

**FINANCIALS AND DISCLOSURE REPORT  
FOR THE SIX MONTHS ENDING JUNE 30, 2013**

**UNAUDITED**

**CAVU Resources, Inc.  
f/k/a/ Proximity, Inc.**

**302 East 10<sup>th</sup> Street  
Tulsa, OK 74120  
855-766-4695**

[www.cavu-resources.com](http://www.cavu-resources.com)

## **Item I. NAME OF ISSUER.**

CAVU Resources, Inc. (April 27, 2009)  
formerly known as Proximity, Inc. (January 3, 2005)  
formerly known as Proximity Digital Networks, Inc. (October 16, 2001)  
formerly known as CasinoBuilders.com, Inc. (May 13, 1999)  
formerly known as Magic Lantern Group, Inc. (August 23, 1995)  
incorporated in the State of Nevada on August 23, 1995

### **Address of principal executive offices:**

302 East 10<sup>th</sup> Street  
Tulsa, OK 74120  
Phone: 855-766-4695  
[www.cavu-resources.com](http://www.cavu-resources.com)

### **Issuer's State of Incorporation**

Nevada, August 23, 1995

## **Item II. SHARES OUTSTANDING.**

The Company has been authorized to issue 600,000,000 common shares and 11,000,000 preferred shares, each having a par value of \$0.0001.

As of June 30, 2013 the Company has 525,774,235 shares of common stock and 1,000,000 shares of preferred A stock and 537,000 of preferred B issued and outstanding.

The CUSIP number is: 14965R 104

The Trading symbol is: CAVR

### **Par or stated value and description of the security**

#### *A. Par or Stated Value.*

The par value of the Company's shares of

- (i) common stock is: \$0.0001 per share
- (ii) preferred stock is: \$0.0001 per share

#### *B. Common or Preferred Stock.*

1. Common Stock. The Company is authorized to issue 600,000,000 shares of common stock. Each share of common stock has one vote. The holders of common stock shall not have any conversion, redemption, or preemptive rights.

2. Preferred Stock. The Company has been authorized to issue 11,000,000 shares of preferred stock. 9,463,000 of the 11,000,000 shares of preferred stock have yet to be issued or have the rights associated with them defined. One million shares of the 11,000,000 shares of preferred stock have been designated as Series A Preferred Stock. One million shares of the Series A Preferred have

been issued. The rights for the Series A Preferred Stock are defined in a Certificate of Designation the Company filed with the Nevada Secretary of State on April 24, 2009. A summary of those rights is as follows:

- (i) Dividend Rights. The Series A Preferred Stock is not entitled to receive dividends.
- (ii) Voting Rights. The Holders of Series A Preferred Stock shall be entitled to vote with the Common Stock as if their shares were converted into shares of Common Stock at a ratio of 1000 shares of Common Stock for each one full share of Series A Preferred Stock (the "Voting Rate"). The Holders of shares of the Series A Preferred shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote.
- (iii) Conversion Rights. The Series A Preferred Stock can be converted by a resolution of the Board of Directors of the Corporation. Upon conversion, each share of Series A Preferred Stock will automatically be converted into one hundred (100) shares of Common Stock of the Corporation on the date of such occurrence. In addition to the shares of Common Stock a Holder will receive in the event of a conversion of the Series A Preferred Stock, the Holders of Series A Preferred Stock shall be entitled to receive, out of the assets of the Corporation, cash in an amount equal to \$10.00 for each one (1) share of Series A Preferred Stock (as adjusted for stock splits, combinations, reorganizations and the like) held by such Holder.
- (iv) Liquidation Preference. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, the entire remaining assets, if any, of the Corporation available for distribution to stockholders shall be distributed to the holders of Common Stock pro rata, treating each share of Series A Preferred Stock as if it were a single share of Common Stock.

3. The rights for the Series B Preferred Stock are defined in a Certificate of Designation the Company filed with the Nevada Secretary of State on April 24, 2009. A summary of those rights is as follows:

- (v) Dividend Rights. The Series B Preferred Stock is not entitled to receive dividends.
- (vi) Voting Rights. The Holders of Series B Preferred Stock shall be entitled to vote with the Common Stock as if their shares were converted into shares of Common Stock at a ratio of 1000 shares of Common Stock for each one full share of Series B Preferred Stock (the "Voting Rate"). The Holders of shares of the Series B Preferred shall be entitled to vote on all matters on which the Common Stock shall be entitled to vote.
- (vii) Conversion Rights. The Series B Preferred Stock can be converted by a resolution of the Board of Directors of the Corporation. Upon conversion, each share of Series B Preferred Stock will automatically be converted into one hundred (100) shares of Common Stock of the Corporation on the date of such occurrence. In addition to the shares of Common Stock a Holder will receive in the event of a conversion of the Series B Preferred Stock, the Holders of Series B Preferred Stock shall be entitled to receive, out of the assets of the Corporation, in cash an amount equal to \$10.00 for each one (1) share of Series B Preferred Stock (as adjusted for stock splits, combinations, reorganizations and the like) held by such Holder.
- Liquidation Preference. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, the entire remaining assets, if any, of the Corporation available for distribution to stockholders shall be distributed to the holders of Common Stock pro rata, treating each share of Series B Preferred Stock as if it were a single share of Common Stock.

**Number of shares authorized and outstanding for each class of securities:**

The Company is authorized to issue common shares:

Period Ended	Authorized	Outstanding	Tradable	Beneficial Shareholders	Shareholders of Record
12/31/2010	200,000,000	140,436,398	32,468,447	*	198
06/30/2011	200,000,000	177,975,851	63,307,878	*	198
12/31/2011	300,000,000	249,367,273	128,059,700	*	194
12/31/2012	600,000,000	525,774,233	406,905,529	*	194
06/30/2013	600,000,000	525,774,233	408,905,529	*	196

- Nobo Records to be ordered.

The Company is authorized to issue Preferred Shares:

Period Ended	Authorized	Outstanding	Tradable	Beneficial S/H	S/H of Record
12/31/11	10,000,000 B	0	0	0	0
12/31/11	1,000,000 A	1,000,000	0	0	1
12/31/12	10,000,000 B	400,000	0	0	12
12/31/12	1,000,000 A	1,000,000	0	0	1
06/30/13	10,000,000 B	537,000	0	0	15
06/30/13	1,000,000 A	1,000,000	0	0	1

**Beneficial Owners**

Title of Class	Name and address of Beneficial Owner	Shares Beneficially Owned	% of Class
Common Stock Fully Diluted	Claymore Consulting, LLC 5147 S. Harvard Ave., #138 Tulsa, OK 74135 (2,3,4,5)	153,662,000	22.65%
Common Stock Fully Diluted	William and Desai Robinson 5147 S. Harvard Ave., #138 Tulsa, OK 74135 (2,3,4,5)	11,233,479	1.66%
Common Stock Fully Diluted	Mark McLaughlin (4)	49,621,300	7.31%
Series A Preferred	Claymore Consulting, LLC (3)	1,000,000	100.0%
Series B Preferred	William Robinson (2,4)	100,000	18.62%
Series B Preferred	Mark McLaughlin (4,7)	140,000	26.07%
Series B Preferred	Louis E. Silver (4)	60,000	11.17%
Series B Preferred	Timeless wealth (8)	30,000	5.59%
Series B Preferred	Reserved for Management	120,000	22.35%

(1) As used in this table, "beneficial ownership" shareholders with an ownership in excess of 5% that means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

(2) William C. Robinson and Desai V. Robinson are the Managers and owners of Claymore Consulting LLC, with William C. Robinson as the controlling Manager

(3) The Series A Preferred is a class of super voter shares with 1000 to 1 voting rights (The Series A voting rights are in contractual suspension and have to vote with the majority of the shareholders)

(4) The Series B Preferred is a class of super voter shares with 1000 to 1 voting rights, all of the Advisory board and executive management were issued the class B Preferred Shares as of 5/01/2012 thru 12/31/2012.

- (5) Claymore Consulting, LLC purchased 31,073,000 shares of common stock from Ty Energy, LLC for \$77,682.00.
- (6) Louis Silver was issued 50,000 series B shares on January 18, 2013 as part of a management services agreement.
- (7) Mark McLaughlin was issued 40,000 series B shares in January and February as part of Loan agreements.
- (8) Timeless Wealth was issued series B shares in February as part of loan agreements.

**Name and address of issuer's stock transfer agent**

Pacific Stock Transfer Company  
500 E. Warm Springs Road, Suite 240  
Las Vegas, NV 89119  
702-361-3033  
702-433-1979 fax  
[www.pacificstocktransfer.com](http://www.pacificstocktransfer.com)

The Transfer Agent is registered under the Exchange Act.

The Securities and Exchange Commission is the regulatory authority of the transfer agent.

## **Item III. FINANCIAL STATEMENTS.**

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### **Item III. FINANCIAL STATEMENTS.**

#### **MANAGEMENTS' REPORT**

To the Board of Directors  
CAVU Resources, Inc.  
302 East 10th Street  
Tulsa, OK 74120

We have compiled the accompanying balance sheets of CAVU Resources, Inc. (the "Company") as of June 30, 2013, and the related statements of operations and cash flows for the Six Months then ended, in accordance with Statements on *Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, the company may amend these financials and do not express an opinion or any other form of assurance on them.

We are not independent with respect to CAVU Resources, Inc.

*S/William Robinson*, Chairman, President, COO.

August 15, 2013

# Item III. FINANCIAL STATEMENTS.

## CAVU RESOURCES, INC. CONDENSED CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2013 AND JUNE 30, 2012

	2013	2012
	(Unaudited)	(Unaudited)
<b>ASSETS</b>		
Current Assets		
Cash	\$ 162	\$ 7,327
Accounts Receivable	436,630	192,525
Deposits	79,300	0
Notes Receivable (Note 4)	3,073,189	4,187,129
Total Current Assets	3,671,419	4,386,981
Oil and Gas Leases	506,650	
Building, Equipment & Vehicles, Net of Accumulated Depreciation of \$367,047 (Note 5)	714,892	345,388
Other Assets (Note 5)	3,043,469	3,757,036
<b>TOTAL ASSETS</b>	<b>\$ 7,670,536</b>	<b>\$ 8,489,405</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Current Liabilities		
Accounts Payable	\$ 241,389	\$ 1,360,202
Related Party Payable (Note 6)	188,295	36,289
Promissory Notes (Note 6)	1,522,538	1,200,442
	1,952,222	2,596,933
Long Term Liabilities	447,606	0
<b>TOTAL LIABILITIES</b>	<b>2,399,828</b>	<b>2,596,933</b>
Commitments & Contingencies (Note 10)		
Shareholders' Equity (Deficit) (Note 8)		
Common Stock, \$0.0001 par value; 600,000,000 shares authorized, and 525,774,233 shares issued and shares outstanding at June 30, 2013 and 525,774,233 shares outstanding June 30, 2012, respectively.	52,577	52,577
Additional Paid-in Capital	4,035,965	3,559,154
Deferred Stock Based Compensation	0	0
Shares to be Issued	0	0
Accumulated Earnings (Deficit)	1,182,166	2,280,741
Total Shareholders' Equity	4,793,897	5,892,472
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 7,670,536</b>	<b>\$ 8,489,405</b>

The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements



### Item III. FINANCIAL STATEMENTS.

#### CAVU RESOURCES, INC. f/k/a PROXITY, INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional Paid in Capital	Accumulated Deficit/Earnings	Total Stockholder's Equity
	Shares Issued	Par \$0.0001			
Balance, June 30, 2012	177,975,851	17,798	2,097,240	1,629,923	3,744,960
Stock Issued For Services	12,500,000	1,250	20,550	-	21,800
Stock Issued For Investment	335,298,382	33,529	1,441,364	-	1,474,893
Net Income	-	-	-	(471,384)	(471,384)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, June 30, 2013	525,774,233	52,577	3,559,154	1,182,167	4,793,897
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The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements

### Item III. FINANCIAL STATEMENTS.

**CAVU RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012**  
**(Unaudited)**

	Six Months Ended June 30,	
	2013	2012
Net Sales	\$ 289,627	\$ 393,379
Cost of Sales	0	151,915
Gross Profit	<u>289,627</u>	<u>241,464</u>
Operating Expenses:		
Depreciation and Amortization	79,254	50,622
Consulting Fees	100,000	43,652
Other Operating Expenses	<u>539,614</u>	<u>729,372</u>
Total Operating Expenses	<u>718,868</u>	<u>823,646</u>
Loss From Operations	<u>(429,241)</u>	<u>(582,082)</u>
Other Income and (Expenses)		
Interest Income	0	320,592
Interest Expense	(42,143)	(77,938)
Gain (loss) on Sale of Assets	0	1,496,049
Gain on sale of Subsidiary	-	-
Total Other Income and Expenses	<u>(42,143)</u>	<u>1,738,703</u>
Net Income	<u>\$ (471,384)</u>	<u>\$ 1,156,521</u>
Income/(Loss) Per Common Share		
Basic and Diluted	<u>\$ .00089</u>	<u>\$ .00329</u>
Weighted Average Shares Used to Compute Basic and Diluted Loss Per Common Share	525,774,235	351,387,116

The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements

# Item III. FINANCIAL STATEMENTS.

## CAVU RESOURCES, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE Six Months Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
	(Unaudited)	(Unaudited)
CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	\$ (471,384)	\$ 1,156,521
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Stock Based Compensation	0	0
Depreciation and Amortization	79,254	50,622
Change in Accounts receivable	(232,098)	(57,794)
Change in Note Receivable	315,476	(635,679)
Change in Accounts Payable	91,213	508,304
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(217,539)</u>	<u>1,021,974</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Cost of Equipment Sold (purchased)	0	583,755
Investment Other Assets	0	(1,764,150)
NET CASH USED IN FINANCING ACTIVITIES	<u>0</u>	<u>(1,180,395)</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Proceeds From Sale of Common Stock	0	950,205
Payments on Related Party Payables	79,343	(47,433)
Payments on Promissory Notes	142,545	(997,542)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>221,888</u>	<u>(94,770)</u>
NET INCREASE IN CASH	(4,349)	(253,191)
BEGINNING CASH	4,511	260,518
ENDING CASH	<u>\$ 162</u>	<u>\$ 7,327</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 42,143	\$ 52,059
Cash Paid for Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements

## **Item III. FINANCIAL STATEMENTS.**

### **CAVU RESOURCES, INC. FOOTNOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012(Unaudited)**

#### **NOTE 1 - NATURE OF BUSINESS**

CAVU Resources, Inc., formerly known as Proximity, Inc. (the "Company") was incorporated under the laws of the State of Nevada on August 23, 1995 as Magic Lantern Group, Inc. The Company has operated continuously since incorporation in various business entities including Internet companies, Magic Lantern, Inc., CasinoBuilders.com, Inc., Proximity Digital Networks, Inc. and Proximity, Inc. The company has continued as an operating company throughout this period and as business environments have changed the company has redirected its business model, by acquiring its operating subsidiary, CAVU Resources, Inc. on April 24, 2009. The Company has acquired and developed assets and technologies within the energy sector. Certain assets already held by the Company as a result of the acquisition of CAVU Resources, Inc. include mineral rights, oil and gas leases and equipment for oil and gas exploration. CAVU continues to target undervalued producing oil and gas leases for acquisition. CAVU will continue to utilize its cash flow and partnerships to raise additional capital to pay for these acquisitions without any further dilution of the capital stock of the company at the current valuation unless approved by the majority of the shareholders of CAVU.

#### **Control by Principal Stockholders**

The Company's directors, executive officers and their affiliates or related parties, own beneficially and in the aggregate, the majority of the voting power of the outstanding shares of the common stock of the Company. Accordingly, if voting their respective shares uniformly, the directors, executive officers and their affiliates would have the ability to control the approval of most corporate actions, including increasing the authorized capital stock of the Company and the dissolution, merger or sale of the Company's assets or business.

#### **Quasi-Reorganization**

On April 24, 2009, a majority of the stockholders of record of the Company approved a plan of quasi-reorganization, which called for restatement of accounts to eliminate the accumulated deficit and related capital accounts on the Company's balance sheet. The quasi-reorganization was effective April 23, 2009. Since April 24, 2009, the Company has been operating its new business model as described previously within these footnotes.

#### **NOTE 2 – BASIS OF PRESENTATION**

In the opinion of management, the accompanying balance sheets and related annual statements of income, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results and outcomes may differ from management's estimates and assumptions.

These financial statements include the results of operations for the Company and the Company's wholly owned subsidiaries, CAVU Resources, Inc. Its minority owned subsidiary CAVU Energy Services, Inc. (formerly FILO Quip Resources, LLC), was restructured as per the Proxy vote of September 16, 2011 with approximately 60% of the company to be paid out as a dividend out to the existing shareholders of record.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

### Item III. FINANCIAL STATEMENTS

CAVU Resources, Inc., and its minority owned subsidiary Proximity Electronic Commerce, LLC and Cyber Aerospace, LLC from January 1, 2013 through June 30, 2013. None of these company's results are in these financial reports, except for profits and or dividends paid and reported thru K-1 and or 1099 reports. All intercompany balances have been eliminated in consolidation.

#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Marketable Securities

The Company's short-term investments are classified as available-for-sale at the respective balance sheet dates. The Company accounts for its investments at fair value in accordance with SFAS 115. The investments classified as available-for-sale are recorded at fair value based upon quoted market prices, and any material temporary difference between the cost and fair value of an investment is presented as a separate component of accumulated other comprehensive income (loss.) Unrealized losses are charged against "Other income (expense)" when a decline in fair value is determined to be other than-temporary. The Company considers several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the extent to which the fair value is less than cost basis, (ii) the financial condition and near term prospects of the issuer, (iii) the length of time a security is in an unrealized loss position and (iv) the Company's ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The

Company's ongoing consideration of these factors could result in additional impairment charges in the future, which could adversely affect its results of operation. There were no impairment charges recorded on the Company's investments during the six months ended June 30, 2013 and 2012, respectively. The specific identification method is used to determine the realized gains and losses on investments.

##### Fair Value Measurements

Effective January 1, 2008, we adopted SFAS 157, Fair Value Measurements (SFAS 157). SFAS 157 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information. The adoption of SFAS No. 157 did not have a material impact on our fair value measurements.

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

Description	June 30, 2013	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted Securities	\$ 3,012,468	\$ 3,012,468	\$ —	\$ —
Total Assets	\$ 3,012,468	\$ 3,012,468	\$ —	\$ —

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

### **Item III. FINANCIAL STATEMENTS.**

#### **Property and Equipment**

Property and equipment consists only of a website and is recorded at cost less accumulated depreciation. Depreciation and amortization is calculated using the straight-line method over the expected useful life of the asset, after the asset is placed in service. The Company generally uses the following depreciable lives for its major classifications of property and equipment:

<u>Description</u>	<u>Useful Lives</u>
Website	3 years
Drilling Equipment	10 years
Oil and Gas Leases	10 years

#### **Revenue Recognition**

The Company records revenues when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price to the customer is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. Revenues are recorded in accordance with Staff Accounting Bulletin ("SAB") No. 104, as issued by the United States Securities and Exchange Commission ("SAB 104"), the Company is still contemplating various business plans but anticipates recognizing revenues in 2013.

The Company negotiates contracts with its customers, which may include revenue arrangements with multiple deliverables, as outlined by Emerging Issues Task Force No. 00-21 ("EITF 00-21"). The Company's accounting policies are defined such that each deliverable under a contract is accounted for separately. Historically, the Company has not entered into contracts with its customers that provided for multiple deliverables.

#### **NOTE 3 – GOING CONCERN**

The Company's financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the normal course of business. The Company had a loss of \$477,384 during the six Months ended June 30, 2013. The ability of the Company to operate as a going concern depends upon its ability to obtain outside sources of working capital in the near future. Management is aware of these requirements and is undertaking specific measures to address these liquidity concerns. Notwithstanding the foregoing, there can be no assurance that the Company will be successful in obtaining financing, that it will have sufficient funds to execute its business plan or that it will generate positive operating results. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

#### **NOTE 4 – NOTE RECEIVABLE**

In June of 2011 the Company sold its operating subsidiary Envirotek Fuel Systems, Inc. for \$2,500,000 with a down payment of \$300,000 and a note of \$2,200,000. The Company has recently sold the 7.5% override it purchased from Ayuda Funding LP for \$300,000 to Energy Revenue America, LP and restructured this note with interest and penalties in the amount of \$2,837,075 as of December 31, 2012. On November 30, 2010 and on various dates up through June 1, 2011 the company amended and entered into agreements to sell its stock in its 100% owned subsidiary Envirotek Fuel Systems, Inc. for \$2,500,000. The agreement called for \$300,000 to be paid down and applied to secured lenders and the balance to pay in the form of a demand note for \$2,200,000. The transaction was closed and the sale of the stock and the transfer of ownership closed on June 1, 2011. The company has renegotiated this transaction with the current balance including interest and the sale of the Envirotek note as of December 31, 2012 is \$2,490,579. The new terms of the note called for \$25,000 to be paid in November the transfer of a 160 acre lease and \$100,000 to be paid each month with prepayment acceleration in the event Energy Revenue America, LLC receives funding in excess of \$500,000, additional agreements and negotiation are in the final stages to bring this transaction back to current status. The company has agreed to the \$500,000 reduction, however the \$100,000 credit for the Lease in Kansas was reversed due to title issues on the Lease. The company was notified that the Ayuda Note has been brought current by Envirotek and that payments are scheduled to begin again in the near future. The company is also obligated to pay a 10% finder's fee to private parties that introduced the transaction. The company has not received the payment required to bring this note current.

As of May 20, 2013 the company has put Energy Revenue America, Inc. on notice of default. If the default is not cured the previous sale will have to be reversed and the assets and liabilities of Envirotek Fuel Systems, Inc. will be added

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

back to the balance and income state of CAVU Resources, Inc. Energy Revenue America, Inc. has entered into a new financing agreement with a new financial partner. The new financial partner and Energy Revenue America, Inc. have stated that payments will resume in the near future. The company has reversed the \$400,000 reduction on a Envirotek stock exchange sale with a CAVU debtor until Energy Revenue brings their note current, this has been reflected on the June 30, 2013 financials.

The company reversed its transaction selling the processing equipment related to the oil and gas operations to the recently spun off CAVU Energy Services, Inc. except for the pumps used to bring the oil and gas to the production facility in the form of a convertible note the company has canceled the note and valued the transaction at the par value of the stock for consulting service rendered. FILO SWDW#1 LP, had originally exchanged \$50,000 in cash and \$1,375,000 in 55 units of FILO SWDW #1, LP. Since the cancellation of the permit, the company reversed the \$425,000.00 6.2 acres transaction and FILO canceled 17 of the units in FILO SWDW #1 LP with additional expenses paid by the Company the total units owned is 40. The company also purchased back its 50% interest in the office building in Tulsa Oklahoma from CAVU Energy Services, Inc. in exchange for the \$260,000 in debt owed on the building.

#### **Note 5 – FIXED AND OTHER OPERATING ASSETS**

##### **RESTRICTED SECURITIES**

The company has four restricted security positions

Description	June 30, 2013	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted Securities	\$ 3,012,468	\$ 3,012,468	\$ —	\$ —
Total	\$ 3,012,468	\$ 3,012,468	\$ —	\$ —

##### **OIL AND GAS PROPERTIES**

	June 30, 2013	June 30, 2012
Oil and Gas leases, Equipment, Buildings and land at cost	\$1,131,939	\$ 1,131,939
Less: Accumulated Depreciation	(367,047)	(327,423)
Total	<u>\$ 764,892</u>	<u>\$ 804,516</u>

#### **NOTE 6 – DEBT**

On December 31, 2010, the Company entered into a line of credit convertible demand promissory note with Claymore Consulting, LLC in the amount of \$250,000 at 8% interest and canceled the consulting agreement with the company at that time. The company also sold an additional 500,000 shares of preferred A stock at par value of .0001 a share to Claymore Consulting, LLC, as additional consideration for its manager William C. Robinson giving his personal guarantees there is still approximately \$800,000 in debt for the Company. The total owned by Claymore Consulting, LLC is 1,000,000 shares. The \$250,000 line of credit convertible demand promissory note is due in full on December 31, 2013, that date has been extended until December 31, 2013. On December 31, 2012 Claymore Consulting, LLC, chose to convert \$60,000 of its outstanding receivable from the company into 6 units of ownership in CAVU Resources Two, LP the current balance \$3,078 as of March 31, 2013.

On January 7, 2009, prior to the acquisition on April 24, 2009, CAVU Resources, Inc. entered into five and three year leases with Verilease Financing, Inc. for drilling and oil field equipment in the amount of \$1,115,000 at an interest rate of 12.5%. On April 27, 2011, CAVU entered into an agreement to sell all of the equipment associated with this lease and settled the remaining balance for a secured note in the amount of \$344,700. On May 15, 2011 the company began making monthly payments of \$25,000 a month. As of June 30, 2013 the company was in arrears \$359,624

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

On November 24, 2009 the Company entered into a demand note with Ty Energy, LLC in the amount of \$45,000 @ 12% interest and as of June 30, 2013 the outstanding current balance was \$57,082.

On March 3, 2012, the company entered into an agreement with Ayuda to buy the 7.5% royalty on the gross sale of Envirotek Fuel Systems, Inc. from Ayuda for \$300,000. The company then sold the royalty to Energy Revenue America, Inc. for the same \$300,000. As of December 31, 2012 the company has paid \$115,000 including payments made by Energy Revenue America to the Company with the balance as of December 31, 2012 at \$185,000. The company will continue credit payments made by Energy Revenue America, Inc. and to guarantee the \$25,000 payments every month until the purchase is paid in full. As of March 31, 2013 the company was put on notice the Energy Revenue America, Inc. had not made the required payments and was in default. Energy Revenue has also agreed to pay off this debt once it secures new financing.

On March 18, 2010 the Company entered into a convertible note with Jim Stock in the amount of \$80,000 at 8% interest. Mr. Stock has the right to convert into stock at \$.02. The company was notified of Mr. Stock's intention to convert \$50,000 worth of this note. On June 19, 2011 \$50,000 of the note was converted into 2,500,000 shares of common stock, as of June 30, 2013 the outstanding balance was \$30,000.

On March 18, 2010 the Company entered into a convertible note with Jim Stock in the amount of \$80,000 at 8% interest. Mr. Stock has the right to convert into stock at \$.02. The company was notified of Mr. Stock's intention to convert \$50,000 worth of this note. On June 19, 2011 \$50,000 of the note was converted into 2,500,000 shares of common stock, as of June 30, 2013 the outstanding balance was \$30,000. The company plans to begin making payments of \$5,000 a month starting in September.

On May 4, 2010 the Company entered into a \$20,000 note @ 12% interest with Dakota Petroleum to purchase a 50 acre lease in Pauls Valley, Oklahoma. The note is a demand note. As of June 30, 2013 the balance was \$22,943, Dakota has chosen to convert into 2 units of the CAVU resources Two LP in exchange for canceling the debt.

On May 24, 2010 the company entered into a note with GT Energy, LLC for \$250,000, September 19, 2010 for \$44,000, December 17, 2010 for \$16,000 and February 24, 2011 for \$35,000 the Company entered into a series of demand notes with GT Energy, LLC at 12% interest, the company received another advance of \$65,000 and as of August 15, 2013 the balance was \$71,000.

On September 20, 2011 the company entered into a note with J H Field Services LLC for \$150,000 @ 12% for the purchase of the Hogshooter Lease. The company has made payments and is due credit for production on the lease. J H Field Services filed a suit for payment of balance due. There is a dispute on the balance and the company is pursuing a settlement with J H Field Services LLC.

The company has entered into a series of notes with private investors to purchase existing vendor debt. These notes have had various conversion terms that have all been converted into shares of the company retiring the assumed debt. The company has two existing notes one with an outstanding balance of \$381,969 with accrued interest. The second note has a currently outstanding balance of \$70,000 and is secured by 53,662,000 of shares owned by Claymore Consulting, LLC and personally guaranteed by William C. Robinson.

To pay legal fees due, the company entered into a note for \$90,000 with a balance as of June 30, 2012 of \$9,260. The company is obligated to make payment of \$5,000 a month. This note is secured by a personal guarantee of William C. Robinson and 1,000,000 shares of Claymore Consulting, LLC's Preferred A shares.

The company issues short term convertible notes from time to time to vendors on outstanding debt and currently has notes and or payment agreements with A. Feezel Company and Arrow Pump and Supply. These are however included in the accounts payable

In January and February, 2013 the Company borrowed \$56,700 and \$25,000 from Mark McLaughlin, Chairman of its Advisory Board. The January Note includes a priority payout of the principle due from the net revenues of the Chisholm Lease, the issuance of 15,000 shares of series B preferred shares, and 5% of CAVU's net revenue in the Chisholm and Hogshooter Leases and carried interests of 1% of CAVU's net revenue in the Pottawatamie Leases. Further, Mr.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**



McLaughlin will have the right to purchase an additional 4% of CAVU's interest in each of the leases at the original cost to CAVU. The February note includes a due diligence fee of \$6,250, the issuance of 25,000 shares of series B preferred shares and a potential issuance of 25,000 shares of preferred series B shares if the note is not paid on the maturity date.

On February 12, 2013 the Company borrowed \$30,000 from Timeless Wealth and \$7,500 from Douglas Cress. The notes include a priority payout of the principal due from the net revenues of the Chisholm Lease, the issuance of 30,000 shares of series B shares to Timeless Wealth and 7,500 shares to Mr. Cress, and due diligence fees of \$7,500 for Timeless Wealth and \$1,375 for Mr. Cress, and a penalty if the notes are not paid at maturity equal to the number of series B shares originally issued to the parties.

In June and July 2013 the company borrowed a total of \$14,500 from Brendan J. Schwartz. The note includes a priority payment from the net revenues of the Chisholm Lease, the issuance of 9,500 shares of series B shares and due diligence fees of \$3,625, and a penalty if the note is not paid at maturity equal to the number of series B shares originally issued.

On November 5<sup>th</sup>, 2012 CAVU Resources Inc. entered into a Mobilization Financing Agreement with Resources Unlimited NW LLC which is beneficially owned by Michael Sheikh, the CFO of CAVU Resources Inc. The terms of the financing agreement stipulate an initial \$5,000.00 setup fee and a daily servicing fee of 4 basis points. Through this credit facility Resources Unlimited NW LLC. has advanced \$30,035.52 as of March 31, 2013. As of March 31, 2013 the accrued servicing fees, principal and interest is \$40,759.53.

#### **NOTE 7 – RELATED PARTY TRANSACTIONS**

On December 31, 2010, the Company entered into a line of credit convertible demand promissory note with Claymore Consulting, LLC in the amount of \$250,000 at 8% interest and canceled the consulting agreement with the company at that time. The company also sold an additional 500,000 of preferred A stock at par value of .0001 a share to Claymore Consulting, LLC, for its manager, William C. Robinson still has personal guarantees in an amount of approximately \$800,000 in debt for the Company. The total owned is 1,000,000 preferred A shares. An additional 100,000 shares of preferred B were issued to William C. Robinson to serve as Co-Chairman of the Advisory Board and 10,000 shares to Desai V. Robinson to serve as Treasurer of the company. The convertible demand promissory note is due in full on December 31, 2012, that date has been extended until December 31, 2013. On December 31, 2012 Claymore Consulting chose to convert \$60,000 of its outstanding receivable from the company into 6 units of ownership in CAVU Resources Two, LP the current balance on the line of credit is \$9,260 as of June 30, 2013.

On April 24, 2009, upon closing of a merger with CAVU Resources, Inc., a Nevada corporation, the Company issued 55,200,000 shares of common stock and 500,000 shares of Series A Preferred Stock to the shareholders of CAVU Resources, Inc. The transaction did not result in a change of control of the Company. The Company's CEO and President, William Robinson, entities controlled by the CEO and President, or family members of the CEO had controlling interests in both the Company and CAVU Resources, Inc., as of the date of the merger.

On January 1, 2011 the Company entered into an employment agreement with William C. Robinson for three years as CEO and President at a salary of \$10,000 a month and an annual bonus of 5% of the net profits. The company has the option to lease his personal vehicle for \$600 a month or provide a vehicle and housing. Mr. Robinson did not take any of his payrolls in 2011 and on October 1, 2012 the agreement was modified to increase the monthly salary to \$20,000 a month. As of June 30, 2013 Mr. Robinson's payroll continues to accrue and is held in suspense, the expense and tax liability have been reflected in the June 30, 2013 numbers.

On January 1, 2011 the Company entered into an employment agreement with Desai V. Robinson for three years as Vice President, Director of Public Information at a salary of \$5,000 a month. The company has the option to lease her personal vehicle for \$500 a month or provide a vehicle. Mrs. Robinson did not take any of her payrolls in 2011 and in 2012, this agreement was canceled on October 1, 2012 with the payroll balance accrued and in suspense, the expense and tax liability have been reflected in the June 30, 2013 numbers.

On November 5<sup>th</sup>, 2012 CAVU Resources Inc. entered into a Mobilization Financing Agreement with Resources Unlimited NW LLC which is beneficially owned by Michael Sheikh, the CFO of CAVU Resources Inc. The terms of the financing agreement stipulate an initial \$5,000.00 setup fee and a daily servicing fee of 4 basis points. Through this credit facility Resources Unlimited NW LLC. has advanced \$30,035.52 as of March 31, 2013. As of March 31, 2013 the accrued servicing fees, principal and interest is \$40,759.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

In January and February, 2013 the Company borrowed \$56,700 and \$25,000 from Mark McLaughlin, Chairman of its Advisory Board. The January Note includes a priority payout of the principle due from the net revenues of the Chisholm Lease, the issuance of 15,000 shares of series B preferred shares, and 5% of CAVU's net revenue in the Chisholm and Hogshooter Leases and 1% of CAVU's net revenue in the Pottawatamie Leases. Further, Mr. McLaughlin will have the right to purchase and additional 4% of CAVU's interest in each of the leases at the original cost to CAVU. The February note includes a due diligence fee of \$6,250, the issuance of 25,000 shares of series B preferred shares and a potential issuance of 25,000 shares of preferred series B shares if the note is not paid on the maturity date.

#### **NOTE 8 - STOCKHOLDERS' EQUITY**

CAVU Resources, Inc is authorized to issue 611,000,000 shares, in aggregate, consisting of 600,000,000 shares of common stock, \$0.0001 par value. The Company's current Articles of Incorporation authorizes the Board of Directors (the "Board") to determine the preferences, limitations and relative rights of any class or series of preferred stock prior to issuance. Each such class or series must be given distinguishable designated rights prior to issuance. As of June 30, 2012, 525,774,233 and as of June 30, 2013 525,774,233 shares of the Company's common stock were issued and outstanding, respectively.

In April 2009, the Company's Board approved an increase in the authorized available number of shares of common stock that can be issued by the Company from 300,000,000 to 600,000,000 shares.

On April 21, 2009, the Company effectuated a reverse stock split of 1 share of common stock for every 250 shares of outstanding common stock.

On April 24, 2009, upon closing of a merger with CAVU Resources, Inc., a Nevada corporation, the Company issued 55,200,000 shares of common stock and 500,000 shares of Series A Preferred Stock to the shareholders of CAVU Resources, Inc. The transaction did not result in a change of control of the Company.

On April 22, 2010 the Company reduced its outstanding authorized shares from 611,000,000 to 211,000,000.

On December 12, 2011 the Company increased its outstanding authorized shares from 211,000,000 to 311,000,000.

On January 25, 2012 the Company increased its outstanding authorized shares from 311,000,000 to 611,000,000.

On December 17 and December 31, 2010 the Company issued 500,000 Preferred A shares to Claymore Consulting, LLC. The issued and outstanding of Preferred A as of December 31, 2012 was 1,000,000 preferred A shares.

On May 1, 2012 and January 1, 2013 the company issued a total of 400,000 Preferred B shares in lieu of cash to various parties to serve as board members of its advisory board and executive officers. The issued and outstanding as of June 30, 2012 was 1,000,000 preferred A shares and 537,000 preferred B shares, and the common shares outstanding were 525,774,233.

#### **NOTE 9 – INCOME TAX**

##### **United States of America**

Since the Company has had operating losses since inception that offset the previous years gains, there is no provision for corporate income taxes in the United States of America. Therefore, there are no deferred tax amounts as of June 30, 2013 and June 30, 2012, respectively.

##### **Nevada**

The Company is incorporated in Nevada with business operations primarily in Oklahoma. Therefore, the Company is subject to corporate income tax based on the operations conducted in each state.

SFAS 109, *Accounting for Income Taxes*, which requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The Company is not in discussions with any tax authorities whereby any settlements over past due taxes are in progress.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

### Item III. FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
Net operating loss carry forward	\$ 0	\$ 0
Valuation allowance	—	—
Net deferred tax asset	\$ 0	\$ 0

The net operating losses generated in the periods ended June 30, 2013 and June 30, 2012 will begin to expire in 2026. The Company has recorded a full allowance against its deferred tax assets due to the fact that the likelihood of any benefit being derived by the Company in future years is indeterminable as of the date of these consolidated financial statements.

The components of current income tax expense for the years ended June 30, 2013 and June 30, 2012, consisted of the following:

	June 30, 2013	June 30, 2012
Current federal tax expense	\$ 0	\$ 0
Current state tax expense	—	—
Change in NOL benefits	—	—
Change in valuation allowance	—	—
Income tax expense	\$ 0	\$ 0

The following is a reconciliation of the provision for income taxes at the United States federal income tax rate to the income taxes reflected in the statement of operations:

Tax expense (credit) at statutory rate-federal	(35%)	(35%)
State tax expense net of federal tax	(6%)	(6%)
Changes in valuation allowance	41%	41%
Tax expense at actual rate	0%	0%

#### NOTE 10 - COMMITMENTS & CONTINGENCIES

##### Consultants

In January, 2013 the company entered into a consulting agreement with Louis E. Silver to provide management services as the company's CEO. His compensation package includes 50,000 shares of Series B Preferred, plus \$3,000 per month for the first year of the agreement. The agreement is renewable annually.

In February 2011, the Company entered into a contract with a consultant who will manage the Company's assets and seek additional investments in the oil and gas industry as well as trade oil in bulk transactions. The consultant agreed to provide services for the company for two years for 2,000,000 shares of restricted common stock. The consultant will also have their expenses reimbursed and an hourly consulting fee upon approval for specific projects. Additional consultants have been hired and the contracts modified so a total of 15,500,000 in shares were issued in exchange for \$253,450.00 in consulting work.

##### Litigation

We may be involved from time to time in ordinary litigation that will not have a material effect on our operations or finances. We are not aware of any pending or threatened litigation against the Company or our officers and directors in their capacity as such that could have a material impact on our operations or finances, other than disclosed in sections ITEM IV and ITEM V.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

### Collateral Pledge

In connection with loans from Ayuda Funding Corporation, Verilease Finance, LLC, James Czirr, Gel Properties, LLC, and American Heritage Bank, specific assets of the company are pledged, as well as a guarantee of Claymore Consulting, LLC. Further, on an additional secured note to NPNC Management LLC, Claymore pledged all of its preferred stock, and there is a personal guarantee from William C. Robinson the CEO and President and Claymore Consulting, LLC, managed by William C. Robinson.

### Subsequent Funding

None

### **NOTE 11 - RECENTLY ISSUED ACCOUNTING STANDARDS**

In September 2006, the FASB issued SFAS No. 157, *Defining Fair Value Measurement* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 157 on its consolidated financial statements.

In September 2006, FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS 158"). The Company has adopted SFAS 158 except for the requirement to measure plan assets and benefit obligations as of the date of the Company's fiscal year-end statement of financial position, which is effective to fiscal years beginning after December 15, 2008. The Company is currently assessing the potential impact that the adoption of SFAS 158 could have on its financial statements.

In December 2006, FASB issued FSB EITF 00-19-2, *Accounting for Registration Payment Arrangements* ("FSB EITF 00-19"), which specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. FSB EITF 00-19-2 is effective immediately for new and modified registration payment arrangements entered into after December 21, 2006, and beginning in the fiscal year ended December 31, 2007 for any such instruments entered into before that date. The Company does not expect the issuance of FSB EITF 00-19-2 to have a material impact on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments, and certain other items, at fair value. SFAS No. 159 applies to reporting periods beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company's financial condition or results of operations.

In April 2007, the FASB issued a FASB Statement Position ("FSP") on FASB FIN 39-1 which modifies FIN 39, *Offsetting of Amounts relating to Certain Contracts* ("FIN 39"). FIN 39-1 addresses whether a reporting entity that is party to a master netting arrangement can offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with FIN 39. Upon adoption of this FSP, a reporting entity shall be permitted to change its accounting policy to offset or not offset fair value amounts recognized for derivative instruments under master netting arrangements. The guidance in this FSP is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the potential impact of implementing this standard.

In December 2007, the FASB issued SFAS No. 141 (R), *Business Combinations* ("SFAS 141"). SFAS 141(R) 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 noncontrolling interest in the acquiree. SFAS 141R 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

The effects of the business combination. The guidance will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. Management believes the adoption of this pronouncement will not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of the Company's fiscal year beginning after

December 15, 2008. Management believes the adoption of this pronouncement will not have a material impact on the Company's consolidated financial statements.

In February 2008, FASB issued FSP SFAS No. 140-3, *Accounting for Transfers of Financial Assets and*  
**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

*Repurchase Financing Transactions* ("FSP SFAS 140-3"). The objective of this FSP is to provide guidance on accounting for a transfer of a financial asset and a repurchase financing. This FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS 140"). However, if certain criteria are met; the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under SFAS 140. FSP SFAS 140-3 is effective for financial statements issued for fiscal years beginning after November 15, 2008, and QUARTERLY periods within these fiscal years. Earlier application is not permitted. The Company is currently reviewing the effect, if any; the proposed guidance will have on its consolidated financial statements.

In February 2008, FASB issued FSP SFAS No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP SFAS 157-1"). FSP SFAS 157-1 amends SFAS 157 to exclude SFAS 13, *Accounting for Leases* (SFAS 13), and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under SFAS 141, or SFAS 141(R), regardless of whether those assets and liabilities are related to leases. FSP SFAS 157-1 is effective upon the initial adoption of SFAS 157. The Company is currently evaluating the impact of adopting FSP SFAS No. 157-1 on its consolidated financial statements.

In February 2008, FASB issued FSP SFAS No. 157-2, *Effective date of FASB Statement No. 157* ("FSP SFAS 157-2"). FSP SFAS 157-2 delays the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and QUARTERLY periods within those fiscal years. The Company is currently evaluating the impact of adopting FSP SFAS No. 157-2 on its consolidated financial statements.

In March 2008, FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* ("SFAS 161"). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and QUARTERLY periods beginning after November 15, 2008. The Company is currently assessing the potential impact that the adoption of SFAS 161 could have on its consolidated financial statements.

## **Item IV. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

### **1. A. Corporate History**

<u>Date</u>	<u>Corporate Action</u>
8/23/1995	Articles of Incorporation-Incorporated as Magic Lantern Group, Inc.
10/16/1995	Amendment-Increase authorized common shares
5/13/1999	Amendment-Name Change to CasinoBuilders.com, Inc.
5/21/2001	Amendment-Increase authorized common shares
6/4/2001	Amendment-Restated Articles
10/16/2001	Amendment-Name Change to Proximity Digital Networks, Inc.
8/28/2003	Amendment-Increase authorized common shares
7/9/2004	Amendment-Increase authorized common shares
1/3/2005	Amendment-Name Change to Proximity, Inc.
4/17/2009	Wholly-owned subsidiary formed-Proximity Acquisition Sub, Inc.
4/21/2009	Amended and Restated Articles-Increase authorize shares, authorize preferred
4/21/2009	Certificate of Change-Reverse Stock Split-1 share for 250 shares

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

4/24/2009	Certificate of Designation
4/24/2009	The Company, its wholly-owned subsidiary Proximity Acquisition Sub, Inc. and CAVU Resources, Inc., a Nevada corporation entered into and executed an Agreement and Plan of Merger. Following the merger, the Company changed its name to "CAVU Resources, Inc."
5/17/2010	Amended and Restated Articles- decreased authorize common shares
9/21/2011	Proxy and merger of FILO Quip Resources, LLC, CAVU Resources One, LP and CAVU Energy Service, LLC with a name change to CAVU Energy Services, Inc.
12/17/2011	Amended and Restated Articles- Increased authorize common shares to 311,000,000.
01/25/2012	Amended and Restated Articles- Increased authorize common shares to 611,000,000.

2. The Company was first organized on August 23, 1995 in the state of Nevada as Magic Lantern Group, Inc.
3. The Company's fiscal year is December 31.
4. Neither the Company nor any predecessor has been in bankruptcy, receivership or any similar proceeding in the past three years.
5. On April 24, 2009, the Company merged its wholly owned subsidiary Proximity. A acquisition Sub, Inc., with CAVU Resources, Inc., with CAVU Resources, Inc., surviving as a subsidiary of the Company. The Company then subsequently merged CAVU Resources, Inc., I into the Company and changed its name to CAVU Resources, Inc., in connection with the merger (the "Merger").
6. The Company did not have a change of control in connection with the Merger.
7. A reverse stock split of 1:250 shares of common stock was authorized in March of 2009 and effectuated in April of 2009. The Merger is described in item 5. Other than the reverse stock split and merger referenced in the prior sentences, to the best knowledge of the Company there are no past pending or anticipated stock splits, stock dividends, recapitalizations, mergers, acquisitions, spin-offs, or reorganizations.
8. The Company has purchased a number of oil and gas well leases and equipment to facilitate the drilling of the oil and gas. The oil and gas well leases and equipment are further detailed in this disclosure.
9. On February 16, 2011 the company entered into a consulting agreement with Resources Unlimited NW, LLC, to provide Michael Sheikh as the CFO of the company. Mr. Sheikh was paid 2,000,000 shares of common stock valued at \$20,000. Mr. Sheikh was also paid 4 units of CAVU Resources Two, LP the company expensed the \$40,000 as consulting fees.
10. The company also paid \$50,000 in pre-paid professional fees in 2012 by having 5 units in CAVU Resources Two, LP issued and recognized \$50,000.
11. On February 16, 2012 the company issued 1,500,000 shares for \$10,500 in debt conversion.
12. The company issued 90,084,104 Reg. D shares for \$659,445 cumulative from January 1, 2011 thru June 15, 2012 for the payment of debt and operations.
13. The company issued 72,585,534 144 shares for \$543,746.56 cumulative from January 1, 2011 thru June 15, 2012 for the retirement of vendor debt.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

14. The company issued 158,744,100 shares for \$1,047,540 cumulative from December 2011 thru June 15, 2012 for the retirement of promissory notes, settlement of debt, operations and vendor debt to private investors.
15. On January 25, 2012 the company voted to amend its articles and increased the authorized to 611,000,000.
16. On May 1, 2012 the company issued 300,000 Preferred B shares to executives and advisory board members in lieu of cash.
16. On December 31, 2012 the company issued an additional 100,000 Preferred B shares to reserve for executives and advisory board members in lieu of cash.
17. In January, 2013 the Company issued 50,000 series B Preferred Shares to Louis E. Silver as part of his compensation as CEO.
18. In January and February, 2013 the Company issued 15,000 and 25,000 shares of Series B Preferred to Mark McLaughlin as part of loan agreements.
19. In February, 2013 the company issued 30,000 series B shares and 7,500 series B shares to Timeless Wealth and Douglas Cress, respectively, subsequently to and as part of a loan agreement.
20. In June, 2013 the company issued 9,500 series B preferred shares to Brendan J. Schwartz subsequent to and as part of a loan agreement.
21. The Company's securities have never been delisted by any securities exchange, NASDAQ or the OTC Bulletin Board
22. To the best knowledge of the Company, there are no current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations. Other than what has been disclosed and or identified in Sections ITEM IV and ITEM V.

## B. Business of Issuer

CAVU is a natural resources company engaged in the acquisition, exploration and development of oil and gas properties. CAVU operates in the upstream segment of the oil and gas industry, with activities that include drilling, completions and operation of oil and gas wells. CAVU has acquired several leases and our focus is on completing wells and pumping oil and natural gas to generate revenues.

## C. Plan of Operation

CAVU is intensely focused on raising capital for the purchase of equipment and payment of completions costs to more rapidly complete our wells and ramp up oil and gas revenue generation.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

## Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative / regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and can also be obtained by contacting the Company.

1. The Company's primary SIC Code is 7389
2. The Company's and its subsidiaries current operations are limited to the 1) passive collection of oil and gas, 2) negotiation of contracts to provide drilling services for third parties drilling for oil and gas and 3) negotiation of contracts to construct oil and gas pipelines for third parties transporting oil and gas. The Company has begun to engage in active oil and gas acquisition by cleaning out and servicing the well bores on non-operating wells owned by the Company through its subsidiary, CAVU Energy Services, LLC.
3. The Company is not a shell company and, to the best knowledge of current management, has never been a shell company.

Securities Act Rule 405 defines a “shell company” as a company that has a) no or nominal operations and b) either, no or nominal assets, assets consisting solely of cash and cash equivalents, or assets consisting of any amount of cash and cash equivalents and nominal other assets. Because the Company possesses significant assets that are neither cash, nor cash equivalents, the Company is not a “shell company” as described in Securities Act Rule 405.

Current management assumed control of the Company in October of 2001 and possesses incomplete information about the Company and its operations prior to that date. However, to the best knowledge of current management, the Company has never been a shell company within the meaning of Rule 405.

4. The Company receives revenues from its minority owned subsidiaries, as follows:

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- a) PROXITY ELECTRONIC COMMERCE, LLC. This entity is owned 32% by the Company. It provides information systems dealing with Government logistics databases and vendor awareness of business opportunities in selling both to the Government as well as industry. In the future we hope that this LLC will generate significant profits for the Company. At present our ownership interest in this entity does not produce material revenue for the Company. In the future we expect that its revenue stream will not be material to the Company's overall financial performance.
- b) CYBER AEROSPACE, LLC. This entity is 40% owned by the Company. Cyber is a designer and manufacture of Unmanned Aerial Systems ("UAS"). The company is a small business women owned company providing services to Law enforcement, military, commercial and oil field security operations globally. Cyber currently plans to build and assemble its products in Oklahoma. At present our ownership interest in this entity does not produce material revenue for the Company. In the future we expect that its revenue stream will not be material to the Company's overall financial performance.
- c) FILO SWDW #1 LP. The Company owns 40 limited partnership units representing 45.4% of the outstanding Limited partner Units, valued at \$1,000,000. The company also owns 50% of the General Partnership. FILO was originally formed to raise \$4,400,000 for land acquisition and to fund development and drilling of a 50,000 barrel a day saltwater disposal well. After a hearing to issue the permit numerous protests were filed against the well. FILO chose to remove its application for the permit. The offering document was amended to acquire property in Montgomery Kansas and reduced the offering amount to \$2,200,000. FILO has acquire interest an originally approved saltwater disposal project in central Kansas and has modified its offering to a smaller 10,000 barrel well. CAVU had originally sold the company land and equipment valued at \$1,425,000. The \$425,000 sale of property was canceled and returned to CAVU in exchange for the cancelation of 17 of its units in FILO SWDW#1 LP.
- d) CAVU RESOURCES TWO, LP. The Company is the general partner and is selling a total of 240 units at \$10,000 per unit, each representing .4167% in ownership of the partnership. The Company owns 120 units of the partnership values at \$1,200,000. The General Partner has identified an acquisition opportunity by research and contact with landowners, developers and geologists in Garvin County, Oklahoma. As of November 10, 2012, the partnership had 7 total well bores on 140 gross mineral acres in Garvin County, Oklahoma. Of the 7 wells, 3 are reworked and ready for production, 3 of them are 'shut-in,' or not currently turned on for production, due to the well bores needing to be cleaned out and serviced. The remaining well is a 3,000 barrel a day disposal well.

All wells in this project are oil and gas wells and there is a pipeline in the area that is currently shut in and the partnership is exploring purchasing this line to increase sale of its natural gas. However, the acreage has been mapped geologically and management has identified 3 locations that can be drilled to a depth of about 4,200 feet to test for oil. Wells on this acreage are currently spaced on 20 acre spacing units.

All wells are currently completed in two reservoirs. However, in this area there are multiple zones that can be completed for hydrocarbons. As such, the partnership may complete some of these well bores in the future in multiple zones. These completions would all be for oil. The partnership owns 85% working interest in all of the leases in this project. The project area is in the Pauls Valley area and

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covers approximately 140 acres. The area contains over multiple wells that were drilled between the late 1940's and early 2000's. Most of these wells are currently shut-in and can be secured, reworked and systematically put back into production starting with ones with historical production. The partnership has targeted additional leases in the area to acquire.

### **Investment Strategy**

Prior to making this investment, the management of the General Partner has reviewed all aspects of the target assets, estimating the earnings run rate, identifying potential operational risks, evaluating customer relationships and other significant exposures and contingent liabilities. With experience in the domestic oil and gas industry, the management of the General Partner has established a network of relationships and industry contacts that the Partnership believes will increase the chance of success for this investment.

The Partnership's well will be located in an area of increasing oil and gas activity. The Partnership has targeted this acquisition that the General Partners believe will provide a return of the investment. However the Partnership cannot guarantee there will be any return on the investment. The Company and its limited partners have raised and invested \$1,475,000 with \$910,000 left to raise to complete the offering.

### **CURRENT INDUSTRY ENVIRONMENT**

The General Partner believes that current market conditions remain favorable for investment in the sector of natural resources with a focus on oil and gas related assets, such as Salt Water Disposal Facilities.

### **Supply and Demand**

Despite the volatility in oil and gas prices, we continue to believe that the long-term trend for oil and gas prices will be upward, driven by long-term supply and demand. There is currently a vibrant drilling and re-completion activity taking place in the Oklahoma and Kansas area as well as the surrounding counties which fuels the demand for salt water disposal.

### **PROPOSED PORTFOLIO INVESTMENT**

**The General Partner has identified an acquisition opportunity by research and contact with landowners, developers and geologists, in Kansas, Louisiana and Texas for an existing disposal wells been with issued and renewable permits commercial 10,000 to 20,000 barrels of waste saltwater per day.**

### **What is a Saltwater Injection Well**

Saltwater is produced in conjunction with oil and gas production as a natural by-product. Therefore, commercial saltwater disposal services are a necessity for most oil and gas producers. Produced saltwater is either trucked or piped from a production property and then disposed of into regulated and monitored Salt Water Disposal "SWD" wells. The trucking company charges the producer a hauling and disposal fee based on the number of hours involved and the number of barrels hauled, and in turn pay the owner of the SWD well for disposal services. A significant profit center in SWD operations is

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from the skim oil that is received in conjunction with the saltwater which is like owning a producer well that never depletes. Disposing of wastewater through underground began in the 1930s, when oil companies started pumping brine produced from oil and gas production into porous rock formations underground. This disposal method is more cost effective than treating and reusing wastewater.

### **What exactly is underground injection?**

Underground injection is the placing of fluids underground, in porous formations of rocks, through or other similar conveyance systems. While rocks such as sandstone, shale, and limestone appear to be solid, they can contain significant voids or pores that allow water and other fluids to fill and move through them. Man-made or produced fluids (liquids, gases or slurries) can move into the pores of rocks by the use of pumps or by gravity. The fluids may be water, wastewater or water mixed with chemicals.

### **Why are underground injection sites used for storage?**

Americans generate large amounts of waste fluids. More than 750 billion gallons of *hazardous and non-hazardous* fluids are disposed of safely through underground injection. Over 9 billion gallons of *hazardous waste* is injected each year into facilities across the United States. While treatment technologies exist, it would be very costly to treat and release to surface waters the billions and trillions of gallons of wastes that industries produce each year. Agribusiness and the chemical and petroleum industries all make use of underground injection for waste disposal. When properly sited, constructed, and operated, underground injection is an effective and environmentally safe method to dispose of wastes. The Environmental Protection Agency (EPA) insures that these fluids are disposed of safely and cost effectively while fulfilling their mission to protect underground sources of drinking water from contamination by regulating the location, construction, operation and closure of injection.

### **What purpose do saltwater disposal wells serve?**

Oil and gas reservoirs are usually found in porous rocks, which also contain saltwater. This saltwater, which accompanies the oil and gas to the surface, can be disposed in two ways: 1) Returned by fluid injection into the reservoir where it originated for secondary or enhanced oil recovery; or 2) Injected into underground porous rock formations not productive of oil or gas, and sealed above and below by unbroken, impermeable strata. Saltwater disposal wells use this second method to manage saltwater. Operators are responsible for disposing of produced water and frac fluid. Frac fluid is used to fracture and stimulate natural gas wells. Water or frac fluid is used to fracture tight shale to release gas trapped in the shale.

Operators are required to follow the appropriate state disposal regulations administered by the agency's Technical Permitting Section-Underground Injection Control Program. Underground Injection Control is a program that is federally delegated by the U.S. Environmental Protection Agency to Louisiana, and it follows national guidelines under the federal Safe Drinking Water Act for surface and groundwater protection. EPA awarded the appropriate state "primary enforcement responsibility" over oil and gas injection and disposal wells on April 23, 1982.

## **What is the difference between a disposal well and an injection well?**

Disposal wells inject fluid into an underground interval that is not productive of oil and gas. Injection wells re-inject fluids into the same or similar reservoir, from which the fluids originated, for secondary recovery of oil. Operators use secondary recovery techniques when an oil field's pressure has been depleted, and oil is no longer produced from a field's natural pressure. Secondary recovery, sometimes known as water flooding generally injects produced saltwater into a reservoir to reestablish sufficient pressure that will allow an operator to recover additional amounts of oil. Some Class V, for example, injects surface water to replenish depleted aquifers or to prevent salt-water intrusion. Some Class II injects fluids for enhanced recovery of oil and natural gas, and others inject liquid hydrocarbons that constitute our Nation's strategic fuel reserves in times of crisis.

## **What is the history of the regulation of underground injection in the United States?**

(Note: The abbreviation USDW is used often in this presentation. USDW is the abbreviation for "underground source of drinking water.") First let's sum up the goal of any and all regulation in this area: The goal of Federal regulations is to prevent contamination of "underground sources of drinking water" (USDW). A USDW is defined as an aquifer, or its portion, which serves as a source of drinking water for human consumption, or contains a sufficient quantity of water to supply a public water system, and contains fewer than 10,000 mg/liter of total dissolved solids. The history of the U.S. federal government's role in achieving the above goal is summarized as follows:

- ◆ In 1974, responding to concerns about underground injection practices, including failure of some, the U.S. Environmental Protection Agency (EPA) raised concerns that injected waste could contaminate underground drinking water.
- ◆ In December 1974, Congress enacted the Safe Drinking Water Act, which required the EPA to set requirements for protecting underground sources of drinking water (USDWs).
- ◆ EPA passed its Underground Injection Control regulations in 1980.
- ◆ In 1988 EPA made its UIC regulations stronger to comply with the newly upgraded waste disposal amendments of the Resource Conservation and Recovery Act.
- ◆ New regulations and operating guidelines are currently being reviewed and in some states including New York, Pennsylvania and Arkansas have already adopted new laws and guidelines. As new Oklahoma guidelines and or federal law changes are proposed, the Partnership will use its best efforts to become informed of revisions and stay in touch with its limited partners regarding how such regulations impact the Partnership.

## **GENERAL REQUIREMENTS FOR CLASS I, II, & III INJECTION**

In general, owners and operators of most new Class I, II and III injection are required to:

1. Site the well in a location that is free of faults and other adverse geological features;
2. Drill to a depth that allows the injection into formations that do not contain water that can potentially be used as a source of drinking water. These injection zones are confined from any formation that may contain water that may potentially be used as a source of drinking water;

3. Build to inject through an internal pipe (tubing) that is located inside another pipe (casing). This outer pipe has cement on the outside to fill any voids occurring between the outside pipe and the hole that was bored for the well (borehole). This allows for multiple layers of containment of the potentially contaminating injection fluids;

4. Test for integrity at the time of completion and every five years thereafter (more frequently for hazardous waste);

5. Monitor continuously to assure the integrity of the well.

(Class I *Municipal* Injection are a special case and do not have to meet all the requirements stated above. Class I Municipal Injection is only presently found in Florida. They are discussed more fully below in the section discussing “Class I Injection)

## **CLASS II INJECTION**

Class II injection are those associated with the oil and gas industry. They include which inject brine and other fluids associated with oil and gas production. The EPA estimates there are 147,000 Class II Injection in the United States. More than 700 million gallons of fluids are injected into Class II each year. Most of the injected fluid is brine that is produced when oil and gas are extracted from the earth. Typically, 10 gallons of brine are produced for each gallon of oil. Fluids are injected into these to enhance oil recovery. Oil is also injected into these for the purposes of underground storage.

### Examples of Fluids:

- Produced high salinity brine
- Crude oil (for storage)
- Polymers and viscosifiers for enhanced recovery
- Drilling fluids and mud’s

### Protective Regulations for Class II Injection

- Construction and site location
- Cased and cemented to prevent movement of fluids into USDWs
- Construction and design of well (casing, tubing, and packer) varies

### Monitoring and Testing

- Internal/External mechanical integrity testing (MIT)
- Periodic monitoring and reporting

### Record Keeping and Reporting

- Plan for safe plugging and abandoning of, including demonstration of financial responsibility.

## **What are the construction standards for a disposal well?**

Specifically, a disposal well’s construction standards require three layers of casing to ensure groundwater is protected. The first protection layer is surface casing—a steel pipe that is encased in cement that reaches from the ground surface to below the deepest usable quality groundwater level. Surface casing acts as a protective sleeve through which deeper drilling occurs. The second protection layer is the production casing—a pipe placed in the wellbore to the well’s total depth and permanently cemented in place. The third protection layer is the injection tubing string and packer that conducts the injected water down through the injection tubing string and production casing to perforations at the

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bottom of the well to inject the water into an underground formation. With this well construction, all three protection layers must fail at the same time to impact groundwater.

**Can I be guaranteed that saltwater disposal wells will not contaminate my water well?**

The purpose of the state's Underground Injection Control Program's permitting process, well monitoring process and field inspections is to prevent pollution. Proper well completion, injection procedures and monitoring ensures that fresh water sources are not impacted by saltwater.

To protect groundwater, the state's rules for the construction of disposal wells are specially designed to require multiple layers of cement and steel to ensure that shallow, usable quality water is not impacted. Disposal wells inject saltwater into underground formations, sometimes over a mile in depth, into fields that are already full of naturally occurring saltwater. In contrast, wells that supply fresh water usually are no deeper than a few hundred feet.

In addition to construction standards, the permitting process for saltwater disposal wells involves numerous requirements and safeguards including: notice to the public; hearing opportunities; a review of area geology; and required areas of review near the proposed wells to determine if there are other wells penetrating the same geologic horizon proposed for disposal.

f) CAVU Energy Services, Inc. (formerly FILO Quip Resources, LLC). This entity is owned 40% by the Company and its shareholders. It will not be included in the financial statements. The Company has engaged CAVU Energy, as operator of our oil and gas operations, oil and gas production and energy technology development and production will be conducted by this entity. As per the following proxy, FILO Quip Resources, LLC was converted to a corporation as of September 16, 2011 and renamed CAVU Energy Services, Inc. The remaining 60% was voted to be distributed to the shareholders. Upon completion of acquisition of additional assets and raising the funds necessary to file a registration statement the Company will complete the distribution. The company does not anticipate this happening in the first two quarters of this year.

**Oil and Gas Acquisition and Drilling**

We monitor and comply with current government regulations that affect our activities, although our operations may be adversely affected by changes in government policy, regulations or taxation. There can be no assurance that we will be able to obtain all of the necessary licenses and permits that may be required to carry out our exploration and development programs. It is not expected that any of these controls or regulations will affect our operations in a manner materially different than they would affect other natural gas, oil and drilling companies operating in the areas in which we operate.

The United States federal government and various state and local governments have adopted laws and regulations regarding the protection of human health and the environment. These laws and regulations may require the acquisition of a permit by operators before drilling commences, prohibit drilling activities on certain lands lying within wilderness areas, wetlands, or where pollution might cause serious harm, and impose substantial liabilities for pollution resulting from drilling operations, particularly with respect to operations in onshore and offshore waters or on submerged lands. These

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laws and regulations may increase the costs of drilling and operating wells. Because these laws and regulations change frequently, the costs of compliance with existing and future environmental regulations cannot be predicted with certainty.

The transportation and certain sales of natural gas in interstate commerce are heavily regulated by agencies of the federal government. Production of any oil and gas by properties in which we have an interest will be affected to some degree by state regulations. States have statutory provisions regulating the production and sale of oil and gas, including provisions regarding deliverability. Such statutes and the regulations are generally intended to prevent waste of oil and gas and to protect correlative rights to produce oil and gas between owners of a common reservoir. State regulatory authorities may also regulate the amount of oil and gas produced by assigning allowable rates of production to each well or pro-ration unit.

Any exploration or production on Federal land will have to comply with the Federal Land Management Planning Act, which has the effect generally of protecting the environment. Any exploration or production on private property whether owned or leased will have to comply with the Endangered Species Act and the Clean Water Act. The cost of complying with environmental concerns under any of these acts varies on a case-by-case basis. In many instances the cost can be prohibitive to development. Environmental costs associated with a particular project must be factored into the overall cost evaluation of whether to proceed with the project.

#### **Additional Disclosure Guidelines for Issuers Engaged in Oil and Gas Producing Activities.**

1. Production. Oil and gas production will occur in CAVU Resources, Inc. This was formed in 2009 did not engage in oil and gas production prior to formation. It has only recently begun a *de minimis* amount of oil and gas production as of the date of the Merger, April 24, 2009. This production has been limited to the passive capture of oil and gas. No active drilling is being conducted.

2. Productive Wells and Acreage.

a. Nowata County, Oklahoma. As of December 31, 2012, the company has purchased a 25 mile pipeline with multiple well locations that can be tapped into the pipeline. The acquisition and the wells will have to be tested and all reports brought up to date with the Oklahoma Corporation Commission. All wells in production are primarily oil wells with gas as a secondary income stream. Wells on this acreage are currently spaced on 5 acre spacing units.

b. Washington County, Oklahoma, (“Hogshooter Lease”). As of December 31, 2012 CAVU has had land work done to verify the size and status of the acquired what was originally estimated to be an 1,100 acre project with about 65 previously producing wells and all associated pipelines and gathering systems. We have physical surveyed the lease and completed a well count has determined there are approximately 820 Acres and approximately. The company currently is in a dispute with the seller J H Field Services LLC on the purchase price and plans to propose a settlement and have this completed in a timely fashion. The project is located in Washington County in Northeastern Oklahoma. The key plays in Oklahoma are the sandstone reservoirs of Permian, Pennsylvanian, and Ordovician age. Limestone of Mississippian and Pennsylvanian age is a

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potential reservoir target as well. These sandstone and limestone reservoirs range in subsurface depths from 500 to 3000 feet. All of these reservoirs pinch out the further north and east one goes. However, in this northeastern corner of Oklahoma, the Northeastern Shelf has more developed coal seams that produce natural gas, or coal bed methane gas (CMB).

One unique and very valuable quality of the Oklahoma area is that several reservoirs are charged with hydrocarbons, thus providing multiple pay zones in one well. These zones may be produced individually or commingled to increase production rates for each well. Primary hydrocarbons are oil and gas, with estimated pay thickness of 2 to 20 feet for reservoir rocks. Most coal seams range in thickness from 2' to 8' of pay with about 3-4' being the average pay thickness in this project.

The key to success in this area of Oklahoma is optimizing production from the many hydrocarbon bearing zones, which includes the coal seams. With most wells encountering about a dozen zones that have known production in this area, the drilling risk is extremely low. Having this serendipity also extends the production life of wells from 10-12 years to 15-20 years.

Production rates in this area range from 2 to 50 barrels of oil per day (BOPD) per well with typical results averaging between 5 and 10 BOPD. Initial flow rates can be higher for a short duration before settling into this range with the quality of crude being excellent (33° to 42° API oil). Natural gas is the fall-back position in this area due to shallow Excello shale that blankets the area as do several methane gas bearing coal seams. As such, natural gas is almost always produced in a well in this area with production rates ranging from 5,000 to 200,000 cubic feet of gas per day (5 to 200 MCFD). Since most of this gas is produced from coal seams, initial production rates are actually lower and increase over the first few months because coal seams must “dewater,” where water in place in the coal seam is brought to the surface freeing up the gas to begin coming to surface through the well bore. As a result, a typical scenario would be for a well to produce from a coal seam and after dewatering for about a month to start giving up -its natural gas. The flow rate of between 950 to 1050 BTU gas will usually start around 5 MCFD and increases as the water comes off with most wells settling in around 30-50 MCFD. The majority of these wells were completed in Washington County with production coming from about a dozen coal seams. In CAVU's project area, there is an estimated 98% completion rate and 100% discovery of gas, making it one of the lowest risk exploration areas in the country. All wells are currently completed in one reservoir. However, in this area there are multiple zones that can be completed for hydrocarbons. As such, the Company may complete some of these well bores in the future in multiple zones. These completions would be for natural gas and oil. The Company owns 100% working interest in all of the leases in this project.

- c. Potawatomie County, Oklahoma, (“St. Louis Lease”), As of December 31, 2012, the company exchanged 50% of its ownership its office building in Tulsa, Oklahoma for 19 wells on 320 acres that are a very prolific area. Recent results from well work overs have had very encouraging results from neighboring wells.

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## **The nature of products or services offered**

### **A. Principal products or services, and their markets.**

#### **Principal products or services, and their markets.**

CAVU Resources, Inc. conducts its operations through a series of subsidiary companies all of which are minority owned and all of which are managed by William C. Robinson, our president and director. Each subsidiary has a distinct business plan and focus. At present, those subsidiaries and their respective plans may be summarized as follows:

#### **CAVU Energy Services, Inc. (Formerly FILO Quip Resources, LLC).**

FILO Quip Resources, LLC was formed to seek opportunities in the energy sector. The company recently merged with CAVU Energy Services, LLC and CAVU Resources One L.P. and has been renamed CAVU Energy Services, Inc. CAVU Energy was spun off to shareholders in September of 2011 and the company entered into a letter of intent to merge with CAVU Global Energy, LLC to go public, however the terms of the agreement has expired and this LOI is null and void. CAVU Energy Services, Inc. (CES) is a bonded operating company in Tulsa, Oklahoma operating over 108 wells, engages in Roustabout work, Oil field construction, well reworks, drilling, oil and gas operations and the design and fabrication of Saltwater disposal and oil reclamation facilities, focusing on ensuring that their projects, or our projects in this sector, are among the very best available in the country. To that end, CES focus has been primarily on oil and gas fields that have been previously developed and abandoned prior to 1980 and have a higher ration of saltwater produce along with the oil and gas. This strategy reduces risk and the impact of environmental issues usually faced with developing new fields. CES is operating leases that have producing oil and gas wells, and has initiated a multi- well drilling program and saltwater disposal and oil recovery program.

Initially, CES planned to provide energy investments opportunities to investors to finance the acquisition and development of various energy related projects. It intends to develop this entity into an independent energy company primarily engaged in the acquisition, exploration and development of natural resource properties with a focus on the production of oil and natural gas. CAVU has developed a 140 and a 50 acre oil production field in Southern Oklahoma, an 820 acre project in Northeast Oklahoma and plans to begin developing 19 wells on 320 acre project in central Oklahoma. The Company has initiated new technologies to enhance production. The Company has also developed a monitoring and security system to control its operations remotely and monitor and tract any intrusions and or theft from its secured properties. At present, the Company lacks sufficient capital to execute on its plan for this subsidiary. Once capitalized, the Company intends for its principal products, services and the markets they are geared towards to be as follows:

#### **Oil and Gas Production Acquisition**

The Company plans to concentrate on the purchase and acquisition of oil and gas reserves primarily in the regions where the Company has personal knowledge and access to previous geological surveys and operators that have knowledge of operating leases. The Company also intends to gain knowledge on existing operating leases by entering into strategic agreements with certain companies

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that supply specialty chemicals for oil and gas wells operated by major independent oil companies. The knowledge gained from the analysis of the parameters gathered from the oil and gas wells to customize a chemical program can also be utilized to evaluate the future production potential for the wells. This knowledge will allow the Company to utilize the engineer's information to determine the value of the oil and gas production stream for the life of the well and will be a part of the evaluation used to approach the owner of the wells to purchase a working interest in the oil and gas wells.

The Company plans to focus our production operations in Kansas, Oklahoma and Texas, and to continue to build scale, particularly in the longer life onshore regions, through acquisition activities and complimentary development drilling activities.

### **Energy Trading.**

Fuel Trading operations have been set in Spokane, Washington. We have secured several suppliers for D-2 and JP 54 fuel supplies. We have been approached by representatives looking for multi-ton purchases of these products. We are currently negotiating multiple transactions.

In the future we hope that this division will generate significant profits for the Company. At present its operations, assets, and financial results are not material to our overall operations.

### **FILO SWDW #1 LP**

The Company owns 40 limited partnership units representing 45.4% of the outstanding Limited partner Units. FILO was originally formed to raise \$4,400,000 for land acquisition and to fund development and drilling of a 50,000 barrel a day saltwater disposal well. After a hearing to issue the permit numerous protests were filed against the well. FILO chose to remove its application for the permit. FILO has acquire interest an originally approved saltwater disposal project in central Kansas and has modified its offering to a smaller 10,000 barrel well. CAVU had originally sold the company land and equipment valued at \$1,425,000. The \$425,000 sale of property was canceled and returned to CAVU in exchange for the cancelation of 17 of its units in FILO SWDW #1 LP the company owns 40 units values at \$1,000,000.

### **CAVU RESOURCES TWO, LP**

The Company is the general partner and is selling a total of 240 units at \$10,000 per unit, each representing .4167% in ownership of the partnership. The Company owns 120 units of the partnership values at \$1,200,000. The General Partner has identified an acquisition opportunity by research and contact with landowners, developers and geologists in Garvin County, Oklahoma. As of November 10, 2012, the Company had 7 total well bores on 140 gross mineral acres in Garvin County, Oklahoma. Of the 7 wells 2 are currently producing, 2 are reworked and ready for production, 2 of them are 'shut-in,' or not currently turned on for production, due to the well bores needing to be cleaned out and serviced. The remaining well is a 3,000 barrel a day disposal well.

### **CYBER AEROSPACE, LLC**

This entity is 40% owned by the Company. Cyber is a designer and manufacture of Unmanned Aerial Systems ("UAS"). The company is a small business woman-owned company providing services to

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Law enforcement, military, commercial and oil field security operations globally. Cyber currently plans to build and assemble its products in Oklahoma. Currently, the revenue generated by this entity is not material to the Company. It is not anticipated that future revenue from this entity will be material to the Company's overall financial performance.

#### **Oil Field Security Systems.**

Oil field security is growing business segment with renewed security threats to oil and gas fields around the world. With volatile prices, and difficult economic times, the theft of product and equipment has opened a new revenue opportunity for the Company's client base. The Company plans to provide security to oil and gas fields. Currently, the revenue generated by this entity is not material to the Company. It is not anticipated that future revenue from this entity will be material to the Company's overall financial performance.

#### **PROXITY ELECTRONIC COMMERCE, LLC**

Proximity Electronic Commerce, an entity in which the Company currently holds a 32% minority interest, was founded in 2005 with the goal of becoming the leader in providing information systems dealing with government logistics databases and vendor awareness of business opportunities in selling both to the government as well as industry. The founders of PECS are the originators of the current systems of logistics used by industry and the military including FEDLOGS, Haystack and the ILI Logicom parts database. The PECS databases provide information on 12 million parts, their suppliers, government specs and standards as well as non- government standards, which are linked from the database to the cited standards. The system also provides an alert service on sales opportunities to the government's 400,000 contractors as well as requisite data used by the military. In the future we hope that this LLC will generate significant profits for the Company. Currently, the revenue generated by this entity is not material to the Company. It is not anticipated that future revenue from this entity will be material to the Company's overall financial performance. Due to recent growth in Proximity a dividend was paid in September.

#### **B. Distribution methods of the products or services.**

##### **Distribution of Oil and Gas.**

##### **Oil and Natural Gas Delivery to Marketplace.**

The current gas that is being passively captured is being fed into existing gas pipelines maintained by other unrelated gas companies. At present, the Company lacks the capital necessary to further exploit its oil and gas leases. If the Company is eventually successful in exploiting the oil and gas leases that it currently holds, then the Company will possess stores of oil and gas that it needs to provide to the end users. The Company intends to store any oil that it produces in tank farms near the production site. The stored oil will then be picked up by tanker trucks and taken to market. The natural gas produced by the Company will be fed into natural gas pipelines and sold to end users.

**C. Status of any publicly announced new product or service.** With respect to oil and gas acquisition, we currently lack the capital necessary to implement our plan. Until sufficient capital can be raised, except for our continued passive capture of de minimis amounts; our oil and gas acquisition will remain in the planning and development stage. With respect to drilling for oil and gas and constructing oil and gas pipelines for third parties, we are currently negotiating contracts to begin these

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services. Upon finalization of these contracts and our raising of sufficient capital, then we will begin implementing drilling and construction.

**D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition.** The oil producing properties, exploratory drilling prospects, gas industry, alternative energy industry and oil and gas pipeline construction industries are highly competitive. Properties in which we have an interest will encounter strong competition from many other competitors in the respective industries, including many that possess financial resources greater than ours.

**E. Sources and availability of raw materials and the names of principal suppliers.** The Company sources its materials from a variety of vendors, contractors and suppliers for its work in the oil and gas industry, oil and gas pipeline construction industry and alternative energy industry. The availability of these materials and supplies is generally favorable due to the competitive nature of the industry. However, during times of great demand for materials, equipment and services, the Company could experience delays in getting the equipment, materials and services its needs.

Once we commence operation, then, with respect to the oil and gas industry, we anticipate that our primary suppliers will be:

1. In Oklahoma, the Company's primary suppliers would be Pioneer Pipe & Supply, CAM Well Service, A. Feezel Company, Sapphire Roustabout Service, Arrow Pump and Supply, Submersible Pumps, Inc. and J and J Tubulars.

**F. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.** We do not own, either legally or beneficially, any patent or trademark.

**G. The need for any government approval of principal products or services and the status of any requested government approvals.**

#### Oil and Gas Acquisition and Drilling

Crude oil operations are subject to extensive federal, state and local government regulations, which may be changed from time to time. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. We have not obtained the governmental approvals that will be necessary for us to begin active operations.

**RISK FACTORS:** The following are certain identifiable risk factors for the Company, and its subsidiaries business operations. You should carefully consider the following risk factors and all other information contained herein in evaluating our business and prospects. You should also refer to the other information contained in document notes in determining the viability of the business.

#### **Risk Related to New Business and Financial Condition**

**Because we have a limited operating history related to our current business strategy, we are subject to the risks of failure associated with any new business ventures.**

We have only recently incorporated our strategy of the acquisition and drilling of oil and gas leases, development of alternative energy, drilling and construction of oil and gas pipelines and have a limited

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operating history in this area on which potential investors can assess our performance and prospects. Potential investors should be aware that there is a substantial risk of failure associated with any new business strategy as a result of problems encountered in connection with their commencement of new operations. These include, but are not limited to, the entry of new competition, unknown or unexpected additional costs, and expenses that may exceed estimates.

**If we are not able to raise additional funds in the future to complete our business plan and grow the business, we will not meet our long term business and financial goals.**

Our cash requirements will be significant. Our current cash position will not enable us to pursue all aspects of our business plan. We have no commitments to obtain any additional funds and cannot be sure that we will be able to raise additional funds on favorable terms, if at all. We cannot be certain that the future revenues we generate or capital we raise will be sufficient to meet our expected expenses. If we do not have sufficient funds in the future we may have to cease operations. We may be unable to fund growth, continue to possess our oil and gas leases and equipment, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material and adverse effect on our business, results of operations and financial condition and the value of your investment. If we raise additional funds by issuing equity securities, existing shareholders may experience significant dilution in their ownership interests. If we obtain additional financing by issuing debt securities, the terms of these securities could restrict or prevent us from paying dividends and could restrict our flexibility in making business decisions.

**Risk Factors related to Oil and Gas Production and Drilling Because Crude Oil Development, Re-completion of Wells, Restoring Wells to Production and Drilling and Completing New Wells Are Speculative Activities That Involve Numerous Risks and Substantial and Uncertain Costs, We May Be Unable to Maintain Profitability.**

Drilling for crude oil and reworking existing wells involves numerous risks, including the risk that no commercially productive crude oil reservoirs will be encountered.

The cost of drilling, completing and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors beyond our control, including:

- §§ unexpected drilling conditions;
- §§ pressure or irregularities in formations;
- §§ equipment failures or accidents;
- §§ inability to obtain leases on economic terms, where applicable;
- §§ adverse weather conditions;
- §§ compliance with governmental requirements; and

§§ shortages or delays in the availability of drilling rigs or crews and the delivery of equipment. Drilling or reworking is a highly speculative activity. Even when fully and correctly utilized, modern well completion techniques such as hydraulic fracturing and horizontal drilling do not guarantee that

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we will find crude oil and/or natural gas in our wells. Hydraulic fracturing involves pumping a fluid with or without particulates into a formation at high pressure, thereby creating fractures in the rock and leaving the particulates in the fractures to ensure that the fractures remain open, thereby potentially increasing the ability of the reservoir to produce oil. Horizontal drilling involves drilling horizontally out from an existing vertical well bore, thereby potentially increasing the area and reach of the well bore that is in contact with the reservoir. Our future drilling activities may not be successful and, if unsuccessful, such failure would have an adverse effect on our future results of operations and financial condition. We cannot assure you that our overall drilling success rate or our drilling success rate for activities within a particular geographic area will not decline. We may identify and develop prospects through a number of methods, some of which do not include lateral drilling or hydraulic fracturing, and some of which may be unproven. The drilling and results for these prospects may be particularly uncertain. Our drilling schedule may vary from our capital budget. The final determination with respect to the drilling of any scheduled or budgeted prospects will be dependent on a number of factors, including, but not limited to:

- §§ the results of previous development efforts and the acquisition, review and analysis of data;
- §§ the availability of sufficient capital resources to us for the drilling of the prospects;
- §§ economic and industry conditions at the time of drilling, including prevailing and anticipated prices for crude oil and the availability of drilling rigs and crews;
- §§ our financial resources and results;
- §§ the availability of leases and permits on reasonable terms for the prospects; and
- §§ the success of our drilling technology.

These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital. We cannot assure you that these projects can be successfully developed or that the wells discussed will, if drilled, encounter reservoirs of commercially productive crude oil or natural gas. There are numerous uncertainties in estimating quantities of proved reserves, including many factors beyond our control that could adversely affect our ability to maintain profitability.

**If We Are Not Successful In Obtaining New or Maintaining Current Leases For Abandoned Oil Wells, Our Business Will Fail.**

Because we do not own land and do not intend to purchase any real property, we are dependent upon entering into lease agreements with landowners and engaging in workovers of previously abandoned wells. If we are not able to enter into new lease agreements, our growth plans will be frustrated. If we are unable to maintain our current leases by meeting the terms of those leases, or if we are unable to negotiate new lease agreements to replace our current leases when they expire, our business, revenues, and financial position will be negatively impacted.

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**If We Are Unable To Locate Abandoned Oil Wells and Bring Them Into Production Through Our Workover Efforts, Our Business Will Fail.**

Our business plan depends on our ability, with our consultants, to identify oil wells that will generate significant levels of crude oil in response to our workover efforts. The identification of such wells is based upon seismic and other data, but involves extrapolation, assumptions, experience, and percentages. It is not an exact science, and we fully expect that some of the wells we identify will not become commercially viable, and thus we will have expended time, money, and effort on wells, which did not become productive. If we pursue too many wells that do not become productive, our costs will increase, our revenues will decrease, and our financial condition will be materially and adversely affected.

**Because Crude Oil Prices Are Highly Volatile in General, Low Prices Will Negatively Affect Our Financial Results.**

Our revenues, operating results, profitability, cash flow, future rate of growth and ability to borrow funds or obtain additional capital are substantially dependent upon prevailing prices of crude oil. A wide variety of factors affect the price of crude oil, including OPEC, national and international economic conditions, and consumer demand for gasoline and a wide variety of manufactured products. We have no control over the factors affecting the price of crude oil, nor can we predict its fluctuations. The price of crude oil has dropped significantly over the past Three months, and we cannot guarantee that it will not continue to do so. Accordingly, if the price of crude oil drops or stabilizes at a low price, our revenues will be negatively impacted and our business may fail.

Historically, the markets for crude oil have been very volatile, and such markets are likely to continue to be volatile in the future. Prices for crude oil are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for crude oil, market uncertainty and a variety of additional factors that are beyond our control, including:

- §§ worldwide and domestic supplies of crude oil;
- §§ the level of consumer product demand;
- §§ weather conditions;
- §§ domestic and foreign governmental regulations;
- §§ the price and availability of alternative fuels;
- §§ political instability or armed conflict in oil producing regions;
- §§ the price and level of foreign imports; and
- §§ overall domestic and global economic conditions.

It is extremely difficult to predict future crude oil price movements with any certainty. Declines in crude oil prices may materially adversely affect our financial condition, liquidity, ability to finance planned capital expenditures and results of operations.

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**Because the Oil and Gas Industry is Highly Competitive, There Is No Assurance We Will Capture Enough of the Market or The Right Investments In Oil and Gas Properties to Achieve Profitability.**

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies, which have substantially greater technical, financial and operational resources and staffs. Accordingly, there is a high degree of competition for desirable oil and gas leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. We cannot predict whether the necessary funds can be raised or that any projected work will be completed.

**Because Oil and Gas Operations are Subject to Comprehensive Regulation That May Cause Substantial Delays or Require Capital Outlays in Excess of Those Anticipate, Our Business May be Adversely Effected.**

Crude oil operations are subject to extensive federal, state and local government regulations, which may be changed from time to time. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of crude oil wells below actual production capacity in order to conserve supplies of crude oil. There are federal, state and local laws and regulations primarily relating to protection of human health and the environment applicable to the development, production, handling, storage, transportation and disposal of crude oil, byproducts thereof and other substances and materials produced or used in connection with crude oil operations. In addition, we may inherit liability for environmental damages caused by previous owners of property we purchase or lease. As a result, we may incur substantial liabilities to third parties or governmental entities. We are also subject to changing and extensive tax laws, the effects of which cannot be predicted. The implementation of new, or the modification of existing, laws or regulations could have a material adverse effect on us.

Any failure on our part to comply with existing regulations could result in the loss of our license to operate. Some breaches, such as the failure to remediate land when we abandon a well, could result in significant fines, and lack of willingness by landowners to enter into lease agreements with us in the future. Such results would effectively limit our ability to continue operating or to continue to do so profitably.

**Because Drilling Involves Many Risks, We May Become Liable for Pollution or Other Liabilities Which May Have an Adverse Effect on Our Financial Position.**

Oil and natural gas operations are subject to particular hazards incident to the drilling and production of oil and natural gas, such as blowouts, power outages, labor disruptions, cratering, explosions, uncontrollable flows of oil, natural gas or well fluids, fires and pollution and other environmental risks. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, pollution or environmental damage and suspension of operation. We may become subject to liability for pollution or hazards against which we cannot adequately insure or for which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial

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position and operations.

**Because We Depend On Successful Exploration, Development and Acquisitions to Maintain Reserves and Revenue in the Future, Our Survival Depends on Finding and/or Acquiring Additional Reserves.**

In general, the volume of production from oil properties declines as reserves are depleted, with the rate of decline depending on reservoir characteristics. Except to the extent that we conduct successful exploration and development activities or acquire properties containing proved reserves, or both, our proved reserves will decline as reserves are produced. Our future oil production is, therefore, highly dependent on our level of success in finding or acquiring additional reserves. Additionally, the business of exploring for, developing, or acquiring reserves is capital intensive. Recovery of our reserves, particularly undeveloped reserves, will require significant additional capital expenditures and successful drilling operations. To the extent cash flow from operations is reduced and external sources of capital become limited or unavailable, our ability to make the necessary capital investment to maintain or expand our asset base of and oil reserves would be impaired.

**Because We Are a Small Company Compared with Our Competitors, We May Not Be Able to Keep Pace with Technological Developments in Our Industry.**

The natural gas and oil industry and drilling industry are characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage or competitive pressures may force us to implement those new technologies at substantial costs. In addition, other oil and/or drilling companies may have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete or if we are unable to use the most advanced commercially available technology, our business, financial condition, and results of operations could be materially adversely affected.

**Risks Related to Alternative Energy Production**

**If existing regulations and policies and future changes to these regulations and policies present technical, regulatory and economic barriers to the use of alternative power sources, which we are unable to overcome, our business may fail.**

The market for renewable power is heavily influenced by foreign, U.S. federal, state and local government regulations and policies concerning the oil and electric utility industry, as well as policies promulgated by fuel companies and electric utilities. These regulations and policies often relate to pricing and technical interconnection of customer-owned electricity generation. In the U.S. and in a number of other countries, these regulations and policies are being modified and may continue to be modified. Further investment in the research and development of alternative energy sources could be deterred by these regulations and policies, which could result insufficient capital for the Company. Any new government regulations or utility policies pertaining to our industry may result in significant additional expenses to the end user and, as a result, could cause a significant reduction in demand for our services.

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**If a reduction or elimination of government and economic incentives occurs, our revenue would likely decline and our financial condition would be materially, negatively impacted.**

Today, the cost of solar, wind, and other eco-friendly power exceeds retail electric rates in many locations. As a result, federal, state and local government bodies have provided incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of alternative power products to promote the use of alternative energy in on-grid applications and to reduce dependency on other forms of energy. These government economic incentives could be reduced or eliminated altogether. Reductions in, or eliminations or expirations of, governmental incentives could result in lower revenues for our businesses, which have a material negative impact on our business.

### **Risks Related to Oil and Gas Pipeline Construction.**

**We must either obtain the right from landowners or exercise the power of eminent domain in order to use most of the land on which the pipelines are laid, and we are subject to the possibility of increased costs to retain necessary land use.**

Frequently, when we contract to construct a pipeline, we agree to secure the right of way on land to lay the pipeline. If we are unable to negotiate a right of way with a landowner, then, unless eminent domain is available, we may have to significantly alter the course of the pipeline, thus leading to increased costs and a corresponding loss of profitability.

Whether we have the power of eminent domain for our pipelines, other than interstate natural gas pipelines, varies from state to state depending upon the type of pipeline—petroleum liquids, natural gas or carbon dioxide—and the laws of the particular state. Interstate natural gas pipelines have federal eminent domain authority. In either case, we must compensate landowners for the use of their property and, in eminent domain actions; such compensation may be determined by a court. If the court awards an amount to the landowner in excess of what we had contracted with the party we were building the pipeline for, then our profitability could be negatively affected and the business may fail.

**Energy commodity transportation involves numerous risks that may result in accidents or otherwise adversely affect operations.**

There are a variety of hazards and operating risks inherent to natural gas transmission and storage activities, and refined petroleum products and carbon dioxide transportation activities—such as leaks, explosions and mechanical problems that could result in substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution and impairment of operations. For pipeline located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks could be greater. If a leak, explosion or mechanical problem were the result of our faulty construction, then we may be subject to liability for pollution or hazards against which we cannot adequately insure or for which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

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## **Risks Related to Management**

### **If We Are Unable to Retain the Services of Our Present Management or If We Are Unable to Successfully Recruit Qualified Managerial and Field Personnel Having Experience in Oil Exploration, We May Not Be Able to Continue Our Operations.**

Our success depends to a significant extent upon the continued services of our current management. Loss of their services could have a material adverse effect on our growth, revenues, and prospective business. In addition, in order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial and field personnel having experience in the oil and gas exploration, drilling, alternative energy and oil and gas pipeline construction business. Competition for qualified individuals is intense. There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

### **Because Our Articles of Incorporation and Bylaws and Nevada Law Limit the Liability of Our Officers, Directors, and Others, Shareholders May Have No Recourse for Acts Performed in Good Faith.**

Under our articles of incorporation, bylaws and Nevada law, each of our officers, directors, employees, attorneys, accountants and agents are not liable to us or the shareholders for any acts they perform in good faith, or for any non-action or failure to act, except for acts of fraud, willful misconduct or gross negligence. Our articles and bylaws provide that we will indemnify each of our officers, directors, employees, attorneys, accountants and agents from any claim, loss, cost, damage liability and expense by reason of any act undertaken or omitted to be undertaken by them, unless the act performed or omitted to be performed constitutes fraud, willful misconduct or gross negligence.

### **Our executive officers have significant influence over our affairs, and might cause us to engage in transactions that are not in our or our stockholders' best interests.**

In addition to managing us, our executive officers provide advice on our operating policies and strategies. Our executive officers may also cause us to engage in future transactions with them and their affiliates, subject to the approval of, or guidelines approved by, the Board of Directors. Our Board of Directors, however, consists of three of our executive officers. Accordingly, our executive officers have significant influence over our affairs, and may cause us to engage in transactions, which are not in our best interest.

We anticipate that our business strategy moving forward will be the acquisition of oil and gas, development of alternative energy sources, performance of drilling services for third parties seeking oil and gas and construction of oil and gas pipelines. However, our executive officers will have considerable discretion in the direction of our company, and individual shareholders will not have the opportunity to assess whether our funds are being used appropriately. Corporate funds may be used for corporate purposes that do not increase our operating results or market value, and until they are used, they may be placed in investments that do not produce income or that lose value.

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## **Risks Related to Our Securities**

### **Because we do not expect to Pay Dividends on the Common Stock for the Foreseeable Future, Investors Seeking Cash Dividends Should Not Purchase our Common Stock.**

We do not currently intend to pay cash dividends on our common stock and do not anticipate paying any dividends at any time in the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends on the common stock in the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Accordingly, investors must rely on sales of their own common stock after price appreciation, which may never occur, as the only way to realize gains on their investment. Investors seeking cash dividends should not purchase the common stock.

### **Because we are Subject to the “Penny Stock” Rules, the Level of Trading Activity in our Stock may be Reduced.**

Broker-dealer practices in connection with transactions in “penny stocks” are regulated by penny stock rules adopted by the Securities and Exchange Commission. Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on some national securities exchanges or quoted on Nasdaq). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealers’ presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer’s account. In addition, broker-dealers who sell these securities to persons other than established customers and “accredited investors” must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security subject to the penny stock rules, and investors in the common stock may find it difficult to sell their shares.

### **If a Substantial Number of Shares are Sold, the Market Price for Our Common Stock Could Decline**

If any of our stockholders sells substantial amounts of our common stock in the public market, the market price of our common stock could fall. In addition, such sales could create the perception of difficulties or problems with our business strategy. As a result, these stock sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

### **Because the Company has issued 1,000,000 shares of Series A Preferred stock shares and 300,000 shares of Preferred B shares that carry 1000-1 voting rights and approximately 70% of the shares of outstanding common stock of the Company, on a fully diluted basis, to Claymore**

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**Consulting, LLC and the executive officers and advisory board would have control of the Company and concentrated in their hands. However Claymore Consulting, LLC and William and Desai Robinson have contractually changed the terms of their preferred to vote them only as the majority of the shareholders vote under a proxy distributed to all shareholders.**

The level of control exercised by Claymore will enable these parties to elect our entire board of directors without the concurrence of any of our other shareholders. Accordingly, they are in a position to control our policies, management and affairs. Thus any purchaser of a common share of stock of the Company should expect that such share will not entitle him to any meaningfully voting say in the Company's matters.

**If we issue shares of preferred stock with superior rights than the common stock registered in this prospectus, it could result in a decrease in the value of our common stock and delay or prevent a change in control of us.**

Our board of directors is authorized to issue up to 11,000,000 shares of preferred stock. Our Board of Directors has the power to establish the dividend rates, liquidation preferences, voting rights, redemption and conversion terms and privileges with respect to any series of preferred stock. The issuance of any shares of preferred stock having rights superior to those of the common stock may result in a decrease in the value or market price of the common stock. Holders of preferred stock may have the right to receive dividends, certain preferences in liquidation and conversion rights. The issuance of preferred stock could, under certain circumstances, have the effect of delaying, deferring or preventing a change in control of us without further vote or action by the stockholders and may adversely affect the voting and other rights of the holders of common stock.

#### **The nature and extent of the issuer's facilities as filed**

Clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if other also own property or if there is a mortgage on the property), describe the limitations on the ownership. If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

1. Master Lease Agreement between Verilease Finance, Inc., and the Company and amendment to lease. The Company leased equipment totaling \$1,150,000 in value with attached equipment list. The equipment was sold and the lease was settled for \$344,700.00 in payment of \$25,000 a month. The note is in arrears and as of December 31, 2012 \$359,624 with accrued is currently due.

2. The company has a secured note with Ayuda Funding and has entered into a forbearance agreement and has paid the balance down to \$231,541.46 and continues to make a minimum of \$50,000 a month against the debt, March 31, 2012 is \$0. In February the company purchased from Ayuda the 7.5% override for \$300,000, the company in turn sold it to Energy Revenue America, Inc and increased the note by the same amount. Energy Revenue America, Inc. agreed to pay \$25,000 a month directly to Ayuda to retire this note. Because the company and William Robinson have guaranteed this note the company has paid \$115,000 to date to reduce the note. As of March 31, 2012 the balance is approximately \$225,000 with interest and penalties.. As of May 20, 2013 Energy Revenue America, Inc. had not made the required payment to Ayuda and the note is in default. As a result of this and

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the existing note that the company has with Energy Revenue America, Inc. payments being in arrears the company had notified Energy Revenue America, Inc. that the stock purchase note is in default. Energy Revenue has agreed to pay this off under their new financing plan.

3. The Company has options to purchase 1) additional oil and gas leases and 2) land to produce wind power. However, the Company is still seeking funding to complete these contracts, and as a result does not want to disclose the location of the oil and gas leases and wind producing land. The Company is concerned that the release of such information would cause substantial harm to its competitive position as it feels that a third party competitor may attempt to interfere with its current contractual rights to the land. Further, the Company believes that it is proper to not disclose the options at this time as such options are regularly kept confidential in the energy development industry. If the Company exercises the options, then it will disclose the agreements.

The foregoing summary descriptions of certain terms and conditions of items described in this disclosure are necessarily incomplete and are qualified in their entirety by the full terms of the respective contracts, copies of which are attached hereto.

## **Management's Discussion and Analysis or Plan of Operation**

### **Plan of Operation for the Next Twelve Months**

The Company presently lacks the capital necessary to implement its full business plan over the next twelve months. It is the Company's intention to focus in the short term on raising capital.

The Company hopes to generate the capital necessary to implement its business plan through the sale of its common stock and the issuance of debt in private placements. In addition, the Company is currently negotiating contracts 1) to provide drilling services for third parties drilling for oil and gas, 2) to construct oil and gas pipelines for third parties seeking to transport oil and gas and 3) to acquire operating leases to rework to increase production and create new revenues for the Company. If the Company is successful in obtaining such contracts, it anticipates that it will be able to obtain the financing necessary to perform such agreements by factoring or other commercial financing transactions. There can be no assurance that the Company will be successful in these efforts. Off-Balance Sheet Arrangements: none.

## **ITEM V. LEGAL PROCEEDINGS.**

To the best of our knowledge, during the past five years, none of the following occurred with respect to our present or former director, executive officer, control person or employee: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or

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state securities or commodities law, and the judgment has not been reversed, suspended or vacated. The following suit has been filed the lender J H Field Services, LLC has filed to be paid for the balance due on its note to purchase the Hogshooter Lease. There is a dispute as to the balance owed and the Company is attempting to settle the outstanding balance. There has also been to related party lawsuits file with From time to time there are various vendor liens filed on the oil and gas leases as to disputed amounts the company addresses these to pay and or settle any outstanding balances. The company has also been notified of two lawsuits relating to an outstanding balance with E J Trucking, LLC and subsequent vendors Terra Renewal, LLC and TBS Factoring Service, LLC. The combined total outstanding liabilities of these lawsuits are \$54,774. The company has agreed to a settlement in the amount of \$54,774 and payout 14 month with TBS Factoring, LLC and this should subsequently settle all of the related party claims. The company has various vendor debts that include liens and threat of lawsuits. The company has recently entered into a payment agreement with Submersible Pumps, Inc. for the retirement of a lien in the amount of \$111,127.32 which \$93,768 has been paid to date. With equipment credits the balance is \$9,371.70, as of March 31, 2013 the approximate balance of this debt is \$4,300. The balance of the vendor debt is currently under negotiation and will be settled and or paid out over the next 14 months. The company was also notified of an arbitration action relating to Envirotek Fuel Systems, Inc. CAVU Resources, Inc. was shown as one of the owners during the royalty payment dispute and has agreed to arbitration to negotiate a settlement related to this action.

## **Item VI. DEFAULTS UPON SENIOR SECURITIES.**

1. On January 7, 2009, before the acquisition on April 24, 2009, the Company entered into five and three year leases with Verilease Financing, Inc. for drilling and oil field equipment in the amount of \$800,000 and \$285,362, respectively. The monthly payments for these leases began on June 15, 2009 and were for interest-only amount of \$5,846 in total. As of November 15, 2009, the monthly payments for each lease will be for \$17,812 and \$4,100 respectively. Each lease carries 12.5% interest per annum and includes a balloon payment due upon the end of each lease. The Company has sold the equipment leased canceling these terms and is negotiating a settlement of \$344,700.00. The company has agreed to pay \$25,000 a month until this debt is paid. The company is \$359,624 in arrears.

2. The company had entered into a series of notes with private investors to purchase existing vendor debt. These notes have had various conversion terms that have all been converted into shares of the company retiring the assumed debt. The company has one existing note still outstanding one with a balance of \$70,000 with accrued interest. The other note currently in arrears was assigned to Envirotek Fuel Systems, Inc. in exchange for a reduction of \$500,000 in their note receivable and the company recognized a \$101,854.00 loss on the transaction. The company also issued a secured note and common stock to acquire the Hogshooter lease that has an outstanding balance of \$192,184 and the company is negotiating with the original owner of this lease to forgive the debt and work completed to date and buy back the property.

3. The company was put on notice that the Ayuda Loan assumed by Energy Revenue America, Inc. was in default. CAVU Resources, Inc. and company President William C. Robinson are guarantors on this loan. The company has contacted Ayuda's representative to work out settlement details.

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**

## **Item VII. OTHER INFORMATION.**

**NONE**

## **Item VIII. EXHIBITS AS FILED.**

### **A. Material Contracts.**

1. On January 8, 2010 the Company entered into a note with Ayuda Funding, LLC in the amount of \$385,000 at 12% interest, the note became due in April of 2010 and The Company also agreed to pay a royalty on it oil and gas lease owned by Envirotek Fuel Systems, Inc. in the amount of 7.5% of its net revenue or a minimum of \$7,500 a month. The Company has negotiated a forbearance agreement and bought back the Royalty for \$864,500 from Ayuda Funding, LLC and will begin making payments of \$75,000 a month until this debt is satisfied. The company entered into a forbearance agreement in February and the company begins making payments in April, as of March 31, 2012 this note is paid off. The company also entered into an additional agreement to purchase the royalty interest in Envirotek from Ayuda all of the aforementioned agreements is hereto attached as Exhibit VIII-2

2. On January 7, 2009, before the acquisition on April 24, 2009, the Company entered into five and three year leases with Verilease Finance, Inc. for drilling and oil field equipment in the amount of \$800,000 and \$285,362, respectively. The monthly payments for these leases began on June 15, 2009 and were for interest-only amount of \$5,846 in total. As of November 15, 2009, the monthly payments for each lease will be for \$17,812 and \$4,100 respectively. Each lease carries 12.5% interest per annum and includes a balloon payment due upon the end of each lease. The equipment was sold and the lease was settled for \$344,700.00 with payments of \$25,000 a month beginning May 15, 2011. The agreements are hereto attached as Exhibit VIII-3.

3. On November 30, 2010 and on various dates up through June 1, 2011 the company amended and entered into agreements to sell its stock in its 100% owned subsidiary Envirotek Fuel Systems, Inc. for \$2,500,000. The agreement called for \$300,000 to be paid down and applied to secured lenders and the balance to pay in the form of a demand note for \$2,200,000. The transaction was closed and the sale of the stock and the transfer of ownership closed on June 1, 2011. The company has renegotiated this transaction with the current balance including interest and the sale of the Envirotek note as of December 31, 2012 is \$2,490,579. The new terms of the note called for \$25,000 to be paid in November the transfer of a 160 acre lease and \$100,000 to be paid each month with prepayment acceleration in the event Energy Revenue America, LLC receives funding in excess of \$500,000, additional agreements and negotiation are in the final stages to bring this transaction back to current status. The company has agreed to the \$500,000 reduction, however the \$100,000 credit for the Lease in Kansas was reversed due to title issues on the Lease. The company was notified that the Ayuda Note has been brought current by Envirotek and that payments are scheduled to begin again in the near future. The company is also obligated to pay a 10% finder's fee to private parties that introduced the transaction. The agreement is attached hereto as Exhibit VIII-5.

A1. Consulting and Employment Agreements between the Company and officers and operators of the Company and/or entities providing officers of the Company to provide services.

1. Employment contract with William C. Robinson was modified on October 1, 2012 for his position as  
**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**



the Chairman, Chief Operating Officer, President, Secretary and sole director of the Company. This was modified again on January 15, 2013 with the CEO position exchanged for COO. This contract is attached hereto as Exhibit VIII-A1.

2. Employment contract of Desai V. Robinson as the Treasure and Chief Information Officer of the Company she was issued 10,000 shares of preferred B. This contract is attached hereto as Exhibit VIII-A2. This contract was canceled on October 1, 2012.

3. Resources Unlimited NW, LLC, will provide Michael Sheikh as a consultant and the chief financial officer of the company. Mr. Sheikh also is the owner of this Limited Liability Company he was issued 10,000 shares of Preferred B. The contract is attached hereto as Exhibit VIII-A3.

4. Bruce Day has been offered the position of contract Geologist, issued 10,000 shares of preferred B as per the contract hereto attached as Exhibit VIII-A-4.

5. Mark McLaughlin and William Robinson has entered into an agreement to provide their services as Chairman and Co Chairman of the Advisory Board, each were issued 100,000 shares of the super voting preferred B shares. The contract is hereto attached as Exhibit VIII-A-6 and A-7

6. John Strawn, Stephen Johnson, Justin Schreiber, Louis Silver, including his employment agreement as CEO and Jeff Raley have also agreed to serve on the advisory board and each member was issued 10,000 of the super voting preferred B shares. Their contracts are hereto attached as Exhibits VIII-A-8 thru A-14.

7. Louis E. Silver has entered into an agreement to provide management services as the Company's CEO. He was issued 50,000 shares of super voting preferred B shares. His agreement is attached as Exhibit IX-A-8. The foregoing summary descriptions of certain terms and conditions of certain material contracts listed in Item VIII are necessarily incomplete and are qualified in their entirety by the full terms of the respective contracts, copies of which are attached hereto

## **Item IX. Issuer's Certifications.**

The issuer shall include certification by the Chairman and Chief Operations Officer and President of the issuer (or any other persons with different titles, but having the same responsibilities).

I, William Robinson, certify that:

1. I have reviewed this Amended Annual disclosure statement of CAVU Resources, 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.

Date: A u g u s t 15 , 2013

/S/ 

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William Robinson  
Chairman/COO/President

**The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements**