

## **OTC Pink Basic Disclosure Guidelines**

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

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Bayside Corporation January 5, 2011 to present; Bayside Petroleum Company, Inc. September 9, 2008 to January 5, 2011; American Terra Vehicles Corp. – April 6, 1999 to September 9, 2008.

### **2) Address of the issuer's principal executive offices**

#### Company Headquarters

Address 1: 15400 Knoll Trail

Address 2: Suite 110

Address 3: Dallas, Texas 75248

Phone: (972) 385-7800

Email: info@baysidecorp.com

Website(s): www.baysidecorp.com

#### IR Contact: Megan Kelly

Address 1: 15400 Knoll Trail

Address 2: Suite 110

Address 3: Dallas, Texas 75248

Phone: (800) 719-1310

Email: info@baysidecorp.com

Website(s): www.baysidecorp.com

### **3) Security Information**

Trading Symbol: BYSD

Exact title and class of securities outstanding: Common, Series A Preferred, Series B Preferred

CUSIP: 0731481083

Par or Stated Value: 0.0001

Total shares authorized: 3,400,000,000 Common as of: 09.30.15

50,000,000 Series A Preferred as of: 09.30.15

50,000,000 Series B Preferred as of: 09.30.15

Total shares outstanding: 2,533,142,631 as of: 09.30.15

Additional class of securities (if necessary):

Trading Symbol: N/A

Exact title and class of securities outstanding: \_\_\_\_\_

CUSIP: \_\_\_\_\_

Par or Stated Value: \_\_\_\_\_

Total shares authorized: \_\_\_\_\_ as of: \_\_\_\_\_

Total shares outstanding: \_\_\_\_\_ as of: \_\_\_\_\_

#### Transfer Agent

Name: Corporate Stock Transfer Corporation

Address 1: 3200 Cherry Creek Drive South

Address 2: Suite 430

Address 3: Denver, Colorado 80209

Phone: (303) 282-4800

Is the Transfer Agent registered under the Exchange Act?\*

Yes: ☒

No: ☐

\*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

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**

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

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

None

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

None

C. The number of shares offered;

None

D. The number of shares sold;

None

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

None

F. The trading status of the shares; and

None

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.

N/A

## 5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using the appropriate report name for the applicable period end. ("Annual Report", "Quarterly Report" or "Interim Report").

If you choose to publish the financial reports separately as described in part (ii) above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to otcq.com in the field below.

**The Balance Sheet, Statement of Income and Statement of Cash Flows with Financial Note are attached hereto as Exhibit "A".**

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

## 6) Describe the Issuer's Business, Products and Services

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

- A. a description of the issuer's business operations;

Oil and Gas exploration and production, and international marketing of crude oil and crude oil products.

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

Incorporated October 14, 1984 in Nevada and re-domiciled on November 14, 2012 in Wyoming.

- C. the issuer's primary and secondary SIC Codes;

131 and 1311

- D. the issuer's fiscal year end date;

December 31

- E. principal products or services, and their markets;

oil and gas production, sold to field purchasers, pipelines and refineries.

## 7) Describe the Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Corporation previously owned oil and gas leases and related equipment but since becoming engaged in the business of digital currency the Corporation has divested itself of its oil and gas interests. However, the Corporation does intend to again become engaged in the oil and gas industry in the near future.

The Corporation has also become engaged in the digital currency industry through its subsidiary, BitcoinzUSA.com. During the first quarter Bitcoinzusa.com purchased two ATM machines to process deposits and withdrawals of bitcoins in exchange for a fee on each transaction. At present the two machines have not been placed into operation as the Company waits for regulations to be enacted governing the operation of these facilities. Also, the company acquired during the first quarter of 2014 proprietary software from West Coast Robotics under a prior agreement. When installed the software prevents the hacking of bitcoin accounts. The marketing of the software by the Company has been placed on hold due to the slowdown in the digital currency business due to the decline in the price of bitcoins.

## 8) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

- A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Gordon H. Johnson, Chairman of the Board of Directors and Chief Executive Officer. Mr. Johnson claims no ownership in the Corporation. His wife serves as Trustee of the Leasu Trust, which is the Managing Member of DZ Energy, LLC that holds 19,904,757 shares of Common Stock, being 1.08% of outstanding shares, for the Leasu Trust. The Leasu Trust also owns 100 shares of Series A Preferred stock, which votes 75% of the voting stock. The Leasu Trust is a beneficial trust solely for the children of Mr. Johnson and the children of his wife.

David Dischiavo, Director. Mr. Dischiavo is a former Director who was re-appointed on August 31, 2013. Mr. Dischiavo is an investor and owns 2,000,000 shares of Commons Stock of the Corporation.

Harold ("Hal") F. Lambert, Director. Mr. Lambert is a Certified Public Accountant licensed in the State of Texas and is a Drilling Fluids Engineer working in the oil industry. Mr. Lambert owns 1,000,000 shares of Common Stock of the Corporation.

- B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

A Cease and Desist Order was issued on October 27, 2011 by the Alabama Securities Commission against the Corporation under Administrative Order Number CD-2010-0046, which was the result of a Complaint filed against the Loma Novia Joint Venture, a Texas joint venture, of which the Corporation was previously the Joint Venture Manager. The order was to prevent the sale of unregistered securities in the State of Alabama. Unbeknown to the Corporation an employee/officer of a subsidiary of Nueces Valley Resources, who was a merger partner with the Corporation in 2009, had contacted a resident in Alabama with the intent to sell an interest in the Joint Venture. The Corporation had resigned as the Joint Venture Manager at the time of the Complaint and denied any connection to this complaint through its counsel; however, the counsel retired in April 2011 and did not notify the Corporation of the pending Final Notice thereby preventing the Corporation from filing a petition to be removed from the Complaint. He resulting Cease and Desist Order carried no penalties. Since the Corporation is not in the business to sell unregistered securities (interests in oil and gas leases) to parties who are not qualified the Order has no effect on the ongoing business of the Corporation.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

None

- 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.

DZ Energy, LLC, 15400 Knoll Trail, Suite 110, Dallas, Texas 75248, beneficially holds 19,904,757 shares of the Common Stock for the Leasu Trust, which shares are held beneficially for Gary Barrier, Jr, Tami Barrier, Leisa Holmes and Suzanna Venezia, the children of Mr. Johnson and his wife.

Mr. Johnson and his wife serve as Trustees of the Leasu Trust, which is the owner of 100 shares of the Series A Preferred stock. These shares control 75% of the voting stock of the Company. The Trust is for the benefit of the children of Mr. Johnson and his wife.

## 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

Name: William Goode

Firm: William Goode

Address 1: 20 Peachtree Court

Address 2: Suite 106

Phone: (631) 223-7740  
Email: william@williamgoode.com

Accountant or Auditor

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

Investor Relations Consultant

Name: Megan Kelly  
Firm: \_\_\_\_\_  
Address 1: 15400 Knoll Trail, Suite 110  
Address 2: Dallas, Texas 75248  
Phone: (800) 719-1130  
Email: info@baysidecorp.com

**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, Gordon H. Johnson certify that:

1. I have reviewed this Quarterly Disclosure Statement of Bayside Corporation;
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.

11.19.15 [Date]

  
Gordon H. Johnson [CEO's Signature]

**EXHIBIT “A”**

**Financial Statements**

**&**

**Notes**

**Period Ending September 30, 2015**

**BAYSIDE CORPORATION**  
**COSOLIDATED BALANCE SHEET**  
**Period Ended September 30, 2015**  
**(UNAUDITED)**

<b>Assets</b>	<b>September 30,</b>
	<b><u>2015</u></b>
Current Assets	
Cash & Cash Equivalents	\$ -
Certificates of Deposit	-
Notes Receivable	-
Prepaid Expenses & Deposits	-
Other Current Assets & Miscellaneous	<u>-</u>
Total Current Assets	\$ -
Fixed Assets	\$ -
Other Assets	
Investment in Bitcoin Software	\$ 81,300
Oil & Gas Leasehold	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 81,300</u></b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>	
Current Liabilities	
Accounts Payable & Accrued Expenses	\$ 19,500
Notes Payable: (2)	574,200
Turnkey Payables- Drilling Projects	<u>-</u>
Total Current Liabilities	\$ 593,700
Long Term Liabilities	<u>-</u>
<b>Total Liabilities</b>	<b><u>\$ 593,700</u></b>
Stockholder's Equity	
Common Stock, authorized 3,000,000,000 shares, 2,533,142,631 issued as of 6.30.15, par value \$0.0001	253,314
Preferred Stock, authorized 50,000,000 shares, 2,000,000 Issued @ \$0.0001	200
Additional Paid in Capital	29,401
Retained Earnings (Deficit)	<u>( 795,315)</u>
Total Stockholder's Equity (Deficit)	<b><u>\$ ( 512,400)</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 81,300</u></b>

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



**BAYSIDE CORPORATION.**  
**CONSOLIDATED STATEMENT**  
**OF OPERATIONS**  
**Period Ended September 30, 2015**  
**(UNAUDITED)**

	<b>September 30,</b>
	<b>2015</b>
Revenues	\$ -
Cost of Revenues	-
Gross Profit	\$ 0
Expenses	0
Impairment (leasehold write off)	0
Net Gain (Loss)	\$ 0
Gain Per Share (Loss)	\$ (0.00)
Weighted Average Shares Outstanding	2,409,863,130

**BAYSIDE CORPORATION**  
**CONSOLIDATED STATEMENT**  
**OF CASH FLOWS**  
**Period Ended September 30, 2015**  
**(UNAUDITED)**

	<b>September 30, 2015</b>
Cash Flows from Operating Activities	\$ 0
Less: Cost of Sales	<u>0</u>
Net Profits for the Period	0
Less: Expenses	(169,223)
Accounts Payable and Accrued Expenses	<u>-</u>
Net Cash Flows from Operating Activities	\$ (169,223)
Cash Flows from Investing Activities	-
Purchase of Goodwill	<u>-</u>
Net Cash flows from Investing Activities	\$ -
Cash Flows from Financing Activities	
Proceeds from Stock Subscribed	\$ -
Reduction of Notes	<u>-</u>
Net Increase in Cash	\$ (169,223)
Cash – beginning	<u>169,223</u>
Cash-end	<u><u>\$ 0</u></u>

**BAYSIDE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING SEPTEMBER 30, 2015**

**Note 1 – Organization and Significant Accounting Policies**

Organization and Line of Business

Bayside Corporation. (the “Company”) was incorporated in the state of Nevada on October 17, 1984 originally as Two-B Company, a clothing wholesaler. In April of 1999 the Company changed its name to American Terra Vehicles Corp. after completing a reverse merger and became active as a developer and distributor of all-terrain vehicles. In August of 2008 the Company changed its name to Bayside Petroleum Company, Inc., in anticipation of its new business plan in the oil and gas industry. In January, 2011 the Company again changed its name to Bayside Corporation. The Company was re-domiciled on November 14, 2012 as a Wyoming corporation.

Basis of Presentation/Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company had no material assets and a negative retained deficit while operating as American Terra Vehicles. These conditions raised substantial doubt as to the Company’s ability to continue as a going concern at that time. It should be noted that since entering into the oil and gas business the Company has acquired significant oil and gas properties. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Reverse Stock Split

In May of 2008 the company effectuated a 20 to 1 reverse stock split reducing the shares outstanding from 7,940,000 shares to 397,000 shares. In June 2008, 200,000 shares were cancelled.

In June, 2011 the company effectuated a 250:1 reverse stock split for its common shares reducing the outstanding shares from 2,559,304,974 to 10,237,630 shares.

Merger

Effective September 22, 2009 the Company merged with Nueces Valley Resources, Inc., a closely held Dallas, Texas, based corporation. The Company acquired all the assets of Nueces Valley Resources in exchange for 27,351,500 shares of Common Stock and 27,352 shares of Preferred Stock. However, subsequently this transaction was rescinded, effective as of the date of the merger.

Stock Based Compensation

SFAS No. 123, “Accounting for Stock-Based Compensation,” establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of grant and is recognized over the periods in which the related services are rendered. For stock based compensation the Company recognizes an expense in accordance with SFAS No. 123 and values the equity securities based on the fair value of the security on the date of grant. For stock-based awards the value is based on the market value for the stock on the date of grant. Stock option awards are valued using the Black-Scholes option-pricing model.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

### Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, other current assets, accounts payable, accrued interest and due to related party, the carrying amounts approximate fair value due to their short maturities.

### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company defines cash equivalents as all highly liquid debt instruments purchased with a maturity of three months or less, plus all certificates of deposit.

A Certificate of Deposit in the amount of \$50,000 is pledged to a Letter of Credit issued by the American National Bank of Texas to secure the financial security required by the Texas Railroad Commission for future plugging of wells in Texas and on behalf of Stonegate Operators, Inc., the company operating on behalf of the Corporation. The Texas Railroad Commission called the Letter of Credit under the agreement. Two Certificate of Deposits in the amount of \$60,000 and \$20,000 are pledged to Letters of Credit in like amounts to Bank of Texas to secure the financial responsibility required by the Mississippi State Oil & Gas Board for future plugging of wells in Mississippi on behalf of Rockland Oil Company, the company operating on behalf of the Corporation. The Mississippi Oil & Gas board released the \$60,000 Letter of Credit and called the \$20,000 Letter of Credit.

### Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents and accounts receivables. The Company places its cash with high quality financial institutions and at times may exceed the FDIC \$250,000 insurance limit. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

### Impairment of Long-Lived Assets

SFAS No. 144 requires that long-lived assets to be disposed of by sale, including those of discontinued operations, be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 also establishes a "primary-asset" approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset to be held and used.

### Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of

management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

#### Earnings (Loss) Per Share

The Company reports earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share have not been presented since the effect of the assumed conversion of options and warrants to purchase common shares would have an anti-dilutive effect.

#### Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (FAS 141(R)). This Statement provides greater consistency in the accounting and financial reporting of business combinations. It requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed, and requires the acquirer to disclose the nature and financial effect of the business combination. FAS 141(R) is effective for fiscal years beginning after December 15, 2008. We will adopt FAS 141(R) no later than the first quarter of fiscal 2010 and are currently assessing the impact the adoption will have on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (FAS 160). This Statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 is effective for fiscal years beginning after December 15, 2008. We will adopt FAS 160 no later than the first quarter of fiscal 2010 and are currently assessing the impact the adoption will have on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, which permits entities to choose to measure at fair value eligible financial instruments and certain other items that are not currently required to be measured at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We will adopt SFAS No. 159 no later than the first quarter of fiscal 2009. We are currently assessing the impact the adoption of SFAS No. 159 will have on our financial position and results of operations.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires company plan sponsors to display the net over- or under-funded position of a defined benefit postretirement plan as an asset or liability, with any unrecognized prior service costs, transition obligations or actuarial gains/losses reported as a component of other comprehensive income in shareholders' equity. SFAS No. 158 is effective for fiscal years ending after December 15, 2006. We adopted the recognition provisions of SFAS No. 158 as of the end of fiscal 2007. The adoption of SFAS No. 158 did not have an effect on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the application of SFAS No. 157 may change current practice for some entities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after

November 15, 2007, and interim periods within those fiscal years. We will adopt SFAS No. 157 in the first quarter of fiscal 2009. *We are currently assessing the impact that the adoption of SFAS No. 157 will have on our financial position and results of operations.*

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 (FIN 48). This interpretation clarifies the application of SFAS No. 109, Accounting for Income Taxes, by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements and also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, but earlier adoption is permitted. The Company is in the process of evaluating the impact of the application of the Interpretation to its financial statements.

## **Note 2 – Convertible Notes Payable**

The Company was obligated to a private individual for \$50,000 at December 31, 2007 which originated September 13, 2005. During the year ended December 31, 2008, the noteholder converted the note into 25,000,000 shares of common stock valued at \$.002.

On August 1, 2008 the Company executed a Management Services Agreement with DZ Energy, LLC whereby the Company would furnish the services of Gordon H. Johnson as the Chairman and the CEO of the Company. The agreement was for a period of three (3) years, terminating on July 31, 2011 unless extended. The agreement also provided that DZ Energy, LLC would be paid the sum of \$15,000 per month for the services provided, and that any part of this sum not paid would be accrued. Further, the agreement provided that the accrued sum could be converted into shares of Common stock of the Company upon the election of DZ Energy, LLC at a conversion rate approved by the Board of Directors. The note fully matured in the amount of \$484,300 and was paid in full with the conversion into shares of Common Stock of the Company.

On August 15, 2010 the Company issued a Promissory Note in the amount of \$451,000 to cover costs of services provided for the Company and the acquisition of oil and gas leases. These amounts were paid by DZ Energy, LLC and/or its affiliate companies. The note fully matured and was paid with the conversion into shares of Common Stock of the Company.

On August 1, 2011 the Company renewed the Management Services Agreement with DZ Energy, LLC, which provided for the payment of \$15,000 per month for the services provided. The term of the Agreement is three (3) years and a Note was issued in the amount of \$540,000 covering the total to be paid under the Agreement. The remaining balance of the Promissory Note as of August 1, 2014 was transferred to the Leasu Trust, the Managing Member of DZ Energy, LLC. The Promissory Note has been partially paid through the issue of shares of Common Stock on various occasions as follows:

<u>Month of Issue</u>	<u>Amount of Conversion</u>	<u>Number of Shares Issued</u>
1) September 2012	\$180,000	9 million shares
2) April 2013	\$ 21,000	210 million shares
3) October 2013	\$ 9,000	90 million shares
4) January 2014	\$ 5,300	80 million shares.
5) April 2014	\$ 7,300	53 million shares
6) September 2014	\$ 9,500	95 million shares
7) November 2014	\$ 12,000	120 million shares
8) December 2014	\$ 15,000	150 million shares (2 issues)
9) January 2015	\$ 10,500	105 million shares
10) February 2015	\$ 16,000	160 million shares (2 issues)
11) April 2015	\$ 9,500	95 million shares
12) May 2015	\$ 9,700	97 million shares
13) August 2015	\$ 10,500	105 million shares
14) September 2015	\$ 10,500	105 million shares

The remaining balance of this note is \$214,200.

On August 1, 2014 the Company entered into a Management Services Agreement with the Leasu Trust which provided for the payment of \$15,000 per month for the services of Gordon H. Johnson as the Chairman and the CEO of the Company. The agreement is for a period of two (2) years, terminating on July 31, 2017 unless extended. A Promissory Note in the amount of \$360,000 was issued to the Leasu Trust as provided in the Management Services Agreement.

### **Note 3 – Goodwill**

The Company issued 30,000,000 shares of common stock for the purchase of the assets of DZ Energy LLC. These shares were valued at market at \$.02 cents per share resulting in a value of \$600,000 which was assigned to goodwill. The Company then impaired this acquisition in full as the value of the oil leases purchased going forward could not be measured precisely.

### **Note 4 – Purchase of Assets**

The Company issued 24,803,000 shares of Common stock to DZ Energy, LLC in exchange for oil and gas properties on May 29, 2009. The properties were valued at \$1,886,876.00, which was reflected on the Balance Sheet of the Company.

The Company issued 1,490,000 shares of Common Stock of the Company in exchange for a 13% working interest in the P. E. White and the Bishop Cattle Co. leases.

### **Note 5 – Write Off of Assets**

The Company ceased to be active in the oil and gas business and took a full write off of its oil and gas leases at the end of the 2ne quarter of 2015 in the amount of \$2,299,950.

### **Note 6 - Income taxes**

Income taxes are accounted for in accordance with SFAS 109, *Accounting for Income Taxes*, using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has a net loss carryforward equal to approximately \$50,000. The deferred tax asset related to this carryforward has been reserved in full due to the fact that it is more likely than not that the Company will realize this asset.