

PERIOD ENDED MARCH 31, 2018

OTC MARKETS GROUP

Aluf Holdings, Inc.
(A Nevada Company)

ANNUAL REPORT
As of March 31, 2018

All information in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c2-11 (a) promulgated under the Securities and Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format set forth in the Rule.

No dealer, salesmen or any other person has been authorized to give any information, or to make any representations, not contained herein in connection with the issuer. Such information or representations, if made, must not be relied upon as having been authorized by the issuer, and:

Delivery of this information file does not any time imply that the information contained herein is correct as of any time subsequent to the date first written above.

The undersigned hereby certifies that the information herein is true and correct to the best of their knowledge and belief.

Date: May 14, 2018

ALUF HOLDINGS, INC.

By: /s/ Ms. Teresa McWilliams

Name: Ms. Teresa McWilliams

Position: Chief Financial Officer

Phone: (866) 793-1110

E-mail: t.mcwilliams@alufinc.com

Web-Page: <http://alufinc.com/>

1. The name of the issuer and its predecessors (if any):

The exact name of the Issuer is Aluf Holdings, Inc.

2. Address of the issuer's principal executive offices:

The principal executive offices are located at:

Company Headquarters

1801 Polk Street, #2677
Hollywood, FL 33022
Phone: (866) 793-1110
Fax: (954) 206-0487

IR Contact

TBD

3. Security Information:

Trading Symbol: AHIX

CUSIP: 022167100

Par Value: \$.001

Transfer Agent

VStock Transfer, LLC
18 Lafayette Place
Woodmere, NY 11598

Phone: 212-828-8436

The transfer agent is registered under the Exchange Act.

Title and class of securities outstanding:	<u>3/31/2018</u>	<u>3/31/2017</u>
Number of Shares Authorized – Common	3,946,821,989	3,946,821,989
Number of Shares Outstanding – Common	3,249,689,524	3,249,689,524
Number of Shares Authorized – Preferred	53,178,011	53,178,011
Number of Shares Outstanding – Pref. Ser. A	175,000	175,000
Number of Shares Outstanding – Pref. Ser. B	22,255,000	11,555,156
Number of Shares Outstanding – Pref. Ser. D	3,001	3,001
Number of Shares Outstanding – Pref. Ser. E	4	4
Freely Tradable Shares – Common	2,747,616,697	2,747,616,697
Total Number of Beneficial Shareholders	2	2
Total Number of Shareholders of Record	158	158

Certain common shares have been issued with restrictive legend.

During the past 12 months we have not been issued any trading suspension orders by the SEC.

4. Issuance History:

Common shares of stock issued in settlement of debt:

Table A							
Number of Shares issued	Class	Date of Issuance	Proceeds from Sale or Description of Consideration		Name	Price Per Share	value
10,700,000	Common	01/04/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00060	6,420
8,500,000	Common	01/04/16	Reduction of Debt	Investor	Macallan Partners	0.00071	6,001
5,347,000	Common	01/08/16	Reduction of Debt	Investor	RDW Capital Partners	0.00050	2,674
11,700,000	Common	01/08/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00060	7,020
11,668,935	Common	01/11/16	Reduction of Debt	Investor	Gold Coast Capital Partners	0.00040	4,668
13,500,000	Common	01/12/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00060	8,100
5,600,000	Common	01/12/16	Reduction of Debt	Investor	RDW Capital Partners	0.00050	2,800
14,500,000	Common	01/12/16	Reduction of Debt	Investor	Microcap Equity Group	0.00050	7,250
21,325,000	Common	01/13/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00060	12,795
5,177,500	Common	01/13/16	Reduction of Debt	Investor	Gold Coast Capital Partners	0.00040	2,071
6,100,000	Common	01/14/16	Reduction of Debt	Investor	RDW Capital Partners	0.00050	3,050
16,000,000	Common	01/14/16	Reduction of Debt	Investor	Microcap Equity Group	0.00050	8,000
10,900,000	Common	01/15/16	Reduction of Debt	Investor	RDW Capital Partners	0.00050	5,450
(6,887,000)	Common	01/15/16	Shares Cancelled	Investor	Stone Street Investments	0.00360	(24,793)
13,928,571	Common	01/18/16	Reduction of Debt	Investor	Microcap Equity Group	0.00035	4,875
7,523,810	Common	01/19/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00042	3,160
6,857,142	Common	01/19/16	Reduction of Debt	Investor	Microcap Equity Group	0.00035	2,400
15,000,000	Common	01/20/16	Reduction of Debt	Investor	RDW Capital Partners	0.00050	7,500
30,809,524	Common	01/22/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00042	12,940
16,140,000	Common	01/25/16	Reduction of Debt	Investor	RDW Capital Partners	0.00035	5,649
13,928,571	Common	01/25/16	Reduction of Debt	Investor	Microcap Equity Group	0.00035	4,875
16,950,000	Common	01/26/16	Reduction of Debt	Investor	RDW Capital Partners	0.00028	4,746
17,500,000	Common	01/28/16	Reduction of Debt	Investor	RDW Capital Partners	0.00028	4,900
17,857,142	Common	01/31/16	Reduction of Debt	Investor	Microcap Equity Group	0.00028	5,000
13,392,858	Common	02/02/16	Reduction of Debt	Investor	Microcap Equity Group	0.00016	2,143
44,944,444	Common	02/10/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00018	8,090
45,000,000	Common	02/12/16	Reduction of Debt	Investor	Microcap Equity Group	0.00012	5,400
53,916,667	Common	02/16/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00012	6,470
20,400,000	Common	02/22/16	Reduction of Debt	Investor	RDW Capital Partners	0.00002	408
61,533,333	Common	02/23/16	Reduction of Debt	Investor	Beaufort Capital Partners	0.00006	3,692
60,000,000	Common	02/24/16	Reduction of Debt	Investor	Microcap Equity Group	0.00004	2,400
67,346,939	Common	03/01/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	3,300
37,840,000	Common	03/03/16	Reduction of Debt	Investor	RDW Capital Partners	0.00004	1,514
81,632,653	Common	03/09/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	4,000
90,000,000	Common	03/10/16	Reduction of Debt	Investor	Microcap Equity Group	0.00004	3,600
51,020,408	Common	03/11/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	2,500
95,000,000	Common	03/21/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	4,750
96,938,776	Common	03/30/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	4,750
90,000,000	Common	04/01/16	Reduction of Debt	Investor	Microcap Equity Group	0.00004	3,600
22,500,000	Common	04/01/16	Price Reset	Investor	Microcap Equity Group	0.00008	1,800
58,900,000	Common	04/03/16	Reduction of Debt	Investor	RDW Capital Partners	0.00004	2,356
140,816,327	Common	04/05/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	6,900
48,000,000	Common	04/08/16	Reduction of Debt	Investor	RDW Capital Partners	0.00004	1,920
160,204,082	Common	04/18/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	7,850
100,000,000	Common	04/18/16	Reduction of Debt	Investor	Microcap Equity Group	0.00004	4,000
185,000,000	Common	05/12/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	9,250
139,663,400	Common	05/16/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	6,983
200,000,000	Common	05/25/16	Reduction of Debt	Investor	Microcap Equity Group	0.00004	8,000
219,954,649	Common	06/02/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00004	9,678
228,888,889	Common	12/06/16	Reduction of Debt	Investor	Blackbridge Capital LLC	0.00005	10,300

Restricted Common Stock issued to Officers, Directors and Consultants as compensation:

Table B.							
Number of Shares issued	Class	Date of Issuance	Proceeds from Sale or Description of Consideration		Name	Price Per Share	value
19,500,935	Common	01/12/16	Officer or Director Compensation	Officer	Teresa McWilliams	0.00100	19,501
400,000,000	Common	12/01/16	Provided for Consulting Services	Consultant	WSH LLC	0.00010	40,000
93,991,961	Common	05/31/17	Officer or Director Compensation	Director	Donald C. Bennett	0.00030	25,000
127,521,146	Common	05/31/17	Officer or Director Compensation	Officer	Teresa McWilliams	0.00020	25,000

Preferred Series B shares issued to Officers, Directors, and Consultants for compensation, services provided, and in the acquisition of a subsidiary company:

Table C.							
Number of Shares issued	Class	Date of Issuance	Proceeds from Sale or Description of Consideration		Name	Price Per Share	value
5,500,000	B Preferred	03/31/16	Officer or Director Compensation	Officer	Teresa McWilliams	0.01000	55,000
5,200,000	B Preferred	03/07/18	Private Placement	Investor	L. Kravets	0.00100	5,200

Preferred Series E shares issued to Officers and Directors for reduction of debt:

Table D.							
Number of Shares issued	Class	Date of Issuance	Proceeds from Sale or Description of Consideration		Name	Price Per Share	value
1	E Preferred	04/18/16	Reduction of Debt	Officer	Teresa McWilliams	0.00100	25,000
1	E Preferred	09/30/16	Reduction of Debt	Officer	Donald C. Bennett	0.00100	25,000
1	E Preferred	03/31/17	Reduction of Debt	Officer	Teresa McWilliams	0.00100	25,000
1	E Preferred	03/31/17	Reduction of Debt	Officer	Donald C. Bennett	0.00100	25,000

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Authorized

The Company is authorized to issue 3,946,821,989 shares of \$0.001 par value common stock and 53,178,011 shares of \$0.001 par value preferred stock. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The preferred shares may be issued in series, with the powers, rights and limitations of the preferred shares to be determined by the Board.

On May 11, 2016, the Nevada Secretary of State accepted for filing a Certificate of Amendment increasing the Company's authorized common stock from 1,964,324,990 to 3,946,821,989 with a par value of \$0.001. The amendment was approved by the shareholders and directors on April 18, 2016.

On March 14, 2016, the Nevada Secretary of State accepted for filing a Certificate of Amendment increasing the Company's authorized common stock from 964,324,990 to 1,964,324,990 with a par value of \$0.001. The amendment was approved by the shareholders and directors on March 1, 2016.

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3. Financial Statements

The Company's financial statements are attached at the end of this interim filing as

Exhibit A. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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Condensed Consolidated Balance Sheets as of March 31, 2018 and 2017	11
Condensed Consolidated Statements of Operations as of March 31, 2018 and 2017	12
Condensed Consolidated Statements of Cash Flows as of March 31, 2018 and 2017	13
Condensed Consolidated Statements of Changes in Stockholders' Deficiency as of March 31, 2018	14
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6. Description of Issuer's Business, Products and Services

Originally incorporated under the laws of New York in 1977, the company began as a distributor of education-oriented toys and children's books. The Company began trading on NASDAQ in 1984, until voluntarily filing a Form 15C in 2009. On December 4, 2009, the Company announced its decision to exit the toy business and pursue new business ventures. In 2012, the Company relocated its state of incorporation to Nevada, and with its corporate headquarters in South Florida, began to strategically acquire businesses with strong growth potential and a solid business plan primarily in the software and technologies industries.

On March 18, 2016, the Company entered into a software acquisition agreement to acquire all right, title, and interest in and to a certain computer program and documentation which will be marketed as "software-as-a-service", a web-based system that provides an easy way for the customer's compliance officers to identify and resolve potential violations or problematic areas under the rules of compliance. This acquisition is expected to be completed by the second quarter of 2018.

On October 31, 2016, the Company entered into a definitive purchase agreement to acquire all of the capital stock of a developer of hardware independent biometric processing software and leading provider of software development services as a subcontractor to major corporations. The Company concentrates on the design and development of large custom systems, such as high-volume message switches, large database systems, and the automation of large clerical systems. They also provide management consulting services to produce feasibility studies, procurement documents, special studies associated with automation or communications, and assisting customer staff in the development of automated systems. Under the terms of the definitive purchase agreement the closing date was initially to be held on or before December 15, 2016. The closing date has been extended, by the approval of all parties, until adequate financing has been achieved. This acquisition is expected to close during the second quarter of 2018.

The Company's primary and secondary SIC Codes are:

551114 – Holding companies that manage

541511 – Software development and sales

Products and Services:

Software Development and Sales: The Company develops and manages software, technology and cyber security companies as subsidiaries, through strategic acquisitions. To this, the Company has launched a very intensive campaign to target multiple strategic partnerships, business and software asset acquisitions and will rapidly develop a robust portfolio of technology assets over the next several years, allowing us to increase strategic partnerships, market share and profitability.

The Company has selected a number of potential candidates in order to enable the success of this software and technology vertical. However, there are currently no products being sold.

7. Facilities

The Company neither owns nor leases any real or personal property. Shared office space is being rented on a month-by-month basis.

8. Officers and Directors:

The officers and directors are involved in other business activities and most likely will continue to be involved in other business activities in the future.

Name	Position with Company
Glenn W. Milligan	President and Chief Executive Officer
Teresa McWilliams	Chief Financial Officer
Donald Bennett	Chairman
Larry G. Striggles	Director
Jonathan Baker	Director
Vacant	Director

Control Persons: Beneficial owners of more than 10% of any class of the issuer's securities:

Name of Beneficial Owner	Title	Amount of Beneficial Ownership	% Ownership
Teresa McWilliams	CEO/CFO	2 - Series E	50 %
Donald C Bennett	Chairman	2 - Series E	50 %

9. Third Party Providers

Legal Counsel

McMurdo Law Group, LLC
Matthew McMurdo, Esq.
1185 Avenue of the Americas
3rd Floor
New York, New York 10036
(w) 917-318-2865
(f) 866-606-8914

Auditor

(TBD)

Investor Relations

(TBD)

Issuer Certification - CEO

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, Glenn W. Milligan, certify that:

1. I have reviewed this Annual Disclosure and Financial Statements of ALUF HOLDINGS, INC.;
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.

May 14, 2018

/s/ Glenn W. Milligan, President/CEO

[Signature]

10a) Issuer Certification - CFO

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, TERESA McWILLIAMS, certify that:

1. I have reviewed this Interim Disclosure and Financial Statements of ALUF HOLDINGS, INC.;
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.

April 9, 2018

/s/ Teresa McWilliams, Chief Financial Officer

[Signature]

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Exhibit A

SUPPLEMENTAL INFORMATION

CONSOLIDATED FINANCIAL INFORMATION

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Condensed Consolidated Balance Sheets as of March 31, 2018 and 2017	11
Condensed Consolidated Statements of Operations as of March 31, 2018 and 2017	12
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ALUF HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

	March 31,	
	2018	2017
Current Assets		
Cash	-	-
Accounts receivable	123,000	111,458
Prepaid expenses and other current assets	<u>132,187</u>	<u>138,189</u>
Total current assets	255,187	249,647
Other Assets	2,835,000	2,710,000
Fixed Assets, net	<u>-</u>	<u>-</u>
Total assets	<u><u>3,090,187</u></u>	<u><u>2,959,647</u></u>
Current Liabilities		
Accounts payable and accrued expenses	1,667,202	1,206,311
Convertible Promissory Notes - short term	<u>137,223</u>	<u>184,094</u>
Total current liabilities	1,804,425	1,390,405
Long Term Notes Payable	588,000	715,699
Commitments and Contingencies	<u>1,195,770</u>	<u>1,113,220</u>
Total Liabilities	3,588,194	3,219,324
Shareholders' Deficit		
Preferred stock, \$.001 par value; 53,178,001 shares authorized March 31, 2018 and 2017 respectively:		
Series A: 175,000 shares issued and outstanding at March 31, 2018 and 2017, respectively	175	175
Series B: 22,443,000 and 17,055,000 shares issued and outstanding at March 31, 2018 and 2017, respectively	22,433	17,055
Series D: 3,001 shares issued and outstanding at March 31, 2018 and 2017, respectively	3	3
Series E: 0 and 4 shares issued and outstanding at March 31, 2018 and 2017, respectively	-	-
Common stock, \$.001 par value; 3,946,821,989 shares authorized; 3,471,203,000 and 3,249,689,000 issued and outstanding March 31, 2018 and 2017, respectively		
	3,471,203	3,249,689
Treasury stock, \$.001 par value; 141,000 shares authorized at March 31, 2018 and 2017, respectively		
	(141)	(141)
Additional paid-in-capital	17,075,081	17,295,841
Unearned compensation costs	-	(49,246)
Stock Dividend	(151,931)	(151,931)
Accumulated deficit	<u>(20,914,653)</u>	<u>(20,621,123)</u>
Total shareholders' deficit	<u>(498,007)</u>	<u>(259,677)</u>
Total liabilities and shareholders' equity	<u><u>3,090,187</u></u>	<u><u>2,959,647</u></u>

See accompanying notes to condensed consolidated financial statements

ALUF HOLDINGS, INC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

**For the period ended
March 31,**

	2018	2017
Gross Sales	-	-
Cost of Sales	-	-
Net Sales	-	-
Operating expenses		
Marketing and advertising	-	-
General and administrative	107,522	33,007
Total operating expenses	107,522	33,007
Net loss before income taxes	(107,522)	(33,007)
Interest expense	-	-
Other income (expense)	-	-
Total other income (expense)	-	-
Net profit (loss)	\$ (107,522)	\$ (33,007)

See accompanying notes to condensed consolidated financial statements

ALUF HOLDINGS, INC
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>March 31,</u> <u>2018</u>
Cash flow from operating activities:	
Net income (loss)	\$ (107,522)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation and amortization	-
Changes in operating assets and liabilities:	
Accounts receivable	-
Prepaid expenses and other assets	-
Accounts payable, accrued expenses	<u>(5,200)</u>
Net cash provided by (used in) operating activities	(112,722)
Cash flows from financing activities:	
Issuance of stock	5,200
Loans and notes payable	<u>-</u>
Net cash provided by financing activities	<u>5,200</u>
Net increase (decrease) in cash	-
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ -</u></u>

See accompanying notes to condensed consolidated financial statements

ALUF HOLDINGS, INC
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

	Preferred Stock \$.001 Par Value		Common Stock \$.001 Par Value		Treasury Stock \$.001 Par Value		Unearned Comp	Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity/Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Cost	Dividend			
Balance @ December 31, 2016	17,233,162	\$ 17,233	3,249,689,524	\$ 3,249,689	(140,541)	\$ (141)	\$ (49,246)	\$ (151,931)	\$ 17,245,840	\$ (20,588,149)	\$ (276,670)
Preferred stock issued in reduction of debt	2	\$ -							\$ 50,000.00		\$ 50,000
Common stock issued for the reduction of debt			93,991,961	\$ 93,992					\$ (68,992)		\$ 25,000
Common stock issued as compensation to Officers			127,521,146	\$ 127,521					\$ (102,521)		\$ 25,000
Stock issued for professional services			385,500,000	\$ 385,500					\$ (308,400)		\$ 77,100
Cancellation of common stock issued as compensation to Officers			(385,500,000)	\$ (385,500)					\$ 308,400		\$ (77,100)
Adjustment due to expired warrants							\$ 49,246		\$ (49,246)		\$ -
Net Loss										\$ (219,753)	\$ (219,753)
Balance @ December 31, 2017	17,233,164	\$ 17,233	3,471,202,631	\$ 3,471,203	(140,541)	\$ (141)	\$ -	\$ (151,931)	\$ 17,075,081	\$ (20,807,902)	\$ (396,458)
Preferred stock issued in private placement	5,200,000	\$ 5,200							\$ -		\$ 5,200
Prior year adjustment to retained earnings										\$ 772	\$ 772
Net Loss										\$ (107,522)	\$ (107,522)
Balance @ March 31, 2018	22,433,164	\$ 22,433	3,471,202,631	\$ 3,471,203	(140,541)	\$ (141)	\$ -	\$ (151,931)	\$ 17,075,081	\$ (20,914,652)	\$ (498,008)

See accompanying notes to condensed consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL ORGANIZATION AND BUSINESS

Organization. ALUF HOLDINGS, INC. (AHIX) originally incorporated under the laws of New York in 1977. The company began as a distributor of education-oriented toys and children's books. The Company began trading on NASDAQ in 1984, until filing a Form 15C in 2009. On December 4, 2009, the Company announced its decision to exit the toy business and pursue new business ventures. In 2012, the Company relocated its state of incorporation to Nevada, and with its corporate headquarters in South Florida, began to strategically acquire businesses with strong growth potential and a solid business plan primarily in the software and technologies industries. To date, the Company currently has three Letters of Intent (LOI's) in place.

On July 27, 2015, the Company entered into a Non-Binding Letter of Intent (LOI) to acquire the assets of a biometric software innovator formed in 2004, whose software products include "undefeatable" FIPS 140-2 Suite B military grade encryption. This technology is designed for use in the purpose of identifying and authenticating an individual using his unique physical characteristics. Biometrics measure and analyze both physiological and behavioral characteristics such as DNA, fingerprints, eye retinas and irises, voice patterns, facial patterns, vein and signature patterns and hand measurements for authentication or identification purposes of a human being. On October 10, 2015, the Company formed a new operating entity, Aluf Biometrics, Inc., for this acquisition. After further due diligence, it has been determined by the Company that in order to continue with the acquisition, the price and terms must be renegotiated. As of March 31, 2018, the Company is unable to reach a favorable agreement with the sellers, and it is unlikely that an acquisition will take place.

On March 18, 2016, the Company entered into a software acquisition agreement to acquire all rights, title, and interest in and to a certain computer program and documentation which will be marketed as "software-as-a-service", a web-based system that provides an easy way for the customer's compliance officers to identify and resolve potential violations or problematic areas under the rules of compliance. Closing will likely take place during 2018.

On September 3, 2016, the Company entered into a Non-Binding Letter of Intent (LOI) to acquire the capital stock of a developer of hardware independent biometric processing software and leading provider of software development services as a subcontractor to major corporations. The Company concentrates on the design and development of large custom systems such as high-volume message switches, large database systems, and the automation of large clerical systems. They also provide management consulting services to produce feasibility studies, procurement documents, special studies associated with automation or communications, and assisting customer staff in the development of automated systems. Under the terms of the Letter of Intent (LOI), a definitive agreement was executed on October 31, 2016. Closing will likely take place during 2018.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Core Wafer Systems, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Basis of Presentation

Our condensed consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts.

Principles of Consolidation

The consolidated financial statements include the accounts of Aluf Holdings, Inc. and its wholly-owned subsidiaries, Aluf Biometrics, Inc. and Core Wafer Systems, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Property and Equipment

Fixed assets are comprised of furniture and fixtures, computer equipment, purchased software and major categories of property and equipment and are stated at cost and depreciated using the straight-line method, over the estimated useful lives of the various classes of assets, as follows:

Furniture, fixtures and equipment	3 – 10 years
Computers and purchased software	3 – 5 years

Intangible Assets

The Company adopted Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144” or “ASC 360”), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,” and the accounting and reporting provisions of APB Opinion No. 30, “Reporting the Results of Operations for a Disposal of a Segment of a Business.” The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

The Company had a valuation performed on its wholly owned subsidiary, Core Wafer Systems, Inc. As a result of the analysis, it was determined that the fair values of the various intangible assets acquired from Core Wafer Systems, Inc. was \$4,786,000 at October 25, 2012. The full value of the assets has been impaired.

Fair Value of Financial Instruments

The Company's financial instrument consists of prepaid expenses, deposits, investments, customer deposits, accounts payable and accrued expenses, accrued interest, loans payable and loans payable to a related party. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its other financial instruments and that their fair values approximate their carrying values except where separately disclosed.

Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the Securities and Exchange Commission’s Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104 or ASC 605-10), which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has occurred or services have been rendered. Revenue from the sale of products is generally recognized after both the goods are shipped to the customer and acceptance has been received, if required. Our products are custom made for our customers, who primarily consist of original engineer manufacturers (OEMs), and we do not accept returns. Our products are shipped complete and ready to be incorporated into higher level assemblies by our customers. The terms of the customer arrangements generally pass title and risk of ownership to the customer at the time of shipment.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with ASC Topic 718. To date, the Company has not granted any stock options.

Income Taxes

The Company provides for income taxes using an asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. No provision for income taxes is included in the statement due to its immaterial amount, net of the allowance account, based on the likelihood of the Company to utilize the loss carry-forward.

Basic and Diluted Earnings (Loss) Per Share

Earnings/(Loss) per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128 or ASC 260), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net income (loss) per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Basic and diluted loss per share was \$0.00 for the period ended March 31, 2018 and 2017 respectively.

Impairment of Long-lived Assets

In accordance with ASC 360, "Property, Plant and Equipment", the Company reviews the carrying values of long-lived assets, including property, plant and equipment and other intangible assets, whenever facts and circumstances indicate that the assets may be impaired. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If an asset is considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs of disposal. The Company last performed annual reviews of its long-lived assets at December 31, 2013 and 2012. In 2013, the Company decided to impair the goodwill in total and further impair other intangible assets. The amount of impairment loss in 2012 was \$3,400,000 (as restated).

Goodwill

The Company recognizes goodwill for the excess of the purchase price over the fair value of the identifiable net assets of the business acquired. ASC 350 "Intangible Assets-Goodwill and Other", an impairment test for goodwill is undertaken by the Company at the reporting unit level annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The Company recorded impairment of goodwill related to its subsidiary, Core Wafer Systems, Inc.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU-2016-02, "Leases (Topic 842)." The guidance requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. For finance leases: the right-of-use asset and a lease liability will be initially measured at the present value of the lease payments, in the statement of financial position; interest on the lease liability will be recognized separately from amortization of the right-of-use asset in the statement of comprehensive income; and repayments of the principal portion of the lease liability will be classified within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows. For operating leases: the right-of-use asset and a lease liability will be initially measured at the present value of the lease payments, in the statement of financial position; a single lease cost will be recognized, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and all cash payments will be classified within operating activities in the statement of cash flows. Under Topic 842 the accounting applied by a lessor is largely unchanged from that applied under previous GAAP. The amendments in Topic 842 are effective for the Company beginning January 1, 2019, including interim periods within that fiscal year. We are currently evaluating the impact of adopting the new guidance of the consolidated financial statements.

In January 2016, the Financial Accounting Standards Board ("FASB"), issued Accounting Standards Update ("ASU") 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance in U.S. generally accepted accounting principles on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

for fiscal years and interim periods beginning after December 15, 2017 and are to be adopted by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this standard.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This ASU is effective for financial statements issued for annual periods beginning after December 16, 2016, and interim periods within those annual periods. The adoption of this standard will not have any impact on the Company's financial position, results of operations and disclosures.

NOTE 3 – PROPERTY AND EQUIPMENT

The company did not have any depreciable fixed assets for the period ending March 31, 2018 and 2017.

NOTE 4 – VALUATION OF INTANGIBLE ASSETS AND GOODWILL

A valuation was done for the purposes of the October 25, 2012 purchase of Core Wafer Systems, Inc. the fair values of the various intangible assets acquired at October 25, 2012 are:

(\$ in thousands)		Fair Value
Working Capital		\$ (1,364.3)
Tangible Property		56.9
Identifiable Intangible Property		
Trade Name	210.0	
Trademarks	402.9	
Software	2,416.7	
Customer Relations	101.4	
Total Identifiable Intangible Property		3,131.0
Assets Acquired in Excess of Enterprise Value		<u>2,962.4</u>
Value of consideration Paid		<u>\$ 4,786.0</u>

The Company last performed annual reviews of its long-lived assets at December 31, 2013 and 2012. In 2013, the Company decided to impair the goodwill in total and further impair other intangible assets:

(\$ in thousands)		
Development Costs		495.0
Trademarks		2.1
Software		<u>3,700.0</u>
Value of Intangible Assets Before Impairment		<u>\$ 4,197.1</u>

NOTE 5 – NOTES PAYABLE

On March 20, 2011, the Company entered into a Convertible Promissory Note as settlement with a certain vendor for accounts payable incurred prior to 2008, which is subject to a Debt Purchase Agreement dated February 9, 2011. The original principal amount of the note, including accrued interest, is \$487,773 with interest at 8% per annum. Between 2011 and 2015 approximately \$326,000 was converted into shares of the Company's common stock. During 2016, \$25,000 was paid toward the principal balance and approximately \$220,000 was assigned to three third party investors by the note holder. As of December 31, 2017, one of the note assignments was fully converted into approximately 1.5 billion shares of the company's common stock, the second note assignment was fully converted into approximately 259 million shares of the Company's common stock, and the third note assignment was partially converted into 704 million shares of the Company's common stock leaving a balance of approximately \$17,000. The conversion rights of the remaining balance of third note assignment was written off by the Company following notification of an order and complaint filed by the SEC against the investor in the United States District Court on November 17, 2017. As of March 31, 2018, and 2017, the approximate remaining principal and interest balances are \$ -0- and \$17,000, respectively.

On November 30, 2011, the Company entered into an Installment Promissory Note with Magsamen Consulting, LLC in the principal sum of \$195,000 without interest, as settlement of a default judgment. The initial payment of \$20,000 was also paid on November 30, 2011, with an additional payment of \$25,000 due on or before March 3, 2012, then quarterly payments of \$18,750 thereafter, beginning June 15, 2012. On March 5, 2012 the company made a partial payment in the amount of \$12,500 toward the first installment. As of March 31, 2018, no other payments have been made.

On various dates between December 17, 2009 and October 19, 2012, Roger Goetz, former owner and President of Core Wafer Systems, Inc. (CWS), a subsidiary acquired by the company on October 26, 2012, entered into a number of Promissory Notes in the approximate principal amount of \$1,644,000 with varying rates of interest, for cash payments received by Goetz and or CWS for working capital. All principal and interest accruing under the Notes was due on varying dates on or before December 31, 2012. None of these notes were recorded in the books and records of CWS as provided to the Company and were not submitted nor disclosed to the Company at any time prior to the close of the acquisition of CWS and the Company had no prior knowledge of these transactions. Prior to June 3, 2015 approximately \$195,000 was repaid by Goetz and \$285,700 was assigned to third party investors and converted into common stock of the company. On or about June 3, 2015 Goetz was sentenced in U.S. District Court in St. Paul, MN on two counts of federal wire fraud where he was ordered to pay nearly \$1.6 million dollars to the note holders who were identified in the proceedings as the victims of his fraud, between 2009 and January 2013. As such the Company does not believe that it is in any way liable for the repayment of these notes; therefore, the approximate remaining balance of \$585,700, in CWS notes payable, have been reclassified as contingent liabilities.

On October 31, 2011, Roger Goetz, former owner and President of Core Wafer Systems, Inc. (CWS), a subsidiary acquired by the company on October 26, 2012, entered into a Promissory Note with Luis DeAncona ("DeAncona"), a business partner of Goetz, for the acquisition of certain intellectual property and other expenses in the principal amount of \$2,866,981 with interest at the rate of 4% annually. As of December 31, 2014, the Company paid approximately \$13,296 to DeAncona and DeAncona assigned \$700,000 of the note to third party investors of which approximately \$579,000 was converted into approximately 312 million shares of the Company's common. On January 2, 2012 Goetz entered into an Asset Purchase Agreement with DeAncona in the amount of \$715,000 which was not disclosed to the Company prior to the acquisition of CWS. The Asset Purchase Agreement was for the sale of certain assets including testers, computers, and various items of office furniture and other equipment which were part of the Company's acquisition of CWS; therefore, on December 31, 2014, the principal balance of the note was reduced by \$715,000 in accordance with the Asset Purchase Agreement dated January 2, 2012, between Goetz and DeAncona. On or about November 1, 2014, the Company received additional evidence of an agreement between Goetz and DeAncona dated November 23, 2011, selling the previously purchased IP back to DeAncona prior to the closing of the acquisition of CWS by the Company. As such, on or about March 31, 2015 the Company off set the remaining balance of the promissory note and accumulated interest payable to DeAncona, against the value of those certain IP assets listed in said agreement, without objection from DeAncona. As of March 31, 2018, there is a remaining balance of approximately \$121,000 of the portion of the note that was assigned to a third-party investor.

As of June 22, 2015, \$215,500, which had been accrued as compensation payable for a former executive, under his consulting agreement dated June 22, 2013, was converted into a convertible debenture on July 31, 2015 with interest at 8% per annum, and payable on or before July 31, 2016. As of March 31, 2018, no payments or conversions have been made.

NOTE 5 – NOTES PAYABLE (CONTINUED)

On November 5, 2015, the Company received \$25,000 cash in exchange for a Convertible Promissory Note payable in full on November 5, 2016, in the amount of \$32,500. This note may be prepaid, in the amount of \$32,500, at any time prior to its due date, without penalty. As of March 31, 2018, no payments or conversions have been made.

On November 13, 2015, the Company received \$10,000 cash in exchange for a Convertible Debenture payable on November 16, 2016, without interest. The Company may pre-pay this note, without penalty, any time. As of March 31, 2018, no payments or conversions have been made.

NOTE 6 – GOING CONCERN

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company has operating and liquidity concerns, current liabilities exceeded current assets by \$1,549,238 at March 31, 2018, and has reported a net loss of \$107,522 at March 31, 2018. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of these uncertainties.

Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses. The Company intends to position itself so that it may be able to raise additional funds through the capital markets. In light of management's efforts, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern.

NOTE 7 – STOCKHOLDERS' EQUITY

Authorized

The Company is authorized to issue 3,946,821,989 shares of \$0.001 par value common stock and 53,178,011 shares of \$0.001 par value preferred stock. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The preferred shares may be issued in series, with the powers, rights and limitations of the preferred shares to be determined by the Board.

On May 11, 2016 the Nevada Secretary of State accepted for filing a Certificate of Amendment increasing the Company's authorized common stock from 1,964,324,990 to 3,964,324,989 with a par value of \$0.001. The amendment was approved by the shareholders and directors on April 18, 2016.

On March 14, 2016 the Nevada Secretary of State accepted for filing a Certificate of Amendment increasing the Company's authorized common stock from 964,324,990 to 1,964,324,990 with a par value of \$0.001. The amendment was approved by the shareholders and directors on March 1, 2016.

Stock-Based Compensation – Common Stock

During the period March 31, 2018 and 2017, the Company did not issue any common stock.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Advances

From time to time, the Company has received advances from certain of its officers and related parties to meet short-term working capital needs. For the period March 31, 2018 and 2017, a total of \$54,344 and \$33,460 advances from related parties is outstanding, respectively. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Employment agreements

Effective January 3, 2018, the Company entered into an employment agreement with our chief executive officer. This agreement continues either party terminates in accordance with the provisions of the Agreement, or his death or permanent disability. The agreement calls for a minimum salary of \$15,417 per month plus additional cash and stock compensation upon the achievement of various milestones. The Company has not made certain cash payments due under the agreement. As of March 31, 2018, approximately \$92,500 has been accrued as salaries and wages payable.

Effective June 1, 2017, the Company renewed the employment agreement with our interim president/chief executive officer and chief financial officer for an additional two-year period. The agreement calls for a minimum salary of \$15,000 through July 31, 2017 with an increase, effective August 1, 2017, to \$18,750 per month plus additional cash and stock compensation. All other terms of the renewal agreement remain the same as the original agreement. The company has not made certain cash payments due under these agreements. As of March 31, 2018, approximately \$980,000 has been accrued as salaries, wages and benefits compensation payable.

Certain cash payments have not been made to a former CEO under an employment agreement dated June 22, 2013. As of March 31, 2018, there remains a balance of \$138,500 in accrued compensation payable.

Payroll taxes

As of March 31, 2018, there is an accrued payroll tax liability of approximately \$207,000.

Notes Payable

On various dates between December 17, 2009 and October 19, 2012, Roger Goetz, former owner and President of Core Wafer Systems, Inc. (CWS), a subsidiary acquired by the company on October 26, 2012, entered into a number of Promissory Notes in the approximate principal amount of \$1,644,000 with varying rates of interest, for cash payments received by Goetz and or CWS for working capital. All principal and interest accruing under the Notes was due on varying dates on or before December 31, 2012. None of these notes were recorded in the books and records of CWS as provided to the Company and were not submitted nor disclosed to the Company at any time prior to the close of the acquisition of CWS and the Company had no prior knowledge of these transactions. Prior to June 3, 2015 approximately \$195,000 was repaid by Goetz and \$285,700 was assigned to third party investors and converted into common stock of the company. On or about June 3, 2015 Goetz was sentenced in U.S. District Court in St. Paul, MN on two counts of federal wire fraud where he was ordered to pay nearly \$1.6 million dollars to the note holders who were identified in the proceedings as the victims of his fraud, between 2009 and January 2013. As such the Company does not believe that it is in any way liable for the repayment of these notes; therefore, the approximate remaining balance of \$585,700, in CWS notes payable, have been reclassified as contingent liabilities.

Legal Proceedings

In June 2008, the Company received notice of a default in the amount of approximately \$354,607 resulting from a complaint filed by former employees. Debra Rutledge, Eric Rutledge & Jeanne Moore v. Action Products International, Inc., Action Toys, Inc., Action Healthcare Products, Inc., Curiosity Kits, Inc., Warren Kaplan and Judith Kaplan, Case No. 6:09-CV-1245- Orl-35GJK filed in the United States Middle District Court, District of Florida, Orlando Division. Plaintiffs allege a breach by the company of an oral contract and claim damages for failure to pay minimum wages, breach of contract, back pay with benefits and penalties for COBRA and ARRA violations. On June 28, 2008, the Company obtained legal counsel and filed its answer to the complaint however counsel for the Company was later allowed to withdraw and a default judgment was entered on October 7, 2010. On August 11, 2011, a final judgment was entered by the court granting the petitioners \$27,167.95 for their claim. On June 11, 2012, the court entered another judgment in the matter on behalf of the Plaintiffs awarding them an additional \$38,801.50 in attorneys' fees. As of March 31, 2018, the Company has not paid either of the judgments.

On December 11, 2008, the Company entered into a court ordered Settlement Agreement with Magsamen Consulting, LLC, a former consultant of the Company. Pursuant to a Settlement Agreement, the Company agreed to pay \$100,000 to Magsamen and upon full payment; the Company and Magsamen will execute general releases. All amounts owed under the Settlement Agreement have been recorded as liabilities and charged to expense as of December 31, 2008. In a bench trial on April 19, 2010, a judgment was ordered in the Circuit Court for Baltimore County in and for the State of Maryland against the Company for non-payment of the cash payment and certain expenses as provided for in the Settlement Agreement of December 11, 2008 in the amount of \$194,903.31. The Company retained legal counsel to resolve the matter and on November 30, 2011 entered in to an Installment Promissory Note and Confession of Judgment (Note) with **NOTE**

8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Magsamen. As of March 31, 2018, the Company has made one of the required payments under the terms of the Note.

During 2009, Ronald Kaplan, a former officer and employee of the company filed a complaint in the Circuit Court for the 9th Judicial Circuit in and for Orange County, Florida against the Company claiming damages exclusive of attorneys' fees and costs, for unpaid wages and personal expenses aggregating \$75,479.63. On November 9, 2009 the court granted a default judgment on behalf of Ronald Kaplan. The company believes this claim is without merit and as of March 31, 2018, has not made any payments or offer of settlement to the Plaintiff.

In April 2009, the company received a demand letter from its former CFO, Robert Burrows, alleging cash and stock compensation due in the amount of approximately \$250,000. On July 27, 2010, the court granted a default judgment in the amount of \$431,530.39 on behalf of Robert Burrows. The company believes this claim is without merit and as of March 31, 2018, has not made any payments or offer of settlement to the Plaintiff.

On September 28, 2009, Baker, Govern & Baker PA filed a complaint in the Circuit Court for the 9th Judicial Circuit in and for Orange County, Florida against the Company claiming damages, exclusive of attorneys' fees and costs, for breach of contract aggregating \$28,562.70. On September 17, 2010 the court granted a default judgment on behalf of Baker, Govern & Baker PA. The company believes this claim is without merit and as of March 31, 2018, has not made any payments or offer of settlement to the Plaintiff.

On November 15, 2012, the Company received a letter from the attorneys representing Sandia Technologies, et. al., ("ST") with regard to a Settlement Agreement entered into by Roger Goetz, former owner and President of Core Wafer Systems, Inc. (CWS), a subsidiary acquired by the company on October 26, 2012. In the original Settlement Agreement dated July 25, 2012, Goetz agreed to pay to Sandia Technologies the sum of \$500,000 for all rights and licenses of IP, copyrights, trademarks, etc. for the PDQ Suite purchased from ST in December 2005. Payment was to be made by CWS within 90 days of the settlement date. CWS failed to make the payment as agreed and as a result, Sandia Technologies has requested payment be made in full by 5:00 p.m. on Tuesday, November 20, 2012 or, in the alternative, that the terms of the settlement be modified. The Settlement Agreement stems from a lawsuit that was filed in the State of New Mexico, County of Bernalillo, Second Judicial District Court, No. CV 2010-10561 by CWS against ST for their release of IP, copyrights, trademarks, etc. for the PDQ Suite purchased from ST in December 2005. Sandia claims the agreement was verbally modified in 2006 to increase the payment another \$400,000. Although verbal changes are prohibited in the agreement, CWS believed it was necessary to litigate and seek a pre-emptive judgment for total and absolute ownership as well as for damages due to ST using said IP for their enrichment. Additionally, Mr. Pierce asserted a 15.8% ownership in CWS. On August 2, 2013, the Company filed Plaintiffs' Response to Defendants' Motion for Order to Show Cause. A hearing was held in the matter on November 5, 2013 in the Bernalillo County Courthouse in Albuquerque, NM and a final judgment was entered. Under the terms of the final judgment Core Wafer Systems, Inc. was enjoined, until the judgment is paid in full, from all use of the Software Property in the case and its derivatives. On or about April 21, 2014, Sandia Technologies, through their attorney, rejected a plan to pay off the debt which was submitted to them on behalf of the Company. On or about May 30, 2014, the Company received a letter of formal notice and Consent to Serve as Receiver dated May 13, 2014 along with Judgment Creditors' Verified Application for Appointment of Receiver to Sell Intellectual Property of Judgment of Debtor which was dated April 28, 2014. On or about September 14, 2014, the Company received notice from Sandia's attorney in a letter dated September 4, 2014 which contained a copy of a Final Report of Receiver indicating that a receiver had been appointed by the Court's "Order Granting Judgment Creditors' Verified Application for Appointment of Receiver to Sell Intellectual Property of Judgment Debtor and Appointment of Receiver" dated July 12, 2014. Said Order Granted the sale, by the receiver, of the Software Property. It further stated that the sale took place on the front steps of the Second Judicial District Court, Bernalillo County, New Mexico on August 19, 2014. Sandia Technologies was the only bidder at the sale and made a credit bid of \$300,000 against the Final Judgment entered on November 12, 2013, in Sandia's favor reducing the balance of the judgment from \$500,000 to \$200,000. As of March 31, 2018, the Company has not made any payments to the court for this judgment.

On or about August 26, 2013, through our Registered Agent, the Company received a notice of Order Continuing Case Management Conference regarding a complaint filed on September 11, 2012 against its wholly owned subsidiary Core Wafer Systems, Inc., in the Superior Court of California, County of San Francisco, case number CGC-12-524080, for unpaid legal fees and costs in the amount of \$51,896.21. The notice set a case management conference for April 26, 2014 for plaintiff to obtain a default judgment against COREwafer Industries, Inc. The Company had no prior knowledge of the legal proceedings against Core Wafer Systems in this matter and will take appropriate measures to defend against it. As of March 31, 2018, the Company has not made any payments or offer of settlement in this matter.

8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The Company neither owns nor leases any real or personal property. A shared office space is being rented on a month by month basis.

NOTE 9 – INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in its financial statements or tax returns. Deferred income tax liabilities and assets are determined based on the difference between the financial statement and tax bases of liabilities and assets using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company applies the provisions of FASB, Interpretation No. 48, or FIN 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109.” FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return.

For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

The amount recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. When applicable, the Company will include interest and penalties related to uncertain tax positions in income tax expense.

At March 31, 2018, the Company had federal net operating loss carry-forwards totaling approximately \$20,915,000 which expire in various years through 2033.

NOTE 10 – SUBSEQUENT EVENTS

Since April 1, 2018, approximately \$10,000 has been advanced to the company by an officer for working capital.

As of March 1, 2018, it was mutually agreed that the Company would temporarily suspend further actions toward the Non-Binding Letter of Intent (LOI) entered into on November 10, 2017 to acquire all of the capital stock of a developer of biometric authentication technologies, products, and web-based app solutions for device and enterprise security gateways. The Target Company’s (TC2) biometric platform is poised to develop products and applications that meet multiple industry needs including Defense, Financial Services, Health Care, Manufacturing, Legal and Criminal Justice. Under the terms of LOI, the definitive purchase agreement must be fully executed on or before December 31, 2017 and was extended to February 15, 2018, contingent upon TC2 providing the Company’s with materials and information in order to complete its due diligence of TC. As of May 14, 2018, the Company has not reached a definitive agreement with TC2.