ACTION PRODUCTS INTERNATONAL, INC.

FINANCIAL STATEMENTS

For the years ending December 31, 2011 and 2010

ACTION PRODUCTS INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2011 and 2010

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ACTION PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2011 and 2010

	December 31, 2011 (Unaudited)	December 31, 2010 (Unaudited)
Current Assets		
Cash	$16,984	$34,170
Accounts receivable	13,171	-
Prepaid expenses and other current assets	316,712	20,388
Total current assets	346,867	54,558
Other Assets	138,536	20,793
Fixed Assets, net	454,078	564,183
Total assets	$ 939,481	$ 639,544
Current Liabilities		
Accounts payable and accrued expenses	$ 196,605	$ 832,452
Short-term loans and notes payable	14,500	23,831
Total current liabilities	211,105	856,283
Long Term Notes Payable	740,842	565,642
Commitments and Contingencies	547,741	431,000
Total Liabilities	1,526,688	1,852,926
Shareholders' Deficit		
Preferred stock, $.001 par value; 50,000,000 and 10,000,000 shares authorized at December 31, 2011 and 2010, respectively; 175,000 shares issued and outstanding at December 31, 2011 and 2010, respectively	175	175
Common stock, $.001 par value; 150,000,000 and 25,000,000 shares authorized at December 31, 2011 and 2010, respectively; 22,629,312 and 9,130,756 issued and outstanding December 31, 2011 and 2010, respectively	22,629	9,131
Treasury stock, $.001 par value; 141,000 and 241,000 shares authorized at December 31, 2011 and 2010, respectively	(141)	(241)
Additional paid-in-capital	12,323,178	10,818,814
Unearned compensation costs	(49,246)	(49,246)
Stock Dividend	(92,685)	-
Accumulated deficit	(12,791,117)	(11,992,025)
Total shareholders' deficit	(587,207)	(1,213,392)
Total liabilities and shareholders' equity	$ 939,481	$ 639,534

See accompanying notes to consolidated financial statements

ACTION PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2011 and 2010

	(Unaudited) December 31, 2011	2010
Gross Sales	$712,231	$1,481,421
Cost of Sales	399,315	1,048,072
Net Sales	312,916	433,349
Operating expenses		
Marketing and advertising	48,400	5,700
General and administrative	915,842	849,775
Total operating expenses	964,242	855,475
Loss from operations	(651,326)	(422,126)
Net Loss	$ (651,326)	$ (422,126)

See accompanying notes to consolidated financial statements

ACTION PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

Cash flows from operating activities:	
Net income	(651,326)
Adjustments to reconcile net income (loss)	
to net cash used for operating activities:	
Depreciation	147,245
Amortization	3,000
Cash provided by (used for):	
(Increase) decrease in assets	
Accounts receivable	(13,172)
Prepaid expenses	(296,324)
Other assets	(263,248)
Increase (Decrease) in liabilities	
Accounts payable	(164,025)
Accrued expenses	739,241
Net cash provided by (used in) for operating activities	(498,609)
Cash flows from investing activities:	
Purchase of property and equipment	(42,500)
Net cash provided by (used in) for investing activities:	(42,500)
Cash flows from financing activities:	
Proceeds from issue of common stock	207,500
Increase in Notes Payable	316,424
Net cash provided by (used in) financing activities	523,924
Net increase in cash	(17,185)
Cash, beginning of year	34,170
Cash, end of year	$ 16,985
[redacted]	
Non-cash activitites	
Share based compensation	$ 278,000
Acquisition of Northeast Expedite Logistics, LLC	$ 125,000

See accompanying notes to consolidated financial statements

ACTION PRODUCTS INTERNATIONAL, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND GOING CONCERN

Organization.

Action Products is a now a parent holding company of wholly owned subsidiaries with focus on logistics and transportation, technology, and the semiconductor quality & testing markets.

Originally incorporated in New York in 1977, the company relocated its operations and state of incorporation to Florida in 1980. In 1984 the company went public on the NASDAQ stock market. The company began as a distributor of education-oriented toys, children's books, stationery and souvenirs, supplying to museum gift shops exclusively.

In 1997, the company shifted focus from being a distributor of other manufacturers' toys, gifts, souvenirs, promotional premiums and published products towards the development, establishment and distribution of our own proprietary brands and products. In 2001, the company shifted to a manufacturer model and licensed products to other entities as a principal source of income. Historically, the principal source of revenues had been the sale of products to retailers.

In 2008, the company began restructuring and in 2009 delisted from the NASDAQ and exited the toy business.

In 2010, the company temporarily relocated the corporate office to New York and changed focus. The company focal areas are as follows:

Logistics & Transportation: Northeast Expedite Logistics, LLC ("the Company") is a provider of global logistics services operating which includes a domestic service center and exclusive and non-exclusive agents. The Company's customers include retail and wholesale, electronics, and manufacturing companies around the world. With industrial production increasing year-over-year, the shortage of qualified drivers and trusted shipping partners is apparent in mid-markets for local deliveries. As the economy improves, orders for delivery and logistics increase. We provide foundational shipping and coordination services between suppliers and destination businesses and warehouses, and we operate efficiently through cloud based tracking and E-logistics.

Quality and Reliability: High-Tech industry continues to grow at exponential rate, consumer and high-Tech parts continue to shrink and production increases in complexity. With complex production comes the need to aggressively test components to ensure long-life and low failure percentage. Quality reduces due to damaged equipment from natural disasters, and disaster forced shut-down of manufacturing facilities has opened up a market for a significant uptick in needs in this space.

The company is currently completing the acquisition of Core Wafer Systems, Inc. We expect this acquisition to close during the second quarter of 2012. Core Wafer Systems, Inc. creates proprietary software, software algorithms, and hardware that are used in the testing and data mining of the most commonly used computer hard drives, memory, and magnetics; as well as other advanced magnetic, semiconductor and nanotechnology-based device components. Core Wafer technology is capable of performing in-parallel measurements allowing customers to test components many times faster than a non-parallel process. Core Wafer ensures these components, created by leading semiconductor manufacturers, leave the factory in a working state after having been tested and proven. Core Wafer helps ensure that products are manufactured within specification and won't suddenly fail for the end consumer.

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 $622,769 at December 31, 2011, has reported a net loss of $651,326 and used net cash of $498,609 in operations during 2011. 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.

The Company's continued existence is dependent upon its ability to successfully execute its business plan. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of liabilities that may result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principals of Consolidation. The accompanying consolidated financial statements include the accounts of Action Products International, Inc. All inter-company transactions have been eliminated.

Revenue Recognition. The Company recognizes revenues in accordance with the guidance in the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104. Revenue is recognized when persuasive evidence of an arrangement exists, when the selling price is fixed or determinable, when delivery occurs and when collection is probable. The Company recognizes product sales revenue when products are shipped or ownership has transferred and royalties as they are earned.

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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable. Accounts receivable are stated at net realizable value. Management provides for uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts and historical collection information. Balances that are deemed uncollectible after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. As such, the Company did not record any allowance for doubtful accounts at December 31, 2011 and 2010.

Fixed Assets. Fixed assets are comprised of furniture and fixtures, computer equipment and purchased software 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 or Long-Lived Assets. The long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is calculated by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Property and equipment are recorded at cost and are depreciated or amortized on the straight-line method over the shorter of the assets' estimated useful lives or lease terms. Useful lives for major categories of property and equipment are as follows:

Buildings	40 years
Trucks, trailers and major equipment	10 years

Expenditures for maintenance, repairs, and replacements of minor items are charged to earnings as incurred. Major upgrades and improvements that extend the life of the asset are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in income for the period.

Income Taxes. The Company provides for income taxes in accordance with Statements of Financial Accounting Standards ("SFAS") No. 109 using an asset and liability based approach. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences of revenue and expense items for financial statement and income tax purposes.

SFAS No. 109 requires the Company to recognize income tax benefits for loss carry forwards that have not previously been recorded. The tax benefits recognized must be reduced by a valuation allowance if it is more likely than not that loss carry forwards will expire before the Company is able to realize their benefit, or that future deductibility is uncertain. For financial statement purposes, the deferred tax asset for loss carry forwards has been fully offset by a valuation allowance since it is uncertain whether any future benefit will be realized.

Advertising Costs. Advertising and marketing costs in the amounts of $48,400 and $5,700 were expensed as incurred, for the years ending December 31, 2011 and 2010, respectively.

Stock based compensation. The Company has exchanged its common stock for services render by employees, directors, consultants and others. The Company accounts for stock and stock options issued to employees and nonemployees for services and other compensation under the provisions of ASC No. 718, *Compensation – Stock Compensation* and ASC No. 505-50, *Equity-Based Payments to Non-Employees*, which establish standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services at fair value. These standards also address transactions in which an entity incurs liabilities in exchange for goods and services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. For employees, stock awarded is valued based on the closing bid price on the date of grant. For non-employees, stock issued for services is valued at either the invoiced or contracted value of services provided, or to be provided, or the fair value of the stock at the due date per the service agreement, whichever is more readily determinable. Warrants or options issued for services provided, or to be provided, are valued at fair value at the date the agreement to award is reached. Other than a stock option plan, the Company has no established plans for the issuance of shares to employees and non-employees; shares awarded during the years ended 2009 and 2008 have consisted of new shares.

Earnings (Loss) Per Share. Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding during the periods. Diluted net income (loss) per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the year.

Reclassification. Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Fair Value of Financial Instruments. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2011. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include accounts receivable, accounts payable and accrued expenses. Fair values were assumed to approximate carrying values for accounts receivable, accounts payable and accrued expenses because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Concentration of Credit Risk. Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash and trade accounts receivable. The Company places its cash with high credit financial institutions. The Company extends credit to its customers, all on an unsecured basis, after performing certain credit analysis. The Company continually performs credit evaluations of its customers and maintains an allowance for doubtful accounts for potential credit losses.

Recent Accounting Pronouncements. Several new accounting pronouncements were recently issued which may apply to the Company.

In October 2009, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2009–No. 13 "Multiple-Deliverable Revenue Arrangements", which amends Accounting Standards Codification Topic 605 – "Revenue Recognition". This update provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. ASU 2009–No. 13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The Company is required to and plans to adopt the provisions of this update beginning in the first quarter of 2011. The Company has assessed the impact of the adoption of ASU 2009–No. 13 it is not expecting this update will have a material effect on the Company's results of operations.

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 105-10, *Generally Accepted Accounting Principles — Overall* ("ASC 105-10"). ASC 105-10 establishes the *FASB Accounting Standards Codification* (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants.

In May 2009, the FASB issued general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. The Company adopted these standards as of and for the year ending December 31, 2009. In February 2010, the FASB amended ASC 855-10, *Subsequent Events* requiring an entity that is an SEC filer to evaluate subsequent events through the date the financial statements are issued. This amended standard is effective for interim or annual periods ending after June 15, 2010.

In April 2009, the FASB issued updated guidance related to business combinations, which is included in the Codification in ASC 805-20, *Business Combinations — Identifiable Assets, Liabilities and Any Non-controlling Interest* ("ASC 805-20"). ASC 805-20 amends and clarifies ASC 805 to address application issues regarding initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. In circumstances where the acquisition date fair value for a contingency cannot be determined during the measurement period and it is concluded that it is probable that an asset or liability exists as of the acquisition date and the amount can be reasonably estimated, a contingency is recognized as of the acquisition date based on the estimated amount. ASC 805-20 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted this pronouncement in connection with the Disintegrator acquisition.

Effective January 1, 2009, the Company adopted FASB ASC Topic 805, *Business Combinations* ("ASC 805"). ASC 805 establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. ASC 805 also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. ASC 805 also provides guidance for recognizing changes in an acquirer's existing income tax valuation allowances and tax uncertainty accruals that result from a business combination transaction as adjustments to income tax expense.

Effective October 1, 2006, the Company adopted the provisions of SFAS No. 123(R) (as amended), "Share Based Payment," using the modified prospective method, which results in the provisions of SFAS No. 123(R) being applied to the consolidated financial statements on a going forward basis. SFAS No. 123(R) revises SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting

Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services at fair value, focusing primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. It also addresses transactions in which an entity incurs liabilities in exchange for goods and services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

Stock-based compensation awarded non-employees is accounted for under the provisions of EITF 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods and Services".

3. FIXED ASSETS, NET

Fixed assets, net of accumulated depreciation consist of the following at December 31, 2011 and 2010 respectively:

	2011	2010
Land	$ 67,400	$ 67,400
Buildings and improvements	1,058,034	1,058,034
Transportation Equipment	384,566	342,066
Furniture, Fixtures, Computer equipment and purchased software	792,372	792,372
Less: accumulated depreciation	(3,647,164)	(3,494,559)
	$ 454,078	$ 564,183

Depreciation expense was $148,355 and $172,039 during the fiscal years ended December 31, 2011 and 2010, respectively.

4. LIABILITIES

On November 30, 2011 the Company entered into an Installment Promissory Note (Note 1) 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 February 20, 2011 the Company entered into a Promissory Note (Note 2) as settlement of an old accounts payable amount incurred prior to 2008. The principal amount of Note 2 is $487,773 with interest at 8% per annum. As of December 31, 2011 the Company had not made any payments.

On March 26, 2010 the Company's wholly owned subsidiary, Northeast Expedite Logistics, LLC (NEEL) entered into a Promissory Note (Note 3) for various cash advances received from a related party totaling $114,200 with interest at the rate of 20%.

5. 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 December 31, 2011, the Company had federal net operating loss carry-forwards totaling approximately $12,800,000 which expire in various years through 2028.

6. COMMITMENTS AND CONTINGENCIES

Acquisitions. On September 7, 2011, the company issued a letter of intent to acquire Local Printing Associates LLC., a Nevada corporation. Written termination of this letter of intent was received on November 1, 2011.

On August 26, 2011, the company issued a letter of intent to acquire VizzEco Inc., a Canadian company. Written termination of this letter of intent was received on December 31, 2012.

On February 15, 2011, the company began acquisition of North East Expedite Logistics LLC., a Delaware limited liability corporation. The acquisition was completed on December 29, 2011.

On December 17, 2011, the company began acquisition of Core Wafer Systems, Inc. We expect this acquisition to close during the second quarter in 2012.

Employment agreements. Effective January 1, 2011, the Company entered into an employment agreement with our chief executive officer. This agreement continues until another chief executive officer is appointed by a majority of our Board of Directors, 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 $10,000 per month plus additional cash and stock compensation upon the achievement for various milestones. The Company has not made certain cash payments due under the agreement. As of December 31, 2011, $100,000 has been accrued as compensation payable. This agreement also called for the issuance of 2,000,000 fully-vested, restricted shares of the Company's common stock and 1,000,000 shares of the Company's Series B Preferred stock upon execution.

As of December 31, 2011, the Series B Preferred shares had not been issued, and the Company has not accrued a liability as obligation to issue shares.

Legal Proceedings. 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 has retained legal counsel to move to have the default judgment vacated.

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 has retained legal counsel to move to have the default judgment vacated.

In April 2009, we received a demand letter from our 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 has retained legal counsel to move to have the default judgment vacated.

On December 11, 2008, the Company entered into a Settlement Agreement with Magsamen Consulting, LLC a consultant of the Company. Upon execution of the Settlement Agreement the Development Agreement terminated. Pursuant to the Settlement Agreement, the Company agreed to pay $100,000 to Magsamen and upon full payment; the Company and Magsamen will executive 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 Magsamen. As of December 31, 2011 the Company is current with the required payments under the terms of the Note.

In June 2008, 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 in the United States Middles District Court, District of Florida, Orlando Division. This is a default judgment in the amount of approximately $354,607. 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. In 2011 under the direction of the newly hired CEO, Gary Polistena, the Company retained legal counsel to defend the Company against the claim and to have the judgment vacated. On November 17, 2011 the Company presented an offer of settlement to the Plaintiffs in the approximate amount of $30,000 plus attorney's fees. As of December 31, 2011 the Company is confident that the Plaintiffs will accept the offer.

7. OPERATING LEASES

The Company currently leases mixed use space and has entered into an agreement with a service provider which call for monthly payments. Minimum obligations under this agreement are as follows:

2011	26,185
2012	62,784
2013	62,784
2014	62,784
2015	15,696
Total	230,233

8. EQUITY

Increase in common and preferred shares authorized. In December 2011, the Company increased its common and preferred stock authorized from 25 million and 10 million to 150 million and 50 million, respectively

Sales of common shares. During the year ended December 31, 2011, the Company received $207,500 from the sale of 2,066,861 shares of common stock. The Company did not pay sales commissions for these sales.

In July 2011, the Company issued 650,000 shares of common stock valued at $39,000 as compensation to a financial advisor for services rendered in connection with the sale of the Company's common stock. The shares were valued at the closing bid price for the Company's common stock on July 5, 2011, the date of issuance of the shares sold and the incurrence of the liability to the financial advisor per agreement. This amount was recorded as an offset to additional paid in capital.

Common stock issued for services to directors and an independent consultants. The Company issued an aggregate 4.6 million restricted shares of common stock to four board members and an independent consultant during 2011 and 2010, respectively. The fair value of equity instruments exchanged for services rendered was taken at the date of issuance. Shares were unvested and issued upon the signing of the individual agreement and were therefore expensed in the period incurred. The shares were valued at $278,000 based on the date of issue and recorded as operating, sales and administrative expenses in the consolidated statement of operations for the year ended December 31, 2011 and 2010, respectively.

Obligation to issue common shares. At December 31, 2011 and 2010, the Company had the following obligations to issue shares of its common stock:

Common stock	
Due to Consultants	1,050,000
Due to Board Members	816,900
Total Common to be issued	1,866,900
Preferred stock	
Due to Executives	1,500,000
Due to Consultants	317,616
Due to Board	50,000
Due - NEEL acquisition	400,000
Total Preferred to be issued	2,267,616

9. SUBSEQUENT EVENTS

Common Stock issuances. Subsequent to December 31, 2011, the company issued 1,466,900 shares of restricted common stock for consulting and other services rendered totaling $88,014.

Financing Operations. On January 2, 2012, the company sold 357,000 shares of common stock through a private placement at a price of $0.056 per share, for a total of $20,000 to support ongoing company operations.

On January 5, 2012, the company sold 150,000 shares of common stock through a private placement at a price of $0.07 per share, for a total of $10,500 to support ongoing company operations.

On January 24, 2012, the company sold 1,000,000 shares of common stock through a private placement at a price of $0.05 per share, for a total of $50,000 to support ongoing company operations.

On February 8, 2012, the company sold 300,000 shares of common stock through a private placement at a price of $0.066 per share, for a total of $20,000 to support ongoing company operations.

On February 9, 2012, the company sold 55,000 shares of common stock through a private placement at a price of $0.11 per share, for a total of $5,000 to support ongoing company operations.

On February 10, 2012, the company sold 62,500 shares of common stock through a private placement at a price of $0.08 per share, for a total of $5,000 to support ongoing company operations.

On February 12, 2012, the company sold 90,000 shares of common stock through a private placement at a price of $0.088 per share, for a total of $8,000 to support ongoing company operations.