500,000 claims under any applicable directors and officers liability insurance policies. The bankruptcy Trust also agreed to a covenant not to execute against the Company regardless of the outcome of the insurance claims.

The Company has completed the assignment of its insurance claims, but has not completed the cash/stock payment that was to be paid to the Trust by December 9, 2005.

(c) The Company has reserved $Nil (2012 – $19,500) in association with several other matters.

(d) Other

The Company is currently involved in various collection claims and other legal actions. It is not possible at this time to predict the outcome of the legal actions.

9. Related Party Transactions

(a) The Company owes Aspatuck Holdings Ltd. and ICMC Holdings LLC, two entities affiliated with Jason Meyers aggregate notes payable of $688,929 (2012 - $688,929) plus related accrued interest expense of $73,049 at December 31, 2013 (2012 - $38,602). Refer to Note 3(a), 3(b) and 3(d). As December 31, 2013 the Company also owed Aspatuck Holdings Ltd consulting fees of $158,105 (2012 - $83,419) included in accounts payable related party in the balance sheet, for the services of Jason Meyers. The Company has included $120,000 of consulting compensation in the general and administrative expense for the years ended December 31, 2013 and 2012. The Company also included $Nil and $2,074 of non cash warrant expense for the year ended December 31, 2013 and 2012 respectively.

(b) As of December 31, 2013, the Company owed Debi Kokinos, CFO consulting fees of $153,270 (2012 - $76,750) which were included in accounts payable related party. During the year ended December 31, 2011, the Company secured $244,160 of amounts payable through the issuance of the convertible note described in Note 3(e). At December 31, 2013, the Company owed Debi Kokinos the note payable of $244,160 and accrued interest of $24,416 (2012 - $12,208). The Company has included $77,520 of consulting compensation in the general and administrative expense for the years ended December 31, 2013 and 2012. The Company also included $Nil and $622 of noncash stock-based compensation for the year ended December 31, 2013 and 2012 respectively.

(c) On November 10, 2011, the Company amended a convertible note held by Mr. Robert Roche having a face amount of $50,000 and warrants to purchase 1,000,000 shares of common stock at $.01. Pursuant to the amendment, the conversion price of the note was reduced from $0.01 to $0.0005 and the exercise price of the warrants was reduced from $0.01 to $0.005. A total of 130,433,333 shares were issuable by the Company to Mr. Roche as a result of the amendment, conversion and warrant exercise. The Company issued 111,904,471 common shares in connection with the amendment and conversion of the note and interest related to the note. Mr. Roche became a related party upon the issuance of these common shares which exceeded 10% of the total shares outstanding on November 10, 2011. As a result, the Company had issued the maximum number of authorized common shares. On October 16, 2013, the Company entered into an amendment with Mr. Roche. Pursuant to the amendment, the noteholder agreed to waive the 17,528,862 additional shares issuable upon the conversion of the note plus the 1,000,000 shares issuable by the Company in connection with the warrant exercise and additionally return to the Company 32,471,138 of the Company's common shares held by the note holder. The amendment becomes effective at the time that the Company amends its certificate of incorporation effecting a reverse split.

10. Income Taxes

Pursuant to ASC 740, the Company is required to compute tax asset benefits for non-capital losses carried forward. Potential benefit of non-capital losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the losses carried forward in future years.

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2013	2012
Deferred income tax assets:		
Net losses carried forward	$ 32,872,031	$ 32,477,355
Deferred tax asset	11,505,211	11,367,074
Valuation allowance	(11,505,211)	(11,367,074)
Net deferred income tax asset	$ –	$ –

The net operating loss carryforwards expire from 2013 to 2033. Income tax periods from 2003 to 2013 are open for examination by taxing authorities. Internal Revenue Section 382 restricts the ability to use these carryforwards whenever an ownership change, as defined, occurs. The Company may have incurred such an ownership change as a result of a merger in September 2005. If the 2005 merger is deemed to be an ownership change pursuant to Internal Revenue Section 382, use of net operating losses will be restricted. The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized and consequently have not been recorded in these financial statements.

11. Debt Settlements

(a) During the year ended December 31, 2013, the Company recorded a gain on settlement of debt and debt relief of $19,500 compared to $5,336,212 recorded in 2012. The gain related to the write-off of provisions or reserve for payment of a lawsuit settlement as liabilities reserved against the settlement was time barred by applicable statute of limitations based on a review and an opinion of counsel with respect to each state that has jurisdiction over the transactions.

(b) During the year ended December 31, 2013, the Company recorded a gain on settlement of debt and debt relief of $133,866 related to the write-off of accounts payable, the collection of which is time barred by

applicable statute of limitations based on a review and an opinion of counsel with respect to each state that has jurisdiction over the transactions.

12. Subsequent Events

(a) During the year ended December 31, 2014, we sold $150,000 of convertible notes payable. The notes bear interest of 12%, are convertible at $0.004, and maturing with dates ranging from January 2016 to December 2016.

(b) On February 24, 2015, the Company entered into eight debt modification agreements. The details of the modifications are described in Notes 2 and 3.

6) Describe the Issuer’s Business, Products and Services

We were incorporated under the laws of British Columbia, Canada in 1983. We reincorporated under the laws of the State of Delaware in 1998. We reincorporated under the laws of the State of Nevada in August 2002. See "Risk Factors - Possible Voidable Reincorporation".

We are classified pursuant to SIC: 3714 - MOTOR VEHICLE PARTS & ACCESSORIES

Our fiscal year end is December 31.

As used in this annual report, the terms "we", "us", "our", "Turbodyne" and "our Company" mean Turbodyne Technologies, Inc. and its subsidiaries, unless otherwise indicated.

We are an engineering Company and have been engaged, for over fifteen years, in the design and development of forced-air induction (air-charging) technologies that improve the performance of gas and diesel internal combustion engines. Optimum performance of an internal combustion engine requires a proper ratio of fuel to air. Power available from the engine is reduced when a portion of the fuel is not used. In a wide range of gas and diesel engines additional air is needed to achieve an optimal result. Traditional engineered solutions for this problem use belts or exhaust gas (superchargers or turbochargers) to supply additional air to an engine. Turbodyne, instead, uses electric motors to supply additional air. Because an electric motor can be engaged more quickly, compared to the mechanical delays inherent in a belt or exhaust gas device, Turbodyne's technology reduces `turbolag' and otherwise adds to the effectiveness of gas and diesel engines used in automotive, heavy vehicle, marine, and other internal combustion installations.

The focus of our business plan has been to reduce or satisfy our past liabilities while continuing development of our products. Our ability to complete commercialization of our products remains subject to our ability to obtain additional financing.

The Company has no revenue producing operations and because of the lack of any substantial capital was compelled to drastically curtail its development activity beginning in 2010 and continuing through the end of 2012. Because it could not pay professionals it was in arrears in its filing obligations under the Securities Exchange Act of 1934 and became ineligible to have its securities traded on the OTC Bulletin Board. The Company raised approximately $420,000 in funding during the years 2011 through 2014 and is in the process of retaining a new auditor to finalize and file audited statements pursuant to the Securities Exchange Act of 1934 (the “Act”). The Company has negotiated various business transactions which it could not finalize because of lack of sufficient capital. There is no assurance we will be able to obtain sufficient financing to implement full scale operations or to continue meaningful development.

During 2013 we sold a total of $150,000 of convertible notes. We retained additional patent counsel to examine our intellectual property and perform a patent infringement analysis. We entered into consulting agreements with two engineers and have initiated the advancement of the design and development of new products.

INDUSTRY BACKGROUND - MARKET DEMAND FOR CHARGING TECHNOLOGY FOR INTERNAL COMBUSTION ENGINES

Turbodyne's management believes that the market demand for improved internal combustion engine performance will continue. While many factors contribute to demands for improved engine performance, we believe the key factors are:

- Turbocharged gasoline engines are an advantageous alternative to larger displacement gasoline engines; they currently represent only a small percentage of the power plants in passenger cars because of turbo-lag;

- Worldwide, turbocharged diesel engines will continue to represent a large share of the power plants in passenger cars, trucks, boats, and other vehicles;

- The automobile industry is pursuing downsizing of gasoline and diesel engines to improve engine efficiency and fuel economy, as well as to reduce cost, weight, size, and pollution. Although the drop in engine torque and power associated with smaller engines can be prevented by charging the downsized engine, it must be accomplished without turbo lag to be successful;

- The passenger car industry appears committed to resolving the turbo lag problem and to the best of our knowledge the charging technology as used in our product is currently a practical and effective solution to the problem; and

- New more stringent emissions standards requiring reduced levels of emissions during periods of engine acceleration are being introduced throughout the world. (Such as "EPA Tier 2" and Euro 5&6 for 2009 and later.) Our technology helps engine manufacturers comply with the new requirements without having to make their engines less responsive.

- On August 28, 2012 the Obama Administration announced final regulations that will force automakers to nearly double the average fuel economy of all new cars and trucks they sell by 2025. A copy of the final rule, as entered into the Federal Register can be found by cutting and pasting the following link;

http://www.nhtsa.gov/About+NHTSA/Press+Releases/2012/Obama+Administration+Finalizes+Historic+54.5+mpg+Fuel+Efficiency+Standards

MARKET OPPORTUNITY

According to a January, 2013 study of the turbocharger market by Markets and Markets, the global automotive turbocharger market volume is expected to grow from 24 million units in 2013 representing approximately $7.7 billion in wholesale to 39.45 million units representing approximately $12.63 billion in wholesale by 2017. This represents a 60.8% increase in 4 years. In the year 2012, Europe accounted for nearly half of automotive turbocharger market volume followed by Asia-Pacific and North America.

The expected growth in sales of air charging technology products is driven by a wave of engine downsizing designed to achieve fuel economy, power output and reduced emissions as a result of tougher regulations. The Company believes that if it executes its strategy, a significant portion of all air charging units sold globally by the year 2017, could be equipped with digitally controlled, electrically powered components. There can be no assurance that similar products that compete with ours will not emerge. **See “Risk Factors”**.

On August 28, 2012 the Obama Administration announced final regulations that will force automakers to nearly double the average fuel economy of all new cars and trucks they sell by 2025. A copy of the final rule, as entered into the Federal Register can be found by clicking the following link;

http://www.nhtsa.gov/About+NHTSA/Press+Releases/2012/Obama+Administration+Finalizes+Historic+54.5+mpg+Fuel+Efficiency+Standards

These market conditions represent a significant opportunity to design and engineer the development of the core technology for the automotive industry that will eliminate turbolag in turbocharged engines, increase power and performance, reduce the pollution of non-turbocharged engines, and facilitate the successful downsizing of internal combustion engines and the use of hybrid engines.

TURBODYNE PROPRIETARY TECHNOLOGY

The history of using exhaust gas or belt driven air blowers to enhance internal combustion engine performance has been used for approximately 100 years. In both the exhaust gas ("turbocharger") and belt or chain driven ("supercharger") air blowers, the performance of the blower is directly related to the operating speed of the engine (such as `revolutions per minute'). The technologies were developed in airplane applications where the engine is usually run at a higher constant operating speed, and then moved on to other vehicle applications (most using turbochargers). In supercharger installations the energy losses at low engine operating speeds hinders performance. `Turbolag' occurs when the operator demand for a higher operating speed requires more air than the un-pressurized air stream of the air intake produces until the turbocharger increases the air intake pressure by blowing a higher volume of air into the engine. Until the operating speed of the engine increases turbochargers don't have power to blow substantially more air. For turbocharged engines, `turbolag', normally measured in seconds, limits the vehicle driver's perception of the power and performance of the vehicle.

The Turbopac™ uses a powerful electric motor, running off the vehicle's electrical system, to blow useful amounts of air into an engine during the period when the turbocharger does not have enough exhaust gas to blow all the air required for optimal engine acceleration performance. The improvement in `take-off' (initial acceleration) performance is perceptible to the vehicle driver, and thus improves the driver's perception of vehicle power and performance.

The Turbopac™ can either be applied in a multi-stage combination with an existing turbocharger or by itself ("standalone"). The Turbopac™ can be turned on and off by the external engine control system or other means. When combined with a turbocharger the Turbopac™ supplies air to the engine until the turbocharger's performance meets

engine air needs. When standalone the Turbopac™ supplies air for brief periods during acceleration and has applications, among others, for vehicles with frequent stops (refuse trucks) and small motors.

The TurboFlow™ product line provides computer-controlled, variable high pressure, high volume air movement in a small, lightweight, low power package for a variety of applications from small internal combustion engines to building engineering and marine applications.

BUSINESS STRATEGY

We are currently in advanced negotiations with independent engineering firms to complete the development of our products and prepare to schedule mass production. We plan to schedule initial production of our products through contracting manufacturers and suppliers of the components used in our products. We have identified a number of manufacturing sources who specialize in fabricating certain components used in our products and plan to enter into agreements during the engineering process.

Our design and engineering process will integrate material requirements planning early on to insure cost effective manufacturability and minimize time to market. There can be no assurance that suppliers will integrate into our manufacturing process. Suppliers will modify certain components to meet our specifications and ship to the final assembly facility. This strategy eliminates the need for capital investment into a manufacturing facility for initial production.

We plan to target three market segments;

- *The Automotive Original Equipment Manufacturer (OEM) Market* – The OEM market is undergoing a downsizing phase for gas and diesel power plants for passenger cars and trucks in response to new regulations. The priority for performance enhancement features of smaller displacement engines is high. The focus is on power output, fuel economy and low emissions. This segment represents the largest opportunity for our products. The Company intends to penetrate this market segment through the negotiation of licensing agreements and other strategic arrangements with Tier 1 automotive suppliers and Original Equipment Manufacturers.

- *Corporate and Municipal Fleet Aftermarket* – Retrofits of diesel fleet applications such as city buses, school buses, waste hauling, construction and delivery vehicles represent the second largest opportunity for our products. The Company intends to penetrate this market segment by marketing through a combination of direct marketing to fleet owners, diesel trade associations, and retail diesel parts suppliers and through the negotiation of licensing agreements with Tier 1 automotive suppliers.

- *Automotive High Performance Aftermarket* – High performance enthusiasts spend a significant portion of their disposable income modifying the engines of their vehicles. The Company intends to penetrate this market segment through a combination of direct consumer marketing and sales through “tuner shops” and aftermarket auto supply distributors. Social media will play a large role in our marketing strategy for this segment.

We have estimated that our business plan will require a total investment of a minimum of $20 million. There can be no assurance that we will successfully initiate our business strategy as it will require substantial additional financing to consummate. **See “Risk Factors”**.

INTELLECTUAL PROPERTY

The Company currently has 9 patents covering the TurboPac™ product and an additional 16 patents covering the DynaCharger™ product. Our patents are issued in the United States, Europe, Asia and South America and additional patents filed in 2008 that cover the TurboFlow™ digital controller are pending in these countries.

Certain patents that cover the DynaCharger™ were the subject of a licensing agreement with Honeywell International Inc. which was terminated pursuant to a settlement agreement entered into on January 23, 2004. We retained certain rights to the patents that cover the DynaCharger™ pursuant to the settlement agreement which are confined to an inactive license agreement with a third party.

PROPRIETARY INFORMATION AGREEMENTS

It is our policy to require all of our employees, consultants and persons or companies involved in testing our products to execute confidentiality agreements with respect to all proprietary information regarding our products.

RESEARCH AND DEVELOPMENT

The Company did not incur any research and development costs in 2013 due to a lack of sufficient funding. Our research and development costs will be charged to operations in the period incurred and will relate to the development of our products.

GOVERNMENT REGULATION

In the United States, emissions standards for diesel and gasoline engines are imposed by the Environmental Protection Agency ("EPA") and other regulatory agencies, including the California Air Resources Board. In Europe, the Euro 5 and 6 emissions standards will come into effect between 2009 and 2014. The presence of these government regulations has the potential to create demand for our products as our products are designed to increase engine performance with resulting reductions in emissions. We must continue to design and develop products that help mitigate failures to meet worldwide vehicle emissions standards that are imposed by regulatory agencies. Testing to ensure our products help meet these government regulations will be an integral component of our research and development expense on new products. On August 28, 2012 the Obama Administration announced final regulations that will force automakers to nearly double the average fuel economy of all new cars and trucks they sell by 2025. A copy of the final rule, as entered into the Federal Register can be found by clicking the following link;

http://www.nhtsa.gov/About+NHTSA/Press+Releases/2012/Obama+Administration+Finalizes+Historic+54.5+mpg+Fuel+Efficiency+Standards

We believe that our technology will benefit from the new Corporate Average Fuel Economy standards under these new regulations.

LEGAL PROCEEDINGS

We are not party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

We are a party to the following settlement agreement which was entered as a judgment.

PACIFIC BAJA LIQUIDATING TRUST

In September 1999, Pacific Baja Light Metals Corporation, our former, wholly-owned subsidiary, filed a Chapter 11 petition in bankruptcy in the United States Bankruptcy Court, Central District of California (Case No. RS99-26477MG) in Riverside, California. ("Bankruptcy Proceeding") In September 2001, the Pacific Baja Liquidating Trust (the "Trust") commenced action against us in the aforesaid Bankruptcy Court. The Trust was established under the Pacific Baja bankruptcy proceedings for the benefit of the unsecured creditors of Pacific Baja. The Trust was seeking, among other matters the re-characterization of Company advances to Pacific Baja as equity and the subordination of unsecured claims against Pacific Baja; the re-conveyance of an aggregate of up to approximately $7,190,000 transferred by Pacific Baja to the Company on the basis of an allegation of fraudulent transfer; an order that the Company is liable for all of the previous debts of Pacific Baja totaling approximately $7,000,000; and damages and punitive damages against the Company and certain former officers and directors and the former officers and directors of Pacific Baja in the amount of up to approximately $12,000,000 based on various allegations of fraud, misrepresentation, breach of contract, alter ego and negligence. The Company settled the bankruptcy proceedings for $500,000 to be issued in common stock or cash or a combination of both. Additionally the Company assigned to the Bankruptcy Trust the rights to $9,500,000 claims under any applicable directors’ and officers' liability insurance policies. The Bankruptcy Trust also agreed to a covenant not to execute against the Company regardless of the outcome of the insurance claims. The Company has completed the assignment of its insurance claims, but has not completed the cash/stock payment that was to be paid to the Trust by December 9, 2005.

RISK FACTORS

We have identified the following material risks in executing our business plan and achieving revenues. They are not the only risks we face. We also face the risks identified elsewhere in this Annual Report, including those risks identified under “Legal Proceedings" If any of these risks occur, our business and our operating results and financial condition could be seriously harmed and we may not be able to commence business operations as a going concern.

THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN

Our consolidated financial statements included with this Annual Report have been prepared assuming that we will continue as a going concern. We have suffered net losses in recent periods resulting in an accumulated deficit of $131,760,571 at December 31, 2013, have used cash in our operating activities in recent periods, have disposed of our most significant subsidiary through bankruptcy, are subject to lawsuits brought against us by shareholders and other parties, and based on our projected cash flows for the ensuing year, we must seek additional equity or debt financing in order to continue our present operations. These matters raise substantial doubt about our ability to continue as a going concern.

FINANCIAL HISTORY PROBLEMS

We anticipate difficulties arising from our adverse financial history. These include substantial payables that must be paid or settled, damaged relationships and adverse publicity, and interrupted contracts. These factors may impact our ability to raise needed funds for development of our products. There is no assurance that we can overcome these difficulties.

COMPANY REQUIRES ADDITIONAL FUNDING

While we obtained limited funding in 2013, this was insufficient to resume normal operations. If we do not obtain substantial additional funding we will not be able to continue in business. We may not be able to obtain any such additional financing on favorable or acceptable terms, if at all. In September 2014 Mr. Meyers, our CEO consented to the entry of a bar from association with any FINRA member firm. Shortly thereafter FINRA was notified that Mr. Meyers rescinded the order. As a result of the bar, the Company may be disqualified from utilizing Rule 506 of Regulation D promulgated by the SEC as long as he remains an officer, director or he and/or his affiliate(s) are the holders of 20% or more of the voting securities of the Company. If the Company is unable to obtain an exemption from the disqualification, it may have a substantial negative effect on the Company's ability to raise capital.

NO ASSURANCE THAT A COMMERCIAL PRODUCT WILL BE DEVELOPED TIMELY IF AT ALL.

With the exception of limited commercial production of certain Turbopac™ models several years ago, commercial products incorporating our technology are in the development stage. Historically, we have encountered delays in development due to design defects or changes in specifications and we may continue to experience problems which may prevent development of commercial precuts or technology or delay development. In addition we are experiencing difficulties in development as a result of our financial situation. These delays in turn increase the cost of development of products incorporating our technology and affect the timing of commercialization. Moreover delays increase the possibility that our products could be obsolete. Our future revenues depend on sales of products or licensing revenue incorporating our technology. Failure to timely develop any product will ultimately result in cessation of operations.

POSSIBLE CHANGES IN AUTOMOBILES MAY MAKE OUR PRODUCT OBSOLETE

There are numerous proposals to eliminate gasoline-powered, internal combustion engines. If these proposals are adopted it could, in the long run, limit or eliminate the need for our products.

DEPENDENCE ON KEY EXECUTIVES

The Company will be dependent on the services of Jason Meyers and Debi Kokinos. The Company is a party to a consulting agreement with a firm that is obligated to provide the services of Mr. Meyers and is also a party to a consulting agreement with Debi Kokinos. If, for any reason, however, their services were not available, the Company would be severely adversely affected.

WE HAVE NO SALES AND MARKETING EXPERIENCE

No products utilizing our technology have been commercially produced. Except for the limited sales of shop (or produced prototypes) products, we have had no sales in the last several years. The sales of prototypes have been treated as a reduction of research and development cost. We do not have dedicated sales and marketing professionals who are experienced in dealing with the relevant markets. Company personnel and agents on a part-time basis perform sales and marketing functions along with other duties. We cannot assure you that products are commercially developed that sales will be commercially successful. The failure of sales will have a material adverse effect on our business, operating results and financial condition.

OUR BUSINESS MAY BE ADVERSELY AFFECTED IF WE ARE NOT ABLE TO HIRE AND RETAIN CONSULTANTS

All our development work as well as other services is performed pursuant to consulting arrangements. Due to a lack of sufficient funding we are only able to retain four consultants, two of which are retained on an as needed basis. There is no assurance that we will be able to obtain and retain these and additional consultants necessary to implement our business strategy successfully. This is particularly so when funds are not available to pay amounts past due under these arrangements. If we do not retain or replace qualified consultants, our ability to further develop our technology will be impaired with the result that our business will be adversely affected. In addition, our historical problems and financial position may make it more difficult to attract personnel.

WE MAY NOT BE ABLE TO DEVELOP COMMERCIALLY VIABLE PRODUCT IF ULTIMATE USERS DO NOT ACCEPT OUR PRODUCTS UTILIZING OUR TECHNOLOGY

If products are developed utilizing our technology our success is dependent upon acceptance by ultimate users in our target markets. If we or any partners are unable to convince our target market of the advantages and viability of our technology, our market potential may be severely limited or non-existent.

WE MAY EXPEND A SIGNIFICANT AMOUNT OF TIME AND RESOURCES TESTING PROGRAMS THAT MAY NOT RESULT IN ANY SALES

We may enter into licensing or other arrangements with third parties. Developing relationships with any third party involves lengthy periods of product development and performance evaluation by the third party. During this period, we may provide certain products or services free of charge or at a reduced rate. We also devote a significant amount of time and attention to pursuing these programs in an effort to obtain arrangements to exploit commercialization for products utilizing or incorporating our technology. Third Parties that we conduct joint development work or other proposed arrangements with will be under no obligation to enter into an arrangement and after evaluation may determine not to proceed with an arrangement Accordingly, we may devote substantial time and resources to developing relationships and programs that do not result in commercialization of products incorporating our technology.

FUTURE REVENUES DEPEND ON OUR ABILITY TO OBTAIN AND ENFORCE PATENT PROTECTION FOR OUR TECHNOLOGY

Protection of trade secrets and proprietary know how is critical to our success. If our competitors independently develop similar or superior technologies or gain access to our trade secrets, our business will be materially and adversely affected. Accordingly, we depend on continued patent protection for these products. If we are unable to maintain patent protection for our technology, we may not be able to gain a competitive advantage or protect our technology and our business will be adversely affected. Certain patents and patent applications of the Company have been irretrievably abandoned due to a lack of funding sufficient to pay patent filing and maintenance fees.

We may incur substantial costs seeking to enforce our patent rights against infringement or unauthorized use. We are already aware of one or more potential infringements. Our trade secrets and proprietary know how are critical for us to achieve and maintain a competitive position. We cannot assure you that others may not independently develop similar or superior technologies or gain access to our trade secrets or know how.

WE MUST KEEP PACE WITH TECHNOLOGICAL CHANGE TO ACHIEVE SUCCESS

The industries in which we compete are characterized by rapid and significant technological change. Our success depends on our ability to continually develop new technology and to refine products incorporating our original technology. We have been pursuing commercialization of our product lines. Due to delay and the rapid pace of technological innovation in the industry, there is a risk that these products may be superseded by new technology and become obsolete. The Company is aware of potentially competitive products that can damage our ability to grow.

Our products may not be commercially accepted or we may not be able to enhance existing products or develop new products. Future technological change may render one or more of our products obsolete or uneconomical. Our ability to continue to develop and market new and improved products that can achieve significant market acceptance will determine our future sales and profitability.

INTENSE COMPETITION

The business environment in which we operate is highly competitive. Most of our competitors and potential competitors may have greater financial, marketing, technological and other resources. We believe that products technologically similar to ours have been developed and sold. We will face intense competition if we introduce our products commercially.

In addition, a relatively small number of OEM's hold a significant share of the automotive market and the determination of an OEM not to incorporate our products into its product line may force us to expend additional amounts to gain market share and/or significantly reduce our potential.

POTENTIAL PRODUCT LIABILITY

The Company faces substantial potential product liability in connection with the sale and use of its products. It intends to take significant protective steps, including a vigorous quality assurance program and the purchase of product liability insurance. There can be no assurance that any insurance obtained will be sufficient to cover potential claims or that coverage will be available at a reasonable cost. A partially or completely uninsured successful claim against the Company could have a material adverse effect on the Company.

THE COMPANY WILL BE DEPENDENT ON THIRD PARTIES FOR THE PRODUCTION OF ANY PRODUCT WHICH MAY BE COMMERCIALIZED

The Company will utilize unaffiliated third parties to help develop, test, assemble and manufacture its components. The Company believes there are numerous third parties available to satisfy anticipated requirements. The inability to enter into arrangements with third parties would prevent or limit the Company's future sales. Moreover, subsequent failures or termination of the services of a third party could result in our inability to complete the development of or deliver adequate quantities of product on a timely and competitive basis. Furthermore, the inability to obtain favorable pricing terms from third parties could have a material negative impact on our business.

VOIDABLE REINCORPORATION

It is possible that our reincorporation from Delaware to Nevada may be voidable under Delaware law. Because of the similarity of the laws of the two states we do not believe we will suffer substantial adverse consequences. However we may suffer adverse consequences in such event. Moreover, in the process of correcting any failure to have properly approved the merger we may incur expenditures unrelated to operations.

INCREASED COMPLIANCE AS A PUBLIC COMPANY MAY BE A BURDEN

Pending actions by the Public Company Accounting Oversight Board and the Securities and Exchange Commission may substantially increase compliance costs under the Sarbanes-Oxley Act in the short term. If the Company fails to act because of a lack of funds then the ability of the Company to operate as a public traded firm could be materially impaired.

The Financial Industry Regulatory Authority “FINRA” has assumed a larger role in governing the disclosure of and trading in shares of smaller public companies. Conflicts may exist between FINRA’s rules and state and federal securities laws which poses a significant risk in the completion of processing corporate actions approved by shareholders and directors. This poses a risk that could jeopardize the Company’s ability to complete a planned reverse stock split and name change. Compliance with state and federal laws will be required to complete such corporate actions. Such corporate actions will require FINRA approval as well. If FINRA does not process our shareholder approved corporate actions and we are unable to complete a planned reverse split and name change as a result, we will not be able to fully comply with federal and state securities laws. Furthermore, we will not be able to raise additional capital and will be forced to discontinue operations and you will likely lose your entire investment.

SUBSTANTIAL DILUTION- FUTURE ISSUANCE OF SHARES

The Company will issue a significant number of additional shares in the future in connection with additional financing. In addition, the Company is now obligated to issue additional shares in connection with the conversion of the principal and interest of presently outstanding convertible notes, preferred stock and the exercise of outstanding warrants and options. As of December 31, 2013, a total of approximately 992,943,564 additional shares are issuable by the Company upon the conversion of convertible preferred stock, convertible notes (excluding shares issuable upon the conversion of interest), and the exercise of outstanding options and warrants and shares owed to our former CEO. A holder of the Company's common stock will face substantial dilution resulting from future issuances of its securities.

If we increase our authorized shares and any of the holders of such convertible securities decide to convert their securities into common stock and subsequently sell their shares, it may cause a significant decline in the price of our common stock.

CONTROL

Aspatuck Holdings, Ltd beneficially owns a significant number of the outstanding shares, with rights to acquire additional shares, and will retain effective control of the Company.

THE ACCOUNTING TREATMENT OF FUTURE VESTING OF WARRANTS MAY RESULT IN SIGNIFICANT LOSSES

As of December 31, 2013, the Company has no options outstanding which may vest over the following year upon the continuation of service of the holders and/or the happening of a specific event. The Company will have to expense the fair value of any additional options, if granted for any reason by the Company in the future as they vest. Furthermore, as a result of the existence of presently outstanding convertible securities that cannot be converted due to insufficient authorized shares, the Company may be required to record derivative liabilities.

INEFFECTIVE INTERNAL CONTROLS

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a15(f). As required by Rule 13a15 under the Exchange Act, the Company's Chief Executive Officer and its Chief Financial Officer assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. These controls are designed to ensure that material information the Company must disclose in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis. These officers have concluded, based on that evaluation, that as of such date, the Company's disclosure controls and procedures were **not effective** at a reasonable assurance level for a Company with substantially no activities and no personnel. The Company believes it must devise new procedures as it increases its activity and its personnel.

Based on this assessment management identified material weaknesses in the Company's internal controls over financial reporting due in significant part to the pervasive effect of the lack of resources, specifically the limited number of personnel involved in the financial reporting including the number of persons that are appropriately qualified in the areas of U.S. GAAP and SEC reporting. These limitations include an inability to segregate functions. The weaknesses pose a risk that a material misstatement of the annual financial statements **would not have been prevented or detected**. The adverse effect of the material weakness over internal controls will become magnified if the Company increases operations.

UNAUDITED FINANCIAL STATEMENTS AND DISCLOSURE

The financial statements and disclosures contained in this report are not audited or reviewed. As the primary result of a lack of sufficient resources and appropriately personnel qualified in the areas of U.S. GAAP and SEC reporting, the Company was forced to terminate its obligation to report under the Securities Exchange Act of 1934 (the “Act”) on February 27, 2015. Reporting under the Act requires an annual audit of our financial statements and disclosure as well as a review of our interim financial statements and disclosures.

The financial statements and disclosures contained in this report are **not audited or reviewed** by an independent accounting firm. The existence of material weaknesses over internal controls as well as controls over financial reporting poses a risk that a material misstatement of the annual financial statements and disclosures contained in this report would not have been prevented or detected.

RISKS RELATING TO THE MARKET FOR OUR COMMON STOCK

OUR STOCK IS A PENNY STOCK; THEREFORE SHAREHOLDERS WILL BE MORE LIMITED IN THEIR ABILITY TO SELL THEIR STOCK

Our common stock is traded on the OTC Pink Markets and constitutes a penny stock under the Securities and Exchange Act. Our common stock will remain classified as a penny stock for the foreseeable future. The classification as a penny stock makes it more difficult for a broker-dealer to trade our stock in the secondary market, which makes it more difficult for a purchaser to liquidate his or her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares will be subject to rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than having to comply with these rules, some broker-dealers will refuse to attempt to sell a penny stock and/or accept custody of our shares. These rules may affect the ability of broker-dealers to sell our common stock and also may affect the ability of holders of our common stock to appoint a custodian to hold the shares and chose a broker to process transactions in our common stock.

RISKS RELATING TO MARKET EFFECTS OF A REVERSE SPLIT

On May, 23, 2012, the Company received approval from a majority of the shareholders to effect, among other things, a 1 for 20 reverse split without decreasing our authorized shares. As of December 31, 2013, a total of approximately 992,943,564 additional shares are issuable by the Company upon the conversion of presently outstanding convertible preferred stock, convertible notes (excluding shares issuable upon the conversion of interest) and the exercise of presently outstanding options and warrants and shares owed to our former CEO.

If the reverse split is effected without decreasing our authorized shares and if any of the holders of such securities decide to convert their securities into common stock and subsequently sell their shares, it may cause a significant decline in the price of our common stock possibly to a level equal to or lower than the prices published prior to the reverse split.

OUR STOCK PRICE IS EXTREMELY VOLATILE

The price of our common stock has been and may continue to be subject to wide fluctuations in response to a number of events and factors, such as our ability to finance our operations, the status of legal proceedings against us, our inability to achieve commercialization of our products or enter into joint venture and licensing agreements, the operating and stock price performance of other companies that investors may deem comparable to us, and news relating to trends in our markets. In addition, the stock market in general, and the market for high technology stocks in particular, has experienced extreme volatility that often has been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance.

ABSENCE OF DIVIDENDS

We have never paid cash dividends on the common stock and because of substantial deficit may not legally do so. Cash dividends are not expected to be paid on our common stock in the foreseeable future. Assuming we could eliminate the deficit, any future determination to declare or pay dividends will be at the discretion of the board of directors and will be dependent on our results of operations, financial condition, contractual and legal restrictions and other factors deemed relevant by the board of directors.

A. a description of the issuer’s business operations;

_____

B. Date and State (or Jurisdiction) of Incorporation:

_____

C. the issuer’s primary and secondary SIC Codes;

_____

D. the issuer’s fiscal year end date;

_____

E. principal products or services, and their markets;

_____

7) Describe the Issuer’s Facilities

EMPLOYEES

As of December 31, 2013, we had no full-time employees but we have retained several consultants, devoting significant time to the Company's affairs. There is no assurance that we will be able to retain our consultants or hire additional personnel since funds are not available to pay current or past due consulting fees.

FACILITIES

In 2013 a non affiliate shareholder of the Company provided office space to the Company in New York, New York on a month to month basis.

8) Officers, Directors, and Control Persons

Our executive officers and directors and their respective ages as of December 31, 2013 are as follows:

NAME	AGE	TITLE
Jason Meyers	47	Chairman of the Board of Directors & Chief Executive Officer
Debi Kokinos	62	Chief Financial Officer & Secretary

Set forth below is a brief description of the background and business experience of our executive officer and directors:

JASON MEYERS

Mr. Meyers has been our Chairman of the Board of Directors since September 1, 2005 and Chief Executive Officer, with primary responsibilities for compliance matters since March 2008. Mr. Meyers is an investment banker, based in New York City. Mr. Meyers has extensive experience in re-capitalizing, funding and revitalizing distressed businesses and recruiting management teams. Mr. Meyers has over 20 years of investment and merchant banking experience and has led or participated in the origination and syndication of dozens of private placements and initial public offerings in a broad range of industries including entertainment, technology, healthcare, and financial services. On September 14, 2012, Mr. Meyers was informed by the staff at FINRA (Financial Industry Regulatory Authority) that he was the subject of a formal investigation relating to activities occurring while he was a registered person of a FINRA member firm. On September 11, 2014, Mr. Meyers consented to a settlement containing the entry of (i) findings by FINRA, without admitting or denying any wrongdoing, that he misappropriated $700,000 in connection with the use of proceeds of a private placement (ii) a bar from association with any FINRA member firm. On September 30, 2014, counsel to Mr. Meyers notified FINRA that Mr. Meyers rescinded the order. **See "Risk Factors"**.

DEBI KOKINOS

Ms. Kokinos has been our Chief Financial Officer and Corporate Secretary since October 6, 2005. Ms. Kokinos has been with the company since May 2003. Ms. Kokinos has been a Certified Public Accountant since 1984 and has extensive experience in accounting, management, taxation and computer consulting. Ms. Kokinos was an owner of a large CPA firm with offices in Santa Barbara and Los Angeles. Her clients included local and international corporations and individuals. She was also chairperson of the Channel Counties Chapter of CPA's Tax Committee and a member of the California Society of CPA's State Tax Committee working with and providing training for other CPA's and federal and California taxing agencies. Ms. Kokinos established, organized and documented the policies and procedures of CPA firms and of small to mid-sized companies.

AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors, which is also the audit committee, has determined that none of the audit committee members can be classified as an "audit committee financial expert" as defined in Item 401(e) of Regulation S-K. We presently do not have any other committees of the Board of Directors.

COMMITTEES

The Company's Board of Directors has no nominating or other separate committees. The Board of Directors serves as the compensation committee.

EXECUTIVE COMPENSATION

The following table sets forth certain compensation information for each of our executive officers for the year ended December 31, 2013 and 2012:

Name and Principal Position	Year	Salary	Option/Warrant Awards	All other Compensation	Total
Jason Meyers [(1)] Chairman & Chief	2013	$120,000	--	--	$120,000

Executive Officer	2012	$120,000	$2,074	--	$122,074
Debi Kokinos [(1)] Chief Financial Officer & Secretary	2013	$77,520	--	--	$77,520
	2012	$77,520	$622	--	$78,142

(1) Represents, in each case, amounts recognized on vesting of warrants previously granted for financial reporting purposes in the applicable fiscal year. A description of the valuation method is set forth in the Financial Statements. Warrants to purchase nil shares vested in 2013 and warrants to purchase 296,303 shares vested in 2012 with respect to Mr. Meyers. In the case of Ms.Kokinos warrants to purchase nil shares vested in 2013 and warrants to purchase 88,886 shares vested in 2012.

COMPENSATION ARRANGEMENTS

In May, 2012 we extended for an additional two year term, a consulting agreement originally entered into in 2006 ("Consulting Agreement") with Aspatuck Holdings, Ltd. Aspatuck is obligated to provide the services of Jason Meyers to the Company. Mr. Meyers has served in various capacities since 2005 and is currently our as our Chief Executive Officer. As compensation for Consultant's services, the Company is obligated to pay Consultant a cash fee of not less than $120,000 per annum. As additional consideration under the initial agreement, the Company issued to Jason Meyers seven year Warrants expiring in 2013 to purchase 32,000,000 of shares of the common stock of the Company (the "Warrants") at an exercise price of $0.0117 per share. An additional 32, 000,000 Warrants expiring in 2016 containing the same terms were issued in 2009 upon extension of the initial agreement. The May 2012 two year extension does not include any additional Warrants.

Of the aforesaid Warrants, 21,333,322 Warrants are "service based" and fully vested during 2012 as the services have been provided.

The balance of 42,666,668 Warrants are performance based. Of these, Warrants to purchase 21,333,334 Shares are "revenue based" and shall vest in their entirety upon the filing of reviewed or audited statements reflecting the recognition of revenue reflecting the first sale of a production model of the Company product. Warrants to purchase 21,333,334 Shares are "earnings based" and vest in their entirety upon the filing of reviewed or audited statement reflecting EBITA or earnings before taxes, interest or amortization, of $1,000,000.

Of the aforesaid Warrants, only the service based warrants are reflected in the Company's financial statements as it is unlikely at this stage that the other Warrants will vest.

In May, 2012 we extended for an additional two year term, a consulting agreement originally entered into in 2006 with Debi Kokinos. The Agreement, as extended was substantially identical to Aspatuck's agreement, providing for her services as Chief Financial Officer. Ms. Kokinos is to receive annual compensation of approximately $77,520 and was granted Warrants to purchase 9,600,000 shares of common stock which had vested by December 31, 2012. The Warrants are divided equally into the same three categories and vesting schedule as the Warrants for Aspatuck Holdings. Of the aforesaid Warrants only the service based Warrants are reflected in the Company's financial statements as it is unlikely at this stage that the other Warrants will vest.

C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information concerning the number of shares of the Company's common stock owned beneficially as of December 31, 2013 by: (i) each of our then directors; (ii) each of our named executive officers, (iii) officers and directors as a group and (iv) 5% or more holders of our common stock. The table does not reflect shares which may be acquired by the listed holders within sixty days of the date of the table pursuant to the outstanding notes, warrants and options held by them. These shares would otherwise be included. These shares are described in the

footnotes below the table. **See also "Risk Factors".** Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

The address of all holders is c/o the Company at 250 West 57th Street, Suite 2328, New York, NY 10107.

As of December 31, 2013, the Company has 1,000,000,000 shares outstanding and does not have sufficient authorized shares to issue additional shares of Common Stock. As of December 31, 2013, a total of approximately 992,943,564 additional shares are issuable by the Company upon the conversion of all presently outstanding convertible notes (excluding shares issuable upon the conversion of interest), convertible preferred stock, the exercise of presently outstanding options and warrants and shares owed to our former chief executive officer. Assuming issuance of shares owed and the conversion of all presently outstanding convertible securities, the Company has a total of 1,992,943,564 shares outstanding on a fully diluted basis as of December 31, 2013. **See "Notes to Consolidated Financial Statements"**

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Common Stock
Management		
Jason Meyers.[1][2]	66,349,245	6.63%
Debi Kokinos[3]	-	-
All officers and directors as a group (2 persons) (1) (2) (3)	**66,349,245**	**6.63%**
5% or more stockholders		
Robert Roche [4]	111,904,471	11.19%
Salvatore Rutigliano	102,249,987	10.24%
D. Herman Mobley [5]	86,657,183	8.67%
Aspatuck Holdings Ltd. [1][2]	66,349,245	6.63%
Glenn Nugent	59,566,660	5.96%
Richard Milazzo [6]	55,357,500	5.54%

(1) Includes 66,349,245 shares owned of record by Aspatuck Holdings Ltd. of which Jason Meyers, our Chief Executive Officer is the controlling party.

(2) Does not include a total of 684,013,622 additional shares which may be acquired by Mr. Meyers and his affiliates consisting of; (i) 652,266,870 shares issuable upon conversion of the principal of a 5% convertible note held by Aspatuck Holdings Ltd. (not counting additional shares issuable upon conversion of interest), (ii) 4,332,400 shares issuable, upon conversion of the principal of 5% convertible notes (not counting additional shares issuable upon conversion of interest) held by Aspatuck Holdings Ltd, (iii) 5,000,000 shares issuable upon conversion of the principal of a 5% convertible note (not counting additional shares issuable upon conversion of interest) held by ICMC Holdings LLC, an affiliate of Mr. Meyers., and (iv) 21,333,322 shares issuable upon exercise of warrants held by Mr. Meyers that are exercisable within 60 days of December 31, 2013. **See Compensation Arrangements and Certain Relationships and Related Transactions**

(3) Does not include (i) 244,160,000 shares issuable upon conversion of the principal of a 5% convertible note (not counting additional shares issuable upon conversion of interest) and (ii) 6,800,000 shares issuable upon exercise of warrants held by Ms. Kokinos which is convertible within 60 days of December 31, 2013. **See Compensation Arrangements and Certain Relationships and Related Transactions.**

(4) Does not include 18,528,862 shares owed to Mr. Roche pursuant to an agreement. **See Certain Relationships and Related Transactions**

(5) Does not include 43,750,000 shares issuable upon conversion of the principal of a total of $175,000 12% convertible notes, (not including shares issuable upon conversion of interest) which is convertible within 60 days of December 31, 2013.

(6) Does not include 550,000 shares issuable upon exercise of warrants at $.002 per share which are exercisable within 60 days of December 31, 2013.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following transactions relate to the period ending December 31, 2013

Aspatuck Holdings Ltd. and ICMC Holdings LLC, which are entities affiliated with Jason Meyers have extended loans to the Company of an aggregate of aggregate of $31,000 and $15,000 respectively to date, at a rate of interest of 5%. During 2011, the Company repaid Aspatuck Holdings Ltd. $9,338 of the balance and $7,648 of accrued interest on the loans.

As of December 31, 2013, a balance of $21,662 plus total accrued interest of $2,166 was owed to Aspatuck Holdings Ltd. ($21,662 plus accrued interest of $1,083 at December 31, 2012) and a balance of $15,000 plus accrued interest of $5,656 was owed to ICMC Holdings LLC ($15,000 plus accrued interest of $4,906 at December 31, 2011). The principal balance and accrued interest owed to Aspatuck Holdings Ltd. are convertible into shares of common stock of the Company at $.005 per share. The principal balance and accrued interest owed to ICMC Holdings LLC are convertible into shares of common stock of the Company at $.003 per share. **See Notes to Consolidated Financial Statements 3(a) and 3(b).**

As of December 31, 2011 the Company also owed Aspatuck Holdings Ltd consulting fees of $652,267. On December 31, 2011, the Company issued a convertible note to Aspatuck Holdings having a face value of $652,267 in satisfaction of consulting fees owed to it. Aspatuck Holdings is obligated to provide the services of Jason Meyers to the Company. The note bears interest at 5% per annum and is due on December 31, 2014. The principal and interest are convertible into shares of the company's common stock at $.001. Additionally, as of December 31, 2013, the Company is in arrears of a total of $158,105 in connection with consulting fees owed to it. **See Notes to Consolidated Financial Statements 3(d).**

On December 31, 2011, the Company issued a convertible note to Ms. Kokinos having a face value of $244,160 in satisfaction of consulting fees owed to her as of such date. The note bears interest at 5% per annum and is due on December 31, 2014. The principal and interest are convertible into shares of the company's common stock at $.001. Additionally, as of December 31, 2013, the Company is in arrears of a total of $153,270 in connection with consulting fees owed to her. **See Notes to Consolidated Financial Statements 3(e).**

On November 10, 2011, the Company amended a convertible note held by Mr. Robert Roche having a face amount of $50,000 and warrants to purchase 1,000,000 shares of common stock at $.01. Pursuant to the amendment, the conversion price of the note was reduced from $0.01 to $0.0005 and the exercise price of the warrants was reduced from $0.01 to $0.005. A total of 130,433,333 shares were issuable by the Company to Mr. Roche as a result of the amendment, conversion and warrant exercise. The Company issued 111,904,471 common shares in connection with the amendment and conversion of the note and interest related to the note. As a result, the Company had issued the maximum number of authorized common shares. As of December 31, 2013, an additional 18,528,862 shares of common stock including 1,000,000 shares issuable in connection with the warrant exercise was owed to Mr. Roche.

On October 16, 2013, the Company entered into a modification agreement with Mr. Robert Roche. Pursuant to the modification, Mr. Roche agreed to waive the 17,528,862 additional shares issuable upon the conversion of the note plus the 1,000,000 shares issuable by the Company in connection with the warrant exercise and additionally return to the Company 32,471,138 of the Company's common shares held by him. The amendment becomes effective at the time that the Company amends its certificate of incorporation effecting a reverse split. **See Notes to Consolidated Financial Statements 9(c).**

9) Third Party Providers

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

Legal Counsel
Michael DiGiovanna
19 Hathaway Drive
Princeton Junction, NJ 08550
Phone: 609-799-7525
Email: mddlaw@comcast.net

Accountant or Auditor
None.

Investor Relations Consultant

None.

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Lancaster & David
Chartered Accountants
510 - 701 West Georgia Street
Vancouver, British Columbia
Canada, V7Y 1C6
Phone: 604-717-5526
Email: admin@lancasteranddavid.ca

10) Issuer Certification

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Debi Kokinos certify that:

1. I have reviewed this annual report for the period ending December 31, 2013 of Turbodyne Technologies, Inc. and its subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

3/27/15
Date

Debi Kokinos, Chief Financial Officer

I, Jason Meyers certify that:

1. I have reviewed this annual report for the period ending December 31, 2013 of Turbodyne Technologies, Inc. and its subsidiaries;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

3·30·15
Date

Jason Meyers, Chief Executive Officer