



**2012**

## **Annual Report**

**Including Financial Statements and Disclosures  
Prescribed by OTC Pink Market for Alternative  
Reporting Standards.**

**For the Twelve Months Ended  
June 30 2012**

# **FLINT TELECOM GROUP, INC.**

## **A NEVADA CORPORATION**

### **ANNUAL REPORT**

### **FOR THE TWELVE MONTHS ENDED JUNE 30, 2012**

Current Trading Symbol: FLTT.PK

CUSIP Number: 05462T106

Tax ID Number: 36-3574355

This statement contains certain forward-looking statements. All statements other than statements of historical fact are “forward-looking statements” for purposes of these provisions, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief; and any statement of assumptions underlying any of the foregoing. These forward-looking statements involve significant risks and uncertainties, including, but not limited to, the following: the ability to secure additional sources of finance; the successful integration of acquisitions; growth and anticipated operating results; developments in our markets and strategic focus; product development and reseller relationships and future economic and business conditions. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of these and a number of other factors. These forward-looking statements are made as of the date of this filing, and we assume no obligation to update such forward-looking statements.

**Part A**      **General Company Information**

**Item I**      **The exact name of the issuer and its predecessor (if any).**

- Flint Telecom Group, Inc. (12/16/08 – present)
- Semotus Solutions, Inc. (1/11/01 – 12/15/08)

**Item II**      **The address of the issuer's principal executive offices.**

7500 College Blvd., Suite 500  
Overland Park, KS 66210  
Telephone: 913-815-1570  
Facsimile: 913-273-0984  
Website: [www.flinttelecomgroup.com](http://www.flinttelecomgroup.com)  
Investor Relations: [investors@flinttelecomgroup.com](mailto:investors@flinttelecomgroup.com)

**Item III**      **The jurisdiction(s) and date of the issuer's incorporation or organization.**

Flint Telecom Group, Inc. (hereinafter referred to as the "Company" or "Flint") is a Nevada corporation. Flint was originally incorporated in 2005 as Flint Telecom, Inc. under the laws of the State of Delaware. Flint reverse merged into Semotus Solutions on October 1, 2008 through an asset purchase, whereby Semotus was the legal acquirer but Flint was the accounting acquirer. Semotus Solutions was originally incorporated under the laws of the State of Nevada on June 18, 1996.

**Part B**      **Share Structure**

**Item IV**      **The exact title and class of securities outstanding.**

Class: Common Stock  
CUSIP: 05462T106  
Trading Symbol: FLTT.PK

Class: Preferred Stock  
CUSIP: None

**Item V**      **Par or stated value and description of the security.**

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

Common Stock, par value \$0.001 per share  
Preferred Stock, par value \$0.001 per share

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

1. Common Stock:

- Dividend Rights: There is no fixed dividend policy; no dividends have been paid since the issuer's inception. Dividends may be declared by the Board of Directors at any regular or special meeting and paid in cash, securities, property or otherwise.
- Voting Rights: Each share of Common Stock is entitled to one vote.
- Preemption Rights: None

## 2. Preferred Stock:

Series A, B, C, D & F: No Shares Currently Designated or Outstanding

Series E: 302,000 Shares Designated and Issued [classified as temporary equity]

- Dividend Rights: Our Series E Preferred Shares have a fourteen percent (14%) dividend payment, payable monthly the first payment of which was February 28, 2010. These dividend payments have not been made to date, and therefore a penalty rate of one half of one percent (0.5%) per month on the total amount outstanding applies for dividend payments that are more than ten (10) business days late, and will continue to apply and accrue until default payments are caught up in full.
- Voting Rights: Each share of preferred stock is entitled to one vote.
- Preemption Rights: None.
- Conversion into Common: Each share of preferred stock is convertible into a maximum potential total of 549,091 shares of common stock, using the following calculation: Convertible into that number of shares of Common Stock as is determined by the quotient of (i) \$10.00 over (ii) the Conversion Price in effect at the time of conversion; The Conversion Price has a 20% discount to the Market Price at time of conversion and subject to a minimum conversion price of \$5.50 per Common Share; Market Price means the average closing price of our common stock over the twenty trading days preceding the conversion request date.

Series G: 153,800 Shares Designated and Issued

- Dividend Rights: None.
- Voting Rights: Each share of preferred stock is entitled to one vote.
- Preemption Rights: None.
- Conversion into Common: All preferred shares are convertible into 768,898 shares of common stock.

Series H: 600,000 Shares Designated; 300,000 Issued [classified as temporary equity]

- Dividend Rights: None.
- Voting Rights: Each share of preferred stock is entitled to one vote.

- Preemption Rights: None.
- Conversion into Common: Each share of preferred stock is convertible into common at a 25% discount to the Market Price. Market Price is defined as the average closing price per share over the twenty trading days prior to the date of conversion. Provided, however, that the conversion price shall never be lower than ten percent of the Market Price on the Closing Date. Based on the current Market Price and assuming that the Market Price does not improve, the maximum number of common shares potentially convertible from the 300,000 shares of Series H Convertible Preferred Stock issued at the Closing is 254,237,288 common shares.
- Exchange Right. The Series H Preferred Shareholders have the option to execute a settlement agreement and exchange the Series H Preferred Shares for a pro-rata portion of future contingent cash payments, up to a maximum total of \$3,000,000, that may be paid to Flint under the Share Purchase Agreement by and among Flint, BRANKIB HOLDINGS PTY. LTD., an Australian corporation with Australian Company Number 152 654 138 (“Brankib”), International Ingedigit, Inc., a Florida corporation and majority owned subsidiary of Flint (“III”), Gotham Ingedigit Financial Processing Corp., a Florida corporation and a majority owned subsidiary of Flint (“P2P”) and Connect2Family USA Inc, a minority owned interest of Flint (III, P2P & C2F together, the “Targets”), and Mitch Siegel, Abu Karim and Joseph Seroussi (the “Officers”) dated March 5, 2012. The foregoing description of this exchange right is qualified in its entirety by reference to the full text of the Settlement Agreement and the Share Purchase Agreement, which are attached to Flint’s Supplemental Information Filing dated March 21, 2012 as Exhibits 2.1, 2.2, 2.3 and 2.4, and are incorporated herein by reference.

#### Series I: 140,000 Shares Designated and Issued

- Dividend Rights: None.
- Voting Rights: Each share of Series I Convertible Preferred Stock is entitled to 3,500 votes per share. The 140,000 issued Preferred shares represent 63% of the voting power of Flint’s outstanding capital stock. Except as expressly provided otherwise herein, or as required by law, the holders of shares of Series I Preferred Stock shall vote together as a single class with the holders of the Common Stock.
- Preemption Rights: None.
- Conversion into Common: Each share of Series I Preferred shall be convertible, at the option of the Holder thereof, at any time into shares of common stock at \$0.0008 per share. All 140,000 shares

of Series I Preferred convert into a total of 175,000,000 shares of common stock.

3. There are no other material rights of stockholders.
4. There are no provisions in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer.

**Item VI      The number of shares or total amount of the securities outstanding for each class of securities authorized.**

<b>Period Ending</b>	<b>September 14, 2012</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b><u>Common Stock</u></b>			
<b>Number of Shares Authorized</b>	900,000,000	900,000,000	900,000,000
<b>Number of Shares Outstanding</b>	769,578,190	769,578,190	311,993,460
<b>Freely Tradable Shares (public float)</b>	767,471,857	767,471,857	309,887,127
<b>Total Number of Beneficial Shareholders</b>	Not Available	Not Available	Not Available
<b>Total Number of Shareholders of Record</b>	100	100	100

**\*All common share numbers are adjusted to reflect a 1:20 reverse stock split that went effective on January 14, 2011.**

<b>Period Ending</b>	<b>September 14, 2012</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b><u>Preferred Stock</u></b>			
<b>Number of Shares Authorized</b>	5,000,000	5,000,000	5,000,000
<b>Number of Shares Outstanding</b>	895,800	895,800	908,800
<b>Freely Tradable Shares (public float)</b>	Not Applicable	Not Applicable	Not Applicable
<b>Total Number of Beneficial Shareholders</b>	21	19	20
<b>Total Number of Shareholders of Record</b>	21	21	20

**Item VII      The name and address of the transfer agent.**

Computershare, Inc.  
350 Indiana St.; Suite 800  
Golden, CO 80401  
Telephone: 718-921-8293

Computershare is registered under the Exchange Act and is a Securities and Exchange Commission (“SEC”) approved transfer agent, under the regulatory authority of the SEC.

**Part C      Business Information**

**Item VIII      The nature of the issuer’s business.**

**A.      Business Development**

**1.      The form of organization of the issuer**

A Nevada Corporation

**2.      The year that the issuer was organized**

1996

**3.      The issuer’s fiscal year end date**

June 30

**4.      Whether the issuer has been in bankruptcy, receivership or any similar proceeding**

No

**5.      Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets**

On March 20, 2012, Flint sold three of its subsidiaries, Ingedigit International, Inc. (“III”), Gotham Ingedigit Financial Processing Corp (“P2P”) and Connect2Family USA, Inc. (“C2F”), pursuant to a definitive Share Purchase Agreement entered into on March 5, 2012 with Brankib Holdings Pty. Ltd., an Australian company, and III, P2P & C2F (together the “Targets”), as well as with the Targets’ executive officers, Mitchell Siegel, Joseph Seroussi and Abu Karim (the “Share Purchase Agreement”).

In accordance with the Share Purchase Agreement, Flint sold all of the stock of the Targets owned by Flint in exchange for a potential maximum of \$11,000,000 in deferred cash payments, to be paid over a period of five years and contingent on future revenues earned by the Targets. The payments shall be made in the form of a revenue share based on actual customer usage and include a minimum total of \$2,440,000 in cash, to be paid through minimum monthly payments of \$40,000 payable from month 14 to month 29 and minimum monthly payments of \$60,000 payable from month 30 to month 60. This total consideration is subject to a number of third party deductions, as follows and in accordance with an escrow agreement by and among Flint and Flint's secured lender, Thermo Credit LLC: \$2,000,000 must be used to repay Flint's outstanding secured loan issued from Thermo Credit, LLC; \$3,000,000 shall be set aside and paid to Flint's Series H Convertible Preferred Stock Holders in exchange for the return of the Series H Preferred Shares, at the Preferred Holder's option and pursuant to a settlement agreement, and \$1,000,000 must be used to repay certain accrued payroll liabilities of the Targets.

The foregoing descriptions of the Share Purchase Agreement, the Escrow Agreement and the Settlement Agreement are qualified in their entirety by reference to the full text of the Share Purchase Agreement, the First Amendment to the Share Purchase Agreement, the Escrow Agreement and the Settlement Agreement, which are attached to Flint's Supplemental Information Filing dated March 21, 2012 as Exhibits, and are incorporated herein by reference.

On March 30, 2012, Flint sold one of its wholly owned subsidiaries, Phone House, Inc. ("PHI") to Mr. Deepak Hiranandani pursuant to a Share Purchase Agreement by and among Flint, PHI and Mr. Hiranandani, whereby Mr. Hiranandani acquired all of the shares of PHI in exchange for the return of 10,006,250 shares of Flint's common stock owned by Mr. Hiranandani. The foregoing description of the Share Purchase Agreement is qualified in its entirety by reference to the full text of the Share Purchase Agreement, attached to Flint's Initial Issuer Statement as an exhibit.

Also on March 30, 2012, Flint sold certain assets of one of its wholly owned subsidiaries, Digital Phone Solutions, Inc. ("DPSI") related to its VOIP activities and strategy to VOIP ACQ, Inc. ("VOIP") in exchange for 60 shares of restricted common stock (representing 6% of the total issued and outstanding common stock) of VOIP pursuant to an Asset Purchase Agreement by and among Flint, DPSI and VOIP. The VOIP Shares may not be sold for at least five years and will be voted by Mr. Vincent Browne pursuant to a proxy voting agreement. VOIP is a related party due to the fact that VOIP is controlled by Mr. Browne. The foregoing description of the Asset Purchase Agreement and the voting agreement is qualified in its entirety by reference to the full text of the Asset Purchase Agreement and the Voting Agreement, attached to Flint's Initial Issuer Statement as exhibits.



6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments

As at June 30, 2012, the Company was in default on the majority of notes payable and other debt repayment plans of the approximately \$8.9 million total due on notes payable and leases, representing 14 individual parties. As a result, all outstanding principal and accrued interest, if any, outstanding and owed as of the date of default shall be immediately due and payable, including the following largest holders (these amounts reflect principal amounts only): Secured lender Thermo Credit LLC (\$2,000,000); second secured lenders Cape One Capital Advisors LLC, Chestnut Ridge Partners LP and Mr. J. Lavery totaling (\$1,090,000); Mr. T. Davis (\$2,365,144); Mr. P. McCarthy (\$1,114,450). (See Note 14: Promissory Notes for more details). In addition, by filing Form 15-12G on October 7, 2011 the Company automatically defaulted on all outstanding Convertible Notes in the aggregate principal amounts of approximately \$913,000. The Company has accrued approximately \$3.2 million of accumulated interest, preferred share dividends and related penalties in the financial statements ending June 30, 2012. We have also not made any dividend payments on our Series E preferred stock as these payments have become due (See Note 16: Stockholders Equity for more detail). In addition, we have approximately \$1.0 million of trade payables that are past due and four vendors have obtained summary judgments against us.

Of the 14 outstanding note holders, eleven have initiated legal proceedings and nine have obtained summary judgments against Flint in the total aggregate amount of \$5.4 million as of June 30, 2012.

As of the date of the filing of this report, we have not made any payments to China Voice Holding Corp. (CHVC) pursuant to a settlement agreement we executed in June 2010, and we are therefore in default. A default interest rate of 18% shall be applied to any outstanding payments owed as of the date of default. An additional cash payment of \$500,000 will also be immediately due and payable. Effective June 30, 2010 the settlement agreement was amended to delete CHVC's option to be repaid through the issuance of shares of Flint's common stock. CHVC has obtained judgment against Flint for \$82,742 plus pre-judgment interest of 18% per annum starting September 1, 2010, plus \$500,000 as an additional liquidated damage, post judgment interest, costs and attorney's fees.

Our Series E Preferred Shares have a fourteen percent (14%) dividend payment, payable monthly the first payment of which was February 28, 2010. These dividend payments have not been made to date, and therefore a penalty rate of one half of one percent (0.5%) per month on the total amount outstanding applies for dividend payments that are more than ten (10) business days late, and will continue to apply and accrue until default payments are caught up in full.

7. Any change of control

No.

8. Any increase of 10% or more of the same class of outstanding equity securities

No single share issuance resulted in an increase of 10% or more of the same class of outstanding equity securities.

However, during the three months ended September 30, 2010, the Company's common stock increased 60%, from 132,699,422 (pre-split) shares at July 1, 2010 to 334,775,384 (pre-split) shares at September 30, 2010. These 202,075,962 (pre-split) shares were issued to approximately 10 different shareholders. During the three months ended December 31, 2010, the Company's common stock increased by 60%, from 334,775,384 (pre-split) shares at October 1, 2010 to 818,277,527 (pre-split) shares at December 31, 2010. These 483,502,143 (pre-split) shares were issued to approximately 15 different shareholders. During the three months ended March 31, 2011, the Company's common stock increased by 50%, from 40,916,206 shares at January 1, 2011 to 82,498,693 shares as of March 31, 2011. These 41,582,487 shares were issued to approximately 15 different shareholders. During the three months ended June 30, 2011, the Company's common stock increased by 74%, from 82,498,693 shares as of April 1, 2011 to 311,993,460 shares as of June 30, 2011. These 229,494,767 shares were issued to approximately 15 different shareholders. During the three months ended September 30, 2011, the Company's common stock increased by 60%, from 311,993,460 shares as of July 1, 2011 to 778,819,741 shares as of September 30, 2011. These 466,826,281 shares were issued to approximately 15 different shareholders.

No shares were issued after September 23, 2011, except on April 25, 2012, pursuant to a court order, Flint authorized the issuance of 889,699 shares of its common stock to The Tripod Group LLC.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization

On January 14, 2011 the Company effected a 1:20 reverse stock split. There are no planned or pending stock splits, stock dividends or recapitalization.

10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board

The Company filed a Form 15-12g on October 7, 2011 to deregister its securities

under the Securities Exchange Act of 1934, and was subsequently de-listed from the OTC Bulletin Board.

11. Any 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 and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters and the amounts involved.

A stipulation for judgment was filed by Carmel Solutions, Inc. ("Carmel") in the Superior Court of California, Orange County, in accordance with, and upon our default of, a settlement agreement we entered into with Carmel on May 5, 2009, and a judgment was entered against us on October 26, 2009 in the amount of \$72,852, plus accruing interest from that date at the rate of \$20 per day and post judgment costs incurred in enforcing the judgment. As of June 30, 2012, the financial statements contain a payable amount of \$72,852 in relation to this action. Flint's management is confident that the lower amount will be more reflective of the end settlements amount. There are currently no discussions taking place between the parties on settling this amount and no approach has been received from Carmel since the judgment was entered.

The US District Court of the District of Connecticut granted AT&T an automatic entry of judgment against the Company in the amount of \$440,672 plus interest, attorney's fees and costs. In December of 2010, AT&T obtained an Order of Garnishment against one of the Company's bank accounts in the amount of \$510,525, \$76,653 of which was actually garnished. As of June 30, 2012, Flint's financial statements contain a payable amount of \$445,079 in relation to this action.

In September of 2011 the Superior Court of Fulton County, Georgia granted First Citizens Bank & Trust, Inc. default judgment against the Company in the amount of \$200,000 plus interest, attorney's fees and costs. As of June 30, 2012, Flint has accrued \$215,000 in the accounts in relation to this action.

Bill Burbank, Flint's previous President and COO, filed a lawsuit against Flint in the 15th Judicial Circuit in Palm Beach County, Florida on September 22, 2010. Mr. Burbank sought and received a judgment for damages in the amount of \$190,000 plus interest, attorney's fees and costs. On October 24, 2011, Mr. Burbank obtained an Order of Garnishment against one of the Company's bank accounts and \$147 was actually garnished. As of June 30, 2012, Flint has accrued \$224,776 in the accounts in relation to this action to include interest and penalties.

On October 25, 2010, China Voice Holding Corp. ("CHVC") filed a lawsuit against Flint in the 15th Judicial Circuit in Palm Beach County, Florida. This suit alleges one cause of action for breach of contract. The complaint alleges that Flint entered into a settlement agreement with CHVC to settle the amount owed to

it, and that Flint failed to make the first monthly payment due under such settlement agreement. CHVC sought and received a judgment for damages in the amount of \$82,742 plus pre-judgment interest of 18% per annum starting September 1, 2010, plus \$500,000 as an additional liquidated damage, post judgment interest, costs and attorney's fees. As of June 30, 2012, Flint has accrued \$2,196,751 in the financial statements in relation to this action to include interest and penalties.

On November 10, 2010, Abovenet Communications filed a complaint against Flint in US District Court for the Southern District of New York, alleging breach of contract and seeking \$87,761 in damages, plus interest, attorney's fees and costs. As of June 30, 2012, Flint has accrued \$40,000 in the financial statements in relation to this action, which is the amount of services used from Abovenet prior to its action. To date, no discussions have taken place with Abovenet in relation to settling this action.

On November 24, 2010, Tom Davis filed a Demand for Arbitration alleging a breach of the settlement agreement by and among Mr. Davis and Flint, and seeking damages in the amount of \$2,230,000. On July 27, 2011 a final award was issued by the Arbitrator. On November 3, 2011, Mr. Davis petitioned for default judgment in the US District Court in the Southern District of Florida in the amount of \$2,365,144 plus 9% per annum interest from August 2010 until date of payment, and default judgment was entered against Flint for that amount. As of June 30, 2012 Flint has accrued \$2,664,328 in its financial statements to include total outstanding principal and accrued interest in relation to Mr. Davis.

On July 13, 2011, E-Lionheart Associates, LLC filed a complaint against Flint in the Supreme Court of the State of New York, Westchester County, alleging default on an outstanding promissory note and seeking monetary damages including unpaid principal, accrued interest, costs and attorney's fees. On December 2, 2011, judgment was entered against Flint in the amount of \$37,044.46. As of June 30, 2012, Flint has accrued \$37,044.46 in its financial statements in relation to this action.

On December 21, 2011, The Tripod Group, LLC filed a complaint against Flint, Vincent Browne, Bernard A. Fried and Computershare Trust Company in the Circuit Court of the State of Wisconsin alleging default on an outstanding promissory note and seeking money damages including the unpaid principal, accrued interest and default interest at a rate of 24%, or, in the alternative, injunctive relief requiring the issuance of shares of Flint's common stock in accordance with the terms of the note. On March 30, 2012, judgment was entered against Flint in the amount of \$29,582 plus default interest in the amount of \$16 per day and ordering Flint, through its transfer agent Computershare, to issue as many shares of Flint's common stock as are available, to be held for conversion in accordance with the terms of the note. On April 25, 2012, pursuant to the court order, Flint authorized the issuance of 889,699 shares of its restricted common

stock to Tripod. As of June 30, 2012, Flint has accrued \$32,000 in outstanding principal and accrued interest in relation to Tripod's outstanding note.

On March 6, 2012, Tech Data Corporation filed a complaint against one of Flint's subsidiaries, Cable & Voice Corporation, in the 15<sup>th</sup> Circuit Court in Palm Beach County, Florida, alleging nonpayment for services rendered and seeking damages in the amount of \$51,514. On May 30, 2012, default final judgment was entered against Flint in the amount of \$57,123.28. As of June 30, 2012, Flint has accrued \$57,124 in its financial statements in relation to this action.

On May 21, 2012, Tangiers Investors, L.P. filed a complaint against Flint and Vincent Browne in the Superior Court of the State of California for the County of Los Angeles alleging three counts of breach of contract, fraud and deceit, and securities fraud, and seeking damages in the amount of \$188,705, plus 9.9% interest against the \$57,500 in outstanding principal amounts owed, plus \$1,000 per day liquidated damages, plus punitive damages in an amount appropriate to punish the defendant. Flint and Mr. Browne strenuously deny any fraud and deceit and securities fraud claims, believe they are without merit and will defend the claims vigorously. Flint also intends to countersue Tangiers Investors L.P. for fraud and deceit plus punitive damages. As of June 30, 2012, Flint has accrued \$112,920 in its financial statements for outstanding principal and accrued interest in relation to Tangier's outstanding promissory notes.

On May 23, 2012, Joaquin Izquierdo and other similarly situated individuals filed a complaint against two of Flint's previously owned subsidiaries, Gotham Ingedigit Financial Processing and Ingedigit International Inc., as well as against Flint and other defendant corporations in the United States District Court for the Southern District of Florida, Fort Lauderdale Division for unpaid wages and seeking monetary damages in the amount of \$118,250, plus liquidated damages in the amount of \$118,250, plus attorneys fees and costs. As these employees were employees of Flint's subsidiaries, and because Flint sold all of its interest in these subsidiaries, including all liabilities, Flint's position is that it does not owe any amounts to the Plaintiffs pursuant to this lawsuit. As of June 30, 2012, Flint has accrued \$0.00 in its financial statements in relation to this lawsuit.

#### B. Business of Issuer

1. The issuer's primary and secondary SIC codes

Primary SIC # 3577

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations

The Company is currently conducting operations.

3. Whether the issuer is or has at any time been a “shell company”

Flint reverse merged into Semotus in 2008. Semotus, previously named Datalink Communications, reverse merged into Lord Abbot in 1996. Lord Abbot was originally formed in 1986 with the primary purpose of seeking out acquisitions and with no other operations, and would therefore be considered a shell company up until it acquired Datalink in 1996.

4. Names of any parent, subsidiary, or affiliate of the issuer and its business purpose, method of operations, its ownership, and whether it is included in the financial statements attached to this disclosure statement

Cable and Voice Corporation is a wholly owned subsidiary of Flint Telecom Group, Inc. and is included in the financial statements attached to this disclosure statement. Cable and Voice Corporation was established on June 1, 2008, and is located in Tampa, Florida. Through Cable and Voice, the Company is a value-added master distributor of advanced broadband products and services to cable, telecommunications, enterprise and service provider customers throughout the United States. Through Cable and Voice, the Company offers a wide range of products and services which include cable modems, cables, UPS units, AV Powerline and Homeplug adapters, Wi-Fi and cellular wireless hardware and software applications, Intelligent Telephone Adapters (ITA) and IP Telephones for VoIP services and other customer premise equipment.

5. Effect of existing or probable government regulation on the business

Not Applicable to current operations.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and the extent to which the cost of such activities are borne directly by customers

\$0 was spent in the year ended June 30, 2012 and \$300,560 was spent in the year ended June 30, 2011 on research and development activities. None of this expenditure was funded or otherwise supported by customers.

7. Costs and effects of compliance with environmental laws (federal, state and local)

Not applicable to current operations.

8. Number of total employees and number of full-time employees

The Company currently has 2 employees, 1 of which is a full-time employee.

**Item 9            The nature of products or services offered.**

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

Through Cable and Voice, Flint is a leading value-added master distributor of advanced broadband products and services to cable, telecommunications, enterprise and service provider customers throughout the United States. Through Cable and Voice, Flint offers a wide range of products and services which include cable modems, cables, UPS units, AV Powerline and Homeplug adapters, Wi-Fi and cellular wireless hardware and software applications, Intelligent Telephone Adapters (ITA) and IP Telephones for VoIP services and other customer premise equipment.

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

Cable & Voice Corporation employs a direct sales approach to our customers and ships the products direct from our vendors to the customers. Over 80% of our products are shipped from China to customers in the U.S.

**C. Status of any publicly announced new product or service;**

No new products publically announced in last 12 months.

**D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition:**

Cable & Voice Corporation is one of many product distributors in the telecom equipment market. It does not possess any discernable competitive advantages over known competitors, in either products or markets addressed. In addition, it does not have the size or scale or financial resources of our competitors.

**E. Sources of availability of raw materials and names of principal suppliers;**

Not Applicable.

**F. Dependence on one or a few major customers;**

During the twelve months ended June 30, 2012 Cable and Voice Corporation generated approximately 90% of its revenues from one customer. Management expects that this percentage will reduce to less than 50% in the next 12 months and aims to bring this below 25% as soon as possible.

**G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration; and**

None.

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

None.

**Item 10 The nature and extent of the issuer's facilities**

The Company leases office space for its corporate headquarters on a yearly basis, with renewal options, from Regus. The office is located at 7500 College Blvd., Suite 500, Overland Park, KS 66210.

**Part D Management Structure and Financial Information**

**Item 11 The name of the chief executive officer, members of the board of directors, as well as control persons.**

A. Officers and Directors

NAME	POSITION	MEMBERSHIP / AFFILIATIONS	COMPENSATION	TOTAL SHARES BENEFICIALLY HELD
Vincent Browne	CEO, CFO, Corp. Sec., Director	CEO & Chairman of the Board of Axiologix Inc.	\$1.00 (1)	(2)(3) 126,680,007

- (1) See more detailed information regarding Mr. Browne's total compensation in the biographical information below.
- (2) For the purposes of the information provided, shares that may be issued upon the exercise or conversion of options, warrants, convertible promissory notes and other rights to acquire shares of our common stock that are exercisable or convertible within 60 days following the date of this Issuer Statement, are deemed to be outstanding and beneficially owned by the holder for the purpose of computing the number of shares beneficially owned by that holder.
- (3) This includes 629,850 shares held directly, and 1,050,157 shares held indirectly through Mr. Browne's ownership in Flint Telecom, Ltd. The 629,850 shares held directly have been pledged as security. Also includes 125,000,000 shares of common stock issuable upon conversion of 100,000 shares of Series I Convertible Preferred Stock held directly by Mr. Browne. Each share of Series I Convertible Preferred Stock is entitled to 3,500 votes per share. These Preferred shares represent 45% of the voting power of Flint's outstanding capital stock. Neither Mr. Browne nor Flint Telecom Ltd. has ever sold any shares of Flint.



## **Biographical Information**

Set forth below is a brief description of the background and business experience of our officers and our directors for the past five years.

*Vincent Browne, Chief Executive Officer, Chairman of the Board, Chief Financial Officer, Corporate Secretary, age 45.*

Mr. Browne became Chairman of the Board and CEO in October of 2008. He subsequently also became Corporate Secretary and acting CFO since February of 2010. Effective as of April 30, 2012 Mr. Browne resigned as CEO of Flint. Mr. Browne is also currently CEO, CFO, Corporate Secretary and Chairman of the Board of Axiologix. Mr. Browne has over 24 years experience in the ICT sector. During this time he has served at senior management levels in large multinationals and public companies. Prior to founding Flint, Mr. Browne was Head of Procurement with Esat Telecom Group, Ireland's leading competitive operator and quoted on NASDAQ. In this position, Mr. Browne managed annual expenditure in excess of \$250 million and also managed the Carrier Services division of with responsibility for unit profitability as well as supporting retail sales and subscriber acquisition programs. Esat Telecom was purchased by British Telecom in June 2000. Prior to that, Mr. Browne was with Siemens in Ireland managing the Products Business Segment with annual revenues in excess of \$50 million and 8 years of profitability. He holds a BComm degree from University College Dublin and is a regular contributor in commercialization of research and technology projects with the Technology and Enterprise Campus at Trinity College Dublin.

On April 30, 2012, Mr. Browne resigned as CEO of Flint and his employment agreement was terminated. Flint entered into a settlement agreement with Mr. Browne. Mr. Browne agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the approximate amount of \$183,000, (ii) return all of his 2,500,000 (pre-split) shares of restricted common stock, and (iii) continue serving as Flint's Chief Financial Officer, Chairman of the Board and Corporate Secretary at a nominal salary of \$1.00 (One Dollar) per year. In exchange for the remaining portion of his accrued but unpaid salary in the amount of \$28,000, and the conversion of Mr. Browne's outstanding loans in the amount of \$72,000, Flint issued to Mr. Browne 100,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. The foregoing description of the Settlement Agreement and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the settlement agreement with Mr. Browne and the Certificate of Designation of the Series I Convertible Preferred Stock, which are attached to this statement as Exhibits.

Effective September 19, 2012, Mr. Browne was again appointed as CEO of Flint, as Mr. Bernard Fried resigned as CEO, COO, President and Director of Flint as of that date.

B. Legal/Disciplinary History

Have any of the foregoing persons, in the past 5 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding.

No.

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

No.

3. A finding or judgment which has not been reversed, suspended, or vacated.

No.

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

No.

C. Disclosure of Family Relationships

Describe any family relationships existing among and between officers, directors, and shareholders.

None.

D. Disclosure of Related Party Transactions

Describe any transaction during the issuer's last two full fiscal years and the current fiscal year or any currently proposed transaction, involving the issuer, in which (i) the amount involved exceeds the lesser of \$120,000 or one percent of the average of the issuer's total assets at year-end for its last three fiscal years and (ii) any related person had or will have a direct or indirect material interest.

On March 30, 2012, Flint sold certain assets of one of its wholly owned subsidiaries, Digital Phone Solutions, Inc. ("DPSI") related to its VOIP activities and strategy to VOIP ACQ, Inc. ("VOIP") in exchange for 60 shares of restricted common stock of VOIP

pursuant to an Asset Purchase Agreement by and among Flint, DPSI and VOIP. VOIP is controlled by Mr. Browne. The VOIP Shares owned by DPSI may not be sold for at least five years and will be voted by Thermo Credit LLC, Flint's first priority secured creditor, pursuant to a Stock Pledge Agreement executed by Flint and ThermoCredit on September 10, 2012. VOIP is a related party due to the fact that VOIP is controlled by Mr. Browne. The foregoing description of the Asset Purchase Agreement and the Stock Pledge Agreement is qualified in its entirety by reference to the full text of the Asset Purchase Agreement, attached previously as an exhibit to Flint's Initial Issuer Statement, and the Stock Pledge Agreement, attached to this Annual Report as an exhibit.

On April 30, 2012, Mr. Browne resigned as CEO of Flint and Flint entered into a settlement agreement with Mr. Browne. Mr. Browne agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$183,000, (ii) return all of his 2,500,000 (pre-split) shares of restricted common stock, and (iii) continue serving as Flint's Chief Financial Officer, Chairman of the Board and Corporate Secretary, at a nominal salary of \$1.00 (One Dollar) per year. In exchange for the remaining portion of his accrued but unpaid salary in the amount of \$28,000 and the conversion of Mr. Browne's outstanding loans in the amount of \$72,000, Flint issued to Mr. Browne 100,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. The foregoing description of the Settlement Agreement and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the settlement agreement with Mr. Browne and the Certificate of Designation of the Series I Convertible Preferred Stock, which were previously attached as exhibits to Flint's Initial Issuer Statement.

Also on April 30, 2012, Mr. Fried, Flint's President, agreed to extend his employment agreement by a period of two years and to also serve as Flint's CEO, and Flint entered into a settlement agreement with Mr. Fried. Mr. Fried agreed to (i) waive all claims to a portion of his accrued but unpaid salary up to April 30, 2012, in the amount of \$40,000 and (ii) add the title and duties of CEO to his ongoing duties as President, COO and member of the Board, in exchange for 40,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. Mr. Fried's remaining unpaid salary continues to accrue. The foregoing description of the settlement agreement with Mr. Fried and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the Settlement Agreement and the Certificate of Designation of the Series I Convertible Preferred Stock, which were previously attached as Exhibits to Flint's Initial Issuer Statement.

#### E. Disclosure of Conflicts of Interest

Describe any conflicts of interest. Describe the circumstances, parties involved and

mitigating factors for any executive officer or director with competing professional or personal interests.

Each related party transaction described above in Item 11(D) contains a conflict of interest. In each transaction, the conflicted party recused themselves from the action to be taken by Flint's board of directors. Additionally, each related party transaction was discussed and approved or ratified by Thermo Credit, LLC, Flint's largest secured creditor.

**Item 12      Financial information for the issuer's most recent fiscal period (June 30, 2011 to June 30, 2012)**

The financial information for the twelve month period ending June 30, 2012 has been included at the end of this Annual Report, beginning on page 48, and is incorporated herein by reference.

- 1) Balance Sheet
- 2) Statement of Income
- 3) Statement of Cash Flows
- 4) Statement of changes in stockholders' equity
- 5) Financial Notes
- 6) Audit Letter, if audited

**Item 13      Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence. (June 30, 2010 and June 30, 2011)**

The financial information for the fiscal years ending June 30, 2010 and June 30, 2011 have been previously posted on [www.otcm Markets.com](http://www.otcm Markets.com) on May 31, 2012 under the "Filings" Section of the Company's information, and is incorporated herein by reference.

- 1) Balance Sheet
- 2) Statement of Income
- 3) Statement of Cash Flows
- 4) Statement of changes in stockholders' equity
- 5) Financial Notes
- 6) Audit Letter, if audited

**Item 14            Beneficial Owners**

Provide a list of the name, address and shareholdings of all persons owning more than 5% of any class of the issuer's equity securities.

For the purposes of the information provided, shares that may be issued upon the exercise or conversion of options, warrants, convertible promissory notes and other rights to acquire shares of our common stock that are exercisable or convertible within 60 days following the date of this Issuer Statement, are deemed to be outstanding and beneficially owned by the holder for the purpose of computing the number of shares beneficially owned by that holder.

Vincent Browne: 16% beneficial owner, with an address of Liscara, 51 Fitzwilliam Square, Dublin 2, Ireland. Mr. Browne's beneficial ownership includes 629,850 shares held directly, and 1,050,157 shares held indirectly through Mr. Browne's ownership in Flint Telecom, Ltd. The 629,850 shares held directly have been pledged as security. Also includes 125,000,000 shares of common stock issuable upon conversion of 100,000 shares of Series I Convertible Preferred Stock held directly by Mr. Browne. Each share of Series I Convertible Preferred Stock is entitled to 3,500 votes per share. These Preferred shares represent 45% of the voting power of Flint's outstanding capital stock. See Item 11A for more details.

Bernard A. Fried: 6% beneficial owner with an address of 7500 College Blvd., Suite 600, Overland Park, KS 66210. Mr. Fried's beneficial ownership in FLTT includes 25,000 shares held directly and 7,576 shares held indirectly through Mr. Fried's ownership in FCI Companies, LLC. Also includes 187,500 shares that have vested as of August 30, 2012. Does not include the remaining 112,500 unvested shares granted on February 23, 2010. Also includes 50,000,000 shares of common stock issuable upon conversion of 40,000 shares of Series I Convertible Preferred Stock held directly by Mr. Fried. Each share of Series I Convertible Preferred Stock is entitled to 3,500 votes per share. These Preferred shares represent 18% of the voting power of Flint's outstanding capital stock.

**Item 15            The name, address, phone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:**

1. Investment Banker

None

2. Promoters

None

3. Counsel

Lucosky Brookman LLP  
33 Wood Avenue South  
6<sup>th</sup> Floor  
Iselin, NJ 08830  
Telephone: 732-395-4400  
[www.lucbro.com](http://www.lucbro.com)

4. Accountant or Auditor- the information shall clearly (i) describe if an outside accountant provides audit or review services, (ii) state the work done by the outside accountant and (iii) describe the responsibilities of the accountant and the responsibilities of management (i.e. who audits, prepares or reviews the issuer's financial statements, etc.). The information shall include the accountant's phone number and email address and a description of the accountant's licensing and qualifications to perform such duties on behalf of the issuer.

LL Bradford audited the Company's financial statements through the year ended June 30, 2010, and reviewed the Company's financial statements through the quarter ended March 31, 2011. LL Bradford has not provided any services to the Company since October 2011.

LL Bradford is located at:  
8880 W. Sunset Rd., 3<sup>rd</sup> Floor  
Las Vegas, NV 89148  
Telephone: 702-735-5030  
Email: [www.llbradford.com](http://www.llbradford.com)

Management prepares the Company's financial statements.

5. Public Relations Consultant

None

6. Investor Relations Consultant

None

7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the telephone number and email address of each advisor.

Tali Durant  
DART Business Services, LLC  
Telephone: 913-232-6965  
[tali@dart-services.com](mailto:tali@dart-services.com)

## **Item 16      Management's Discussion and Analysis or Plan of Operation**

You should read the following discussion and analysis of our financial condition and plan of operations together with our financial statements and related notes appearing elsewhere in this Annual Report. Various statements have been made in this Report that may constitute "forward-looking statements". Forward-looking statements may also be made in the Company's other reports filed with or furnished to the United States Securities and Exchange Commission (the "Commission") and in other documents. In addition, from time to time, the Company, through its management, may make oral forward looking-looking statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from such statements. The words "believe," "expect," "anticipate," "optimistic," "intent," "plan," "aim," "will," "may," "should," "could," "would," "likely" and similar expressions are intended to identify forward looking-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. FLTT undertakes no obligation to update or revise any forward-looking statements.

### **A.      Plan of Operation**

Not Applicable.

### **B.      Management's Discussion and Analysis of Financial Condition and Results of Operations** (should be read in conjunction with the consolidated financial statements included herein and which are incorporated herein by reference.)

#### ***1. Full fiscal year 2012.***

##### **Overview**

Management's objectives for the fiscal year ended June 30, 2012 moved from initially managing growth and executing on agreed funding in the first half of the year, to managing the downsizing of operations, in order to achieve sustainable operations without the need for external funding in the second half of the year.

This shift in focus resulted from the delay and subsequent failure of the \$15 million Equity Line of Credit with Kodiak Capital to deliver any funding to the business as expected from the first quarter of the Company's fiscal year ended June 30, 2011. This position forced us to rely exclusively on toxic, short term, convertible debt instruments that ultimately resulted in the issuance of an increasing number of shares at significant discounts to the market price. Given the low per share trading price of our common stock during the fiscal year ended June 30, 2011, these conversions introduced 285 million additional common shares into the market, resulting in a 4,400% increase in the issued and outstanding common shares in the twelve months ended June 30, 2011. An additional 477 million common shares were issued in the four months to September 2011, further diluting shareholders and forcing the market price lower in that time so that new funding became impractical and too costly for shareholders.

As a result of the failure of new funding, management then had to devote significant resources to manage the large debt position as best as possible and also try to secure new funding in order to close planned acquisitions, in an extremely difficult economic and financial environment.

Given this position, we entered into a fundamental review of every aspect of the business in September 2011 to create a new operational plan, in conjunction with our secured lender, which would result in sustainable businesses that also had to address debt reduction. As part of this review, in October of 2011, the Company filed a Form 15-12g to deregister its securities under the Securities Exchange Act of 1934 to reduce the high costs of compliance.

This review resulted in the successful sale of the III and P2P subsidiaries in March of 2012 for a potential maximum of \$11,000,000 in deferred cash payments, to be paid over a period of five years and contingent on future revenues earned by the subsidiaries sold. Any deferred cash payments received will be primarily used to repay debt. In addition, the buyer assumed all liabilities for the businesses, in addition to the assets, reducing group liabilities by approximately \$3,500,000. We also disposed of, or ceased activities in, all non-profitable operations that resulted in reducing net liabilities by an additional \$950,000. The Company recorded one-time gains of approximately \$2,000,000 in the trading statement for the year ended June 30, 2012 relating to subsidiary companies sold.

The business now operates through two subsidiaries, Cable & Voice and Flint Prepaid, and has removed 95% of its operating costs from corporate activities through restructuring and settlement agreements that eliminate cash costs. The remaining units are operationally break-even or profitable and we plan to grow these businesses organically going forward without the need for significant external funding. This will be achieved through use of success based sales and new online sales methods that will be launched in the current financial year.

The Company has the full support of our secured lender for the new operating plan. However, the Company still faces significant challenges with overall debt and a number of summary judgments against the Company with others taking legal action to secure judgment for past debts that may have a negative impact on operations going forward. Details of judgments and legal actions are fully detailed elsewhere in Item VIII, Section A.11 and in Note 17 of the accompanying financial statements.

As a result of the corporate restructuring and ongoing debt and historic liability negotiations and settlements, the Company recorded a net profit of \$444,646, in the fiscal year ended June 30, 2012, as compared to a net loss of \$ \$9,251,860 in the fiscal year ended June 30, 2011. Our overall cash decreased by \$96,477 in the twelve months ended June 30, 2012, compared to an increase in cash of \$77,478 in the fiscal year ended June 30, 2011. Cash balances at June 30, 2012 stood at \$420.



A significant portion of any free cash flows generated by the business in the future will be used to pay down debt that may limit our ability to re-invest in growth in the short term.

## **Sources of Revenue and Operating Expenses for Fiscal Year 2012**

### **Sources of Revenue.**

Our subsidiaries produced the following revenues:

Cable and Voice Corporation delivers quality broadband, VoIP/ digital phone and wireless products to the cable industry and service provider customers throughout the world. Phonehouse U.S.A., Inc. provides prepaid calling cards that enable users in the United States to call internationally at significant savings. Flint Prepaid sells prepaid calling cards and prepaid telecom services directly to end-users through partners and will move to online distribution in the current financial year.

### **Operating Expenses.**

Sales and marketing expenses consist of costs incurred to develop and implement marketing and sales programs for our product lines. These include costs required to staff the marketing department and develop a sales and marketing strategy, participation in trade shows, media development and advertising, and web site development and maintenance. These costs also include the expenses of hiring sales personnel and maintaining a customer support activities.

General and administrative expenses include senior management, accounting, legal, business development consulting, rent, administrative personnel, and other overhead related costs. This category also includes stock compensation and option expense, the costs associated with being a publicly traded company, including the costs of SEC filings, a management fee payable to Flint Telecom, Ltd., investor relations and public relations. These costs have decreased during the year ended June 30, 2011 versus 2010 as result of the restructuring activities completed in FY 2010 flowing into 2011 and also a significant reduction in stock compensation costs year-on-year. Stock compensation costs in 2010 were predominantly related to on-time corporate restructuring activities in the quarter ending March 31, 2010.

## **Fiscal Year Ended June 30, 2012 Compared with Fiscal Year Ended June 30, 2011.**

### **Revenues**

Revenues for the year ended June 30, 2012 decreased 32% to \$10,748,866 as compared to \$15,786,213 for the year ended June 30, 2011. This decrease is primarily due to the closure and disposal of non-profit making operations in the prior financial year. 80% of the reduction was due to the disposal of certain

operations as Phone House Inc represented a large proportion of the revenues of the group.

Revenues for the fiscal year ending June 30, 2013 are expected to be significantly lower as the business builds organic revenues from the retained operating companies.

### **Cost of Revenues and Gross Margin**

The overall gross margin increased in the year ended June 30, 2012 versus 2011, from \$532,580 in 2011 to a gross profit of \$731,704 at June 30, 2012. This change is directly related to the lower revenues generated from operations and higher percentage margins generated due to a change in the revenue mix resulting from disposal of Phone House Inc.

### **Operating Expenses**

Operating expenses decreased 58% to \$2,210,011 in the year ended June 30, 2012 versus \$5,275,179 for the fiscal year ended June 30, 2011. This decrease is mainly due to managements focus on cost control throughout the year and also includes one-time restructuring gains resulting from the organizational restructuring during the year. Stock compensation costs and charges for depreciation and amortization decreased by 40% and 65%, respectively, year on year. We do not expect any costs related to stock compensation or depreciation for the fiscal year ending June 30, 2013 due to completion of the restructuring.

### **Interest Expense and Foreign Exchange**

The \$141,041 in other expense and interest expense for the year ended June 30, 2012 and \$3,637,058 in other expense and interest expense are related to accrued interest on lines of credit, convertible and non-convertible promissory notes, as well as the amortization of the debt discounts related to convertible notes. The charge in the year ended June 30, 2012 reduced significantly, by 96%, as compared to the previous fiscal year as all debt discounts from prior years have been fully accreted. The Company significantly reduced the amount of convertible debt issued which reduced the beneficial conversion feature interest charges and our secured lender, Thermo Credit, agreed to write down accrued interest of \$600,000 which was accounted for in the fourth quarter of fiscal year 2012.

The Company recorded a loss of \$3,176 from currency translations on debt denominated in UK Pounds for the year ended June 30, 2011 and \$10,664 for the year ended June 30, 2012.

### **Impairment of Fixed and Intangible assets**

During the year ended June 30, 2011, management reviewed the fixed and intangible assets values in line with policy and determined that to make an impairment charge of \$869,025 to fully write down the intangible assets acquired under the Ingedigit International Inc. and Gotham Ingedigit Financial Processing

Corp acquisitions. The write off reflected the longer than expected timeline to revenue generation from these assets. Management felt it was prudent to take a charge against them for the year ended June 30, 2011. There was no necessity for impairment charges in the year ended June 30, 2012.

### **Debt Extinguishment Costs**

During the year ending June 30, 2011 the agreement to extinguish certain debt in 2010 was reversed resulting in a credit to interest charge of \$289,857 and an increase in Notes Payable of \$1,240,143. There were no such charges in the year ending June 30, 2012. The Company did report a profit on settlement of debt of \$23,738 during the fiscal year ending June 30, 2012.

### **Liquidity and Capital Resources**

Overall cash decreased by \$96,477 for the year ended June 30, 2012 due to ongoing challenges in raising new capital in very difficult financial markets, approximately \$25,000 of the cash provided by financing activities came from convertible debt. The sources and uses of cash are summarized as follows:

	<b>For the Year Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
Net cash used in operating activities	\$ (437,767)	\$(1,105,137)
Net cash used in investing activities	(64,037)	15,063
Net cash provided by financing activities	394,664	1,164,015
Net cash provided by (used in) foreign currency activities	10,663	3,537
Net increase (decrease) in cash	\$ (96,477)	\$ 77,478

During the year ended June 30, 2012, cash used in operating activities was \$437,767, resulting from a gross profit of \$731,704, operating expenses of \$2,210,011 and non-operating profits of \$1,922,935. The loss included non-cash charges for stock and option compensation of \$490,229. Other non-cash expenses were depreciation and amortization of \$392,692. The non-operating profits were predominantly as a result of one-time gains of \$2,210,011 recorded on the disposal of subsidiaries.

During the year ended June 30, 2011, cash used in operating activities was \$1,105,137 resulting from a gross profit of \$532,580, operating expenses of \$5,275,179 and non-operating expenses of \$4,509,260. The loss included non-cash charges for stock and option compensation of \$814,875. Other non-cash expenses were depreciation and amortization of \$1,111,274 and impairment of Impairment of Fixed assets, Intangible assets and Goodwill of \$869,025.

During the year ended June 30, 2012 cash used in investing activities consisted of \$64,037 which was sold as part of the sale of Phone House Inc.

During the year ended June 30, 2011 cash used in investing activities consisted of \$15,063, which was the cash acquired from the acquisition of Ingedigit International Inc. and Gotham Ingedigit Financial Processing Corp.

Cash provided by financing activities for the year ended June 30, 2012 consisted primarily of the sale of short term convertible notes and promissory notes, which provided \$82,000 in cash, debt from third parties of \$25,000 and proceeds of \$364,332 from additional lines of credit some of the operating companies. These inflows were offset by the repayment on lines of credit of \$14,977 and \$61,691 on repayment of convertible debt.

Cash provided by financing activities for the year ended June 30, 2011 consisted primarily of the sale of short term convertible notes and promissory notes, which provided \$914,946 in cash, debt from related parties \$72,000 and proceeds from additional lines of credit some of the operating companies. These inflows were offset by the repayment on lines of credit of \$744. The company also generated \$32,500 from the sale of Common Stock.

\$10,664 was gained in foreign currency translations related to exchange losses on convertible notes payable during the year ended June 30, 2012. \$3,537 was used in foreign currency transactions related to exchange losses on convertible notes payable during the year ended June 30, 2011.

As of June 30, 2012, we had cash and cash equivalents of \$420, a decrease of \$96,477 from the balance at June 30, 2011, which was \$96,897. Our working capital deficit decreased as of June 30, 2012 to \$13,945,655 as compared to a working capital deficit of \$17,881,129 at June 30, 2011.

**We are still highly dependent on the goodwill of our debt holders and the future receipt of proceeds from the sale of certain subsidiaries, as well as new financing in order to generate cash to maintain operations. We constantly investigate the capital markets for additional financings. However, there is no assurance that any additional capital will be raised given the current debt position of the business.**

*2. Interim Periods.* Provide a comparable discussion that will enable the reader to assess material changes in financial condition and results of operations since the end of the last fiscal year and for the comparable interim period in the preceding year.

Not applicable.

## **C. Off-Balance Sheet Arrangements**

Not Applicable

## **Part E Issuance History**

### **Item 17 List of securities offerings and shares issued for services in the past two years.**

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer (1) within the two-year period ending on the last day of the issuer's most recent fiscal year and (2) since the last day of the issuer's most recent fiscal year.

The issuer issued all of these shares listed below upon the exemption of the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering of securities. Each of the stock certificates issued hereunder contained a legend stating that the shares have not been registered under the Securities Act and set forth or refer to the restrictions on transferability and sale of the shares under the Securities Act.

On July 2, 2010, the Company issued 4,736,842 shares of the Company's common stock to a note holder upon conversion of \$9,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 9, 2010, the Company issued 3,529,411 shares of the Company's common stock to a note holder upon conversion of \$6,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 11, 2010, the Company issued 5,090,909 shares of the Company's common stock to a note holder upon conversion of \$2,800 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 19, 2010, the Company issued 6,000,000 shares of the Company's common stock upon the conversion of 60,000 shares of Series D Preferred Stock, worth \$22,200. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 20, 2010, the Company issued 2,666,667 shares of the Company's common stock to a note holder upon conversion of \$2,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 20, 2010, the Company issued 77,000,000 shares of the Company's common stock to eight note holders upon conversion of \$45,600 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 25, 2010, the Company issued 15,000,000 shares of the Company's common stock to two executive officers as part of their employment compensation. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 25, 2010, the Company issued 6,250,000 shares of the Company's common stock to a consultant for services rendered worth \$19,375. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 27, 2010, the Company issued 34,135,000 shares of the Company's common stock to three note holders upon conversion of \$22,500 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 31, 2010, the Company issued 15,000,000 shares of the Company's common stock to four note holders upon conversion of \$8,250 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 2, 2010, the Company issued 3,636,364 shares of the Company's common stock were issued to a note holder upon conversion of \$2,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 3, 2010, the Company issued 2,000,000 shares of the Company's common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 7, 2010, the Company issued 3,846,154 shares of the Company's common stock to a note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 7, 2010, the Company issued 5,384,615 shares of the Company's common stock were issued to a note holder upon conversion of \$3,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 30, 2010, the Company issued 2,800,000 shares of the Company's common stock

to a note holder upon conversion of \$3,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 4, 2010, the Company issued 1,666,667 shares of the Company's common stock to a note holder upon conversion of \$3,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 8, 2010, the Company issued 12,953,368 shares of the Company's common stock to a note holder upon conversion of \$40,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 9, 2010, the Company issued 2,571,429 shares of the Company's common stock to a note holder upon conversion of \$4,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 10, 2010, the Company issued 3,714,286 shares of the Company's common stock to a note holder upon conversion of \$6,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 11, 2010, the Company issued 4,285,714 shares of the Company's common stock to a note holder upon conversion of \$7,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 12, 2010, the Company issued 7,428,571 shares of the Company's common stock to a note holder upon conversion of \$13,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 12, 2010, the Company issued 8,934,857 shares of the Company's common stock to a note holder upon conversion of \$15,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 19, 2010, the Company issued 10,000,000 shares of the Company's common stock were issued to a note holder upon conversion of \$6,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 20, 2010, the Company issued 18,000,000 shares of the Company's common stock to a note holder upon conversion of \$13,950 worth of a promissory note. These shares were issued

pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 21, 2010, the Company issued 4,166,667 shares of the Company's common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 21, 2010, the Company issued 15,000,000 shares of the Company's common stock were issued to a note holder upon conversion of \$11,250 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 25, 2010, the Company issued 2,000,000 shares of the Company's common stock to a note holder upon conversion of \$16,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 25, 2010, the Company issued 10,000,000 shares of the Company's common stock were issued to a key employee as part of his compensation for continued employment. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 25, 2010, the Company issued 300,000 shares of the Company's Series H Convertible Preferred Stock were issued to ten holders in exchange for all of the stock of Power2Process and Ingedigit International Inc. valued at \$3,000,000. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 26, 2010, the Company issued 4,250,000 shares of the Company's common stock to a note holder upon conversion of \$8,200 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On October 29, 2010, the Company issued 50,000,000 shares of the Company's common stock to five note holders upon conversion of a total of \$30,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 11, 2010, the Company issued 18,382,352 shares of common stock to 2 note holders upon conversion of a total of \$45,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 16, 2010, the Company issued 10,666,667 shares of common stock to a note holder upon conversion of \$14,000 worth of a promissory note. These shares were issued pursuant to the



exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 18, 2010, the Company issued 9,838,710 shares of common stock to 2 note holders upon conversion of a total of \$11,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 19, 2010, the Company issued 2,618,182 shares of common stock to a note holder upon conversion of \$3,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 23, 2010, the Company issued 8,333,333 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 24, 2010, the Company issued 3,225,108 shares of common stock to a note holder upon conversion of \$3,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 29, 2010, the Company issued 9,090,909 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 29, 2010, the Company issued 15,000,000 shares of common stock to a note holder upon conversion of \$9,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On November 29, 2010, the Company issued 10,000,000 shares of common stock to a note holder upon conversion of \$9,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 1, 2010, the Company issued 10,000,000 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 2, 2010, the Company issued 30,000,000 shares to one consultant as partial consideration for services rendered, worth \$66,000. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded

the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 2, 2010, the Company issued 30,000,000 shares of common stock to two note holders upon conversion of \$26,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 3, 2010, the Company issued 25,000,000 shares of common stock to a note holder upon conversion of \$30,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 6, 2010, the Company issued 30,000,000 shares of common stock to two note holders upon conversion of \$26,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 7, 2010, the Company issued 12,888,889 shares of common stock to a note holder upon conversion of \$11,600 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 8, 2010, the Company issued 21,666,666 shares of common stock to a note holder upon conversion of \$16,250 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 10, 2010, the Company issued 10,000,000 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 14, 2010, the Company issued 11,111,111 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 16, 2010, the Company issued 12,444,444 shares of common stock to a note holder upon conversion of \$11,200 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On December 29, 2010, the Company issued 30,000,000 shares of common stock to a note holder upon conversion of \$30,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not

involve a public offering.

**The following share numbers and per share prices are quoted post 1:20 stock split that went effective January 14, 2011.**

On January 24, 2011, the Company issued 1,666,666 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 1, 2011, the Company issued 1,000,000 shares of common stock to a note holder upon conversion of \$6,200 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 3, 2011, the Company issued 2,000,000 shares of common stock to a note holder upon conversion of \$15,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 3, 2011, the Company issued 1,000,000 shares of common stock to a note holder upon conversion of \$3,752 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 4, 2011, the Company issued 430,987 shares of common stock to a note holder upon conversion of \$5,603 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 4, 2011, the Company issued 1,500,000 shares of common stock to a consultant for services rendered worth \$24,000. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 10, 2011, the Company issued 3,571,428 shares of common stock to two note holders upon conversion of \$50,000 worth of two promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 17, 2011, the Company issued 1,000,000 shares of common stock to a note holder upon conversion of \$15,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 18, 2011, the Company issued 1,562,500 shares of common stock to a note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the

exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On February 24, 2011, the Company issued 2,500,000 shares of common stock to a note holder upon conversion of \$9,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 2, 2011, the Company issued 1,562,500 shares of common stock to a note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 3, 2011, the Company issued 1,600,000 shares of common stock to a note holder upon conversion of \$6,065 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 10, 2011, the Company issued 3,000,000 shares of common stock to a note holder upon conversion of \$11,100 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 11, 2011, the Company issued 4,000,000 shares of common stock to two note holders upon conversion of \$20,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on March 11, 2011, the Company issued 1,666,667 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 12, 2011, the Company issued 2,400,000 shares of common stock to a note holder upon conversion of \$9,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 23, 2011, the Company issued 1,521,739 shares of common stock to a note holder upon conversion of \$7,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 23, 2011, the Company issued 600,000 shares of common stock to a note holder upon conversion of \$2,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded

the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 30, 2011, the Company issued 2,055,556 shares of common stock to a note holder upon conversion of \$7,400 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On March 31, 2011, the Company issued 4,000,000 shares of common stock to a note holder upon conversion of \$14,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 13, 2011, the Company issued 5,357,142 shares of common stock to two note holders upon conversion of \$30,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 14, 2011, the Company issued 2,000,000 shares of common stock to a note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 15, 2011, the Company issued 4,000,000 shares of common stock to a note holder upon conversion of \$14,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 18, 2011, the Company issued 4,000,000 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 18, 2011, the Company issued 3,703,703 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 21, 2011, the Company issued 3,389,831 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 26, 2011, the Company issued 3,000,000 shares of common stock to a note holder upon conversion of \$7,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not

involve a public offering.

Also on April 26, 2011, the Company issued 4,000,000 shares of common stock to a note holder upon conversion of \$14,000 worth of a convertible promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 27, 2011, the Company issued 3,076,923 shares of common stock to a note holder upon conversion of \$8,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On April 29, 2011, the Company issued 2,500,000 shares of common stock to a note holder upon conversion of \$4,875 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 2, 2011, the Company issued 3,000,000 shares of common stock to a note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 10, 2011, the Company issued a total of 5,000,000 shares of restricted common stock to 3 individuals in exchange for an investment of a total of \$27,500 which occurred in March 2011. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on May 10, 2011, the Company issued 75,000 shares of restricted common stock to an executive officer as part of their employment compensation and pursuant to the vesting of shares previously granted. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 11, 2011, the Company issued 5,789,475 shares of common stock to a note holder upon conversion of \$11,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on May 11, 2011, the Company issued 5,000,000 shares of common stock to a note holder upon conversion of \$25,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 12, 2011, the Company issued 2,000,000 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 13, 2011, the Company issued 6,000,000 shares of common stock to a note holder upon conversion of \$29,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 16, 2011, the Company issued 6,451,613 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 12<sup>th</sup> and 18<sup>th</sup> of 2011, the Company issued 8,300,000 shares of common stock to one note holder upon conversion of \$13,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 24, 2011, the Company issued 4,000,000 shares of common stock to a note holder upon conversion of \$6,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 25, 2011, the Company issued 6,428,571 shares of common stock to a note holder upon conversion of \$9,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on May 25, 2011, the Company issued 8,166,666 shares of common stock to a note holder upon conversion of \$9,800 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On May 31, 2011, the Company issued 4,200,000 shares of common stock to a note holder upon conversion of \$9,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 3, 2011, the Company issued 8,888,889 shares of common stock to a note holder upon conversion of \$8,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 6, 2011, the Company issued 4,800,000 shares of common stock to a note holder upon conversion of \$4,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on June 6, 2011, the Company issued 5,894,737 shares of common stock to a note holder upon conversion of \$5,600 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 7, 2011, the Company issued 8,571,429 shares of common stock to a note holder upon conversion of \$6,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 8, 2011, the Company issued 4,166,667 shares of common stock to a note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 9, 2011, the Company issued 10,714,285 shares of common stock to a note holder upon conversion of \$7,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 14, 2011, the Company issued 10,000,000 shares of common stock to a note holder upon conversion of \$7,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 14, 2011, the Company issued 6,875,000 shares of common stock to a note holder upon conversion of \$5,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 17, 2011, the Company issued 8,571,429 shares of common stock to a note holder upon conversion of \$6,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 20, 2011, the Company issued 4,375,000 shares of common stock to a note holder upon conversion of \$3,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 21, 2011, the Company issued 7,000,000 shares of common stock to a note holder upon conversion of \$7,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on June 21, 2011, the Company issued 11,000,000 shares of common stock to a note holder



upon conversion of \$7,700 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on June 21, 2011, the Company issued 11,904,757 shares of common stock to a note holder upon conversion of \$8,333 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

Also on June 21, 2011, the Company issued 10,000,000 shares of common stock to a note holder upon conversion of \$15,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 22, 2011, the Company issued 8,428,571 shares of common stock to a note holder upon conversion of \$5,900 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 27, 2011, the Company issued 5,142,857 shares of common stock to a note holder upon conversion of \$7,200 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 29, 2011, the Company issued 1,666,666 shares of common stock to a note holder upon conversion of \$2,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On June 30, 2011, the Company issued 17,857,142 shares of common stock to two note holders upon conversion of \$40,000 worth of two promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 5, 2011, the Company issued 10,000,000 shares of common stock to a note holder upon conversion of \$7,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 8, 2011, the Company issued 39,929,422 shares of common stock to three note holders upon conversion of \$24,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 11, 2011, the Company issued 25,000,000 shares of common stock to Kodiak Capital pursuant to a put notice request issued to Kodiak under an investment agreement between Flint

and Kodiak. The shares were issued pursuant to a Registration Statement SEC Form S-1 that went effective June 9, 2011. The Company subsequently cancelled its put and requested the return of these shares.

On July 13, 2011, the Company issued 18,600,000 shares of common stock to a note holder upon conversion of \$17,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 13, 2011 the Company issued 5,000,000 shares of common stock to Kodiak Capital pursuant to a put notice request issued to Kodiak under an investment agreement between Flint and Kodiak. These shares were issued pursuant to a Registration Statement on SEC Form S-1 that went effective June 9, 2011. The Company subsequently cancelled its put notice and requested the return and cancellation of these shares.

On July 14, 2011, the Company issued 8,333,333 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 20, 2011, the Company issued 15,000,000 shares of common stock to a note holder upon conversion of \$20,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 22, 2011, the Company issued 28,647,059 shares of common stock to two note holders upon conversion of \$23,333 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 26, 2011, the Company issued 6,666,667 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 28, 2011, the Company issued 6,000,000 shares of common stock to a note holder upon conversion of \$4,200 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On July 29, 2011, the Company issued 8,888,889 shares of common stock to a note holder upon conversion of \$8,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 3, 2011, the Company issued 15,357,143 shares of common stock to a note holder upon conversion of \$10,750 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded

the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 11, 2011, the Company issued 16,666,667 shares of common stock to a note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 17, 2011, the Company issued 26,428,571 shares of common stock to two note holders upon conversion of \$16,500 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 18, 2011, the Company issued 14,000,000 shares of common stock to two note holders upon conversion of \$9,400 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 19, 2011, the Company issued 20,000,000 shares of common stock to one note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 22, 2011, the Company issued 20,000,000 shares of common stock to one note holder upon conversion of \$10,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 23, 2011, the Company issued 20,000,000 shares of common stock to one note holder upon conversion of \$12,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 24, 2011, the Company issued 30,000,000 shares of common stock to two note holders upon conversion of \$12,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 25, 2011, the Company issued 8,000,000 shares of common stock to two note holders upon conversion of \$10,800 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On August 26, 2011, the Company issued 27,951,388 shares of common stock to two note holders upon conversion of \$30,000 worth of promissory notes. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not

involve a public offering.

On August 30, 2011, the Company issued 15,000,000 shares of common stock to one note holder upon conversion of \$7,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 2, 2011, the Company issued 6,500,000 shares of common stock to one note holder upon conversion of \$3,250 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 6, 2011, the Company issued 10,000,000 shares of common stock to one note holder upon conversion of \$5,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 7, 2011, the Company issued 7,500,000 shares of common stock to one note holder upon conversion of \$4,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 8, 2011, the Company issued 30,000,000 shares of common stock to one note holder upon conversion of \$16,500 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 9, 2011, the Company issued 6,500,000 shares of common stock to one note holder upon conversion of \$3,250 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 16, 2011, the Company issued 6,500,000 shares of common stock to one note holder upon conversion of \$3,250 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 20, 2011, the Company issued 10,000,000 shares of common stock to one note holder upon conversion of \$4,000 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

On September 23, 2011, the Company issued 6,500,000 shares of common stock to one note holder upon conversion of \$3,250 worth of a promissory note. These shares were issued pursuant to the exemptions from the registration requirements of the Securities Act of 1933, as amended, afforded the Company under Section 4(2) promulgated thereunder due to the fact that the issuance did not involve a public offering.

**Part F      Exhibits**

**Item 18      Material Contracts**

The following material contracts are attached to this statement:

Share Purchase Agreement by and among Flint, Ingedigit International, Inc., Gotham Ingedigit Financial Processing Corp. and Brankib Holdings Pty. Ltd. dated March 5, 2012.	(1)
First Amendment to Share Purchase Agreement dated March 16, 2012	(1)
Escrow Agreement by and among Flint and Thermocredit LLC.	(1)
Form of Settlement Agreement by and among Flint and the Series H Convertible Preferred Shareholders.	(1)
Asset Purchase Agreement by and among Digital Phone Solutions, Inc., Flint Telecom Group, Inc. and VOIP ACQ, Inc. dated March 30, 2012.	(2)
Share Purchase Agreement by and among Flint Telecom Group, Inc., Phone House, Inc. and Deepak Hiranandani dated March 30, 2012.	(2)
Settlement Agreement by and among Flint and Vincent Browne dated April 30, 2012.	(2)
Settlement Agreement by and among Flint and Bernard A. Fried dated April 30, 2012	(2)
Certificate of Designation of Series I Convertible Preferred Stock.	(2)
Certificate of Amendment to Articles of Incorporation filed on June 28, 2012.	Attached hereto.
Stock Pledge Agreement by and among Flint Telecom Group, Inc. and Thermo Credit LLC dated September 10, 2012.	Attached hereto.

(1) Incorporated by reference to Flint's Supplemental Information Filing dated March 21, 2012.

(2) Incorporated by reference to Flint's Initial Issuer Statement filed on May 31, 2012.

**Item 19        Articles of Incorporation and Bylaws.**

Incorporated by reference to Flint's Initial Issuer Statement filed on May 31, 2012. Additionally, the most recent Amendment to the Company's Articles of Incorporation, filed with the Secretary of State of Nevada on June 28, 2012 is attached hereto as an Exhibit.

**Item 20        Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

Not Applicable

**Item 21      Issuer's Certifications**

I, Vincent Browne, certify that:

1. I have reviewed this Annual Report of Flint Telecom Group, 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 operation and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

September 19, 2012

A handwritten signature in black ink, appearing to read 'Vincent Browne', with a long horizontal line extending to the right.

Vincent Browne,

Chairman of the Board and Chief Financial Officer



**FLINT TELECOM GROUP, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED**

**JUNE 30, 2012 AND 2011**



# FLINT TELECOM GROUP, INC. AND SUBSIDIARIES

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**FLINT TELECOM GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30,	
	2012	2011
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Total cash and cash equivalents	\$ 420	\$ 96,897
Trade receivables (net of allowance for doubtful debts of \$35,044 and \$717,245 respectively).	92,552	1,209,103
Inventories	-	268,564
Deferred offering costs	-	37,433
Prepaid expenses and other current assets	-	29,420
	<hr/>	<hr/>
Current assets	92,973	1,641,417
<b>Fixed assets</b>		
Property, plant and equipment	1,879,367	5,453,736
Capitalized leased assets	194,839	194,839
	<hr/>	<hr/>
	2,074,206	5,648,575
Less: accumulated depreciation	(2,074,206)	(2,611,712)
Net assets	<hr/>	<hr/>
	-	3,036,863
Other assets	110,400	-
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 203,373</b>	<b>\$ 4,678,279</b>
	<hr/>	<hr/>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,979,796	5,046,957
Accruals	261,535	1,045,969
Amounts due under contract finance agreements	-	98,815
Due to Flint Limited	213,160	213,160
Capital leases - short term	781,309	781,309
Cash overdraft	-	58,732
Accrued interest payable	1,890,244	2,243,419
Lines of credit	2,000,000	2,823,739
Notes payable	4,276,521	3,381,425
Convertible notes payable, third party - net of discount	1,898,235	1,905,127
Convertible notes payable, related parties - net of discount	98,000	98,000
Notes payable - related parties	639,444	1,825,894
<b>Total current liabilities</b>	<hr/>	<hr/>
	14,038,628	19,522,546
Lines of credit - long term	-	780,000
	<hr/>	<hr/>
Total liabilities	14,038,628	20,302,546
<b>Temporary equity</b>		
Redeemable equity securities	5,677,788	5,242,565
Convertible preferred equity	3,000,000	2,683,563

<b>Stockholders' Equity</b>		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized, 293,780 and 153,780 shares issued and outstanding, as of June 30, 2012 and 2011, respectively.	294	154
Common stock, \$0.001 par value; 900,000,000 shares authorized, 769,578,190 and 311,993,460 shares issued and outstanding, as of June 30, 2012 and 2011, respectively.	769,578	311,994
Common stock issuable	909	50,024
Deferred offering costs	-	(66,000)
Additional paid in capital	37,836,447	36,904,590
Accumulated deficit	(61,120,272)	(60,751,156)
<b>Total Shareholders' Deficit</b>	(22,513,044)	(23,550,395)
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 203,373</b>	<b>\$ 4,678,279</b>

See accompanying notes to the consolidated financial statements.

**FLINT TELECOM GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Years Ended June 30,	
	2012	2011
<b>Revenues</b>	\$10,748,866	\$ 15,786,213
<b>Cost of revenues</b>	(10,017,162)	(15,253,633)
<b>Gross profit (loss)</b>	731,704	532,580
<b>Operating expenses</b>		
Sales and general administrative	1,327,091	3,048,470
Non cash - stock compensation expenses	490,229	814,875
Depreciation and amortization	392,692	1,111,274
Research and development	-	300,560
<b>Total operating expenses</b>	<b>2,210,011</b>	<b>5,275,179</b>
<b>Loss from operations</b>	(1,478,307)	(4,742,600)
<b>Other income (expense)</b>		
Other income (expense)	-	-
Interest expense	(141,041)	(3,637,058)
Gain (loss) on foreign exchange	(10,664)	(3,176)
Profit (loss) on debt settlement	23,738	-
Gain (loss) on disposal of subsidiaries	2,050,920	-
Impairment of fixed assets, intangible assets and goodwill	-	(869,025)
<b>Net profit (loss)</b>	<b>\$ 444,646</b>	<b>\$ (9,251,860)</b>
Accrued dividends and penalties	435,223	727,186
Discount on convertible equities	316,438	683,561
<b>Net loss attributable to common stockholders</b>	<b>\$ (307,015)</b>	<b>\$ (10,662,607)</b>
<b>Net gain (loss) per share:</b>		
<b>Basic</b>	<b>\$ 0.00</b>	<b>\$ (0.15)</b>
<b>Diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.15)</b>
<b>Weighted average shares used in per share calculation:</b>		
<b>Basic</b>	<b>693,193,531</b>	<b>72,643,626</b>
<b>Diluted</b>	<b>944,953,643</b>	<b>72,643,626</b>

See accompanying notes to the consolidated financial statements.

**FLINT TELECOM GROUP, INC. AND SUBSIDIARIES**  
**STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) AND OTHER COMPREHENSIVE LOSS**

	Preferred Shares		Common stock issued		Common stock issuable		Additional Paid-in Capital	Accumulated Deficit	Total
	Total Shares	Total Amt	Shares	Amount	Shares	Amount			
<b>As at June 30, 2010</b>	<b>366,780</b>	<b>\$ 367</b>	<b>6,491,221</b>	<b>\$ 6,491</b>	<b>236,842</b>	<b>\$ 237</b>	<b>\$ 34,114,627</b>	<b>\$ (50,088,548)</b>	<b>\$(15,906,274)</b>
Conversion of notes payable to equity	--	--	284,712,358	284,712	57,436,493	57,436	(878,897)	--	1,221,045
Beneficial conversion feature on convertible notes payable	--	--	--	--	--	--	1,405,316	--	1,405,316
Shares issued to consultants	--	--	4,062,500	40,625	118,750	119	84,964	--	125,708
Shares issued for deferred offering costs	--	--	1,500,000	1,500	--	--	64,500	--	66,000
Shares issued to officer, directors, employees for vested stock compensation	--	--	1,250,000	1,250	--	--	121,250	--	122,500
Stock payable issued	--	--	355,592	356	(355,592)	(356)	--	--	--
Stock Issuable Issued	--	--	8,321,789	8,322	(8,321,789)	(8,322)	--	--	--
Stock compensation expense	--	--	--	--	--	--	591,417	--	591,417
Issuance of preferred stock	--	--	--	--	--	--	--	--	--
Issuance of common stock	--	--	5,000,000	5,000	909,091	909	(26,592)	--	32,501
Conversion of preferred stock shares into common shares	(60,000)	(60)	300,000	300	--	--	(240)	--	--
Cancellation of Series E Preferred	(153,000)	(153)	--	--	--	--	(1,529,847)	--	(1,530,000)
Accrual of redeemable equity securities, dividends and penalties	--	--	--	--	--	--	--	(727,186)	(727,186)
Discount on Series H Preferred Shares	--	--	--	--	--	--	1,000,000	(683,562)	316,438
Issue of warrants to holder of note payable	--	--	--	--	--	--	50,000	--	50,000
Net operating loss for the period	--	--	--	--	--	--	--	(9,251,860)	(9,251,860)
<b>As at June 30, 2011</b>	<b>153,780</b>	<b>\$ 154</b>	<b>311,993,460</b>	<b>\$ 311,993</b>	<b>50,023,795</b>	<b>\$50,024</b>	<b>\$36,904,589</b>	<b>\$(60,751,156)</b>	<b>\$(23,484,395)</b>
Conversion of notes payable to equity	--	--	383,601,276	383,602	--	--	(122,537)	--	261,065
Beneficial conversion feature on convertible notes payable	--	--	--	--	--	--	312,000	--	312,000
Stock payable	--	--	35,000,000	35,000	--	--	22,000	--	57,000
Stock payable issued	--	--	49,114,704	49,115	(49,114,704)	(49,115)	-	--	--
Stock compensation expense	--	--	--	--	--	-	490,229	--	490,229
Offering costs paid in stock	--	--	--	--	--	--	(103,433)	--	(103,433)

Accrual of redeemable equity securities, dividends and penalties	--	--	--	--	--	--	--	(435,223)	(435,223)
Discount on Series H Preferred Shares	--	--	--	--	--	--	--	(316,438)	(316,438)
Shares returned for Sale of Phone House Inc.	--	--	(10,006,250)	(10,006)	--	--	21,013	--	11,070
Sale of DPSI Assets – Investment in VOIP ACQ. Inc.	--	--	--	--	--	--	172,500	--	172,500
Preferred shares issued to reduce payables and debt	140,000	140	--	--	--	--	139,860	--	139,860
Cancellation of shares on settlement with Mr. Browne	--	--	(125,000)	(125)	--	--	225	--	100
Unrealized loss on investments	--	--	--	--	--	--	--	(62,100)	(62,100)
Net operating profit (loss) for the period	--	--	--	--	--	--	--	444,646	444,646
<b>As at June 30, 2012</b>	<b>553,780</b>	<b>\$ 254</b>	<b>769,578,190</b>	<b>\$ 769,578</b>	<b>909,091</b>	<b>\$ 909</b>	<b>\$ 37,836,446</b>	<b>\$ (61,120,272)</b>	<b>\$ (22,513,044)</b>

See accompanying notes to consolidated financial statements.

**FLINT TELECOM GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited)

	Years Ended June 30,	
	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Net profit (loss)	\$ 444,646	\$ (9,251,860)
<i>Adjustments to reconcile net loss to net cash used in operations</i>		
Depreciation and amortization	392,692	1,222,555
Bad Debts	14,538	285,864
Stock based compensation	338,474	776,583
Amortization / accretion of debt discount	--	761,445
Amortization of beneficial conversion feature	312,000	1,405,316
Loss on investment in marketable securities	--	--
Gain on disposal of subsidiaries	(2,050,962)	--
(Profit) / Loss on debt settlement	(23,738)	--
Impairment of goodwill and intangible assets	--	879,322
<i>Changes in assets and liabilities, net of acquisition and disposals:</i>		
Accounts receivable and prepaid expenses	452,818	(474,739)
Inventories	68,495	93,220
Accounts payable	(331,140)	1,008,374
Amounts due under purchase financing contracts	(98,815)	98,815
Accrued liabilities	29,111	458,936
Net due Flint Telecom Limited	384	121,626
Cash overdraft	--	58,732
Deposit	--	3,200
Accrued interest	(138,125)	1,447,474
<b>Net cash used in operating activities</b>	<b>(437,767)</b>	<b>(1,105,137)</b>
<b>Cash Flows from Investing Activities:</b>		
Cash assumed (disposed) in acquisitions (disposals)	(64,037)	15,063
<b>Net cash used in investing activities</b>	<b>(64,037)</b>	<b>15,063</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from debt	107,000	914,946
Proceeds from related party debt	--	72,000
Proceeds from lines of credit	364,332	145,313
Proceeds from sale of common stock	--	32,500
Payments on lines of credit	(14,977)	(744)
Payments on notes payable	(61,691)	--
<b>Net cash provided by financing activities</b>	<b>394,664</b>	<b>1,164,015</b>
<b>Cash Flows From Foreign Currency Activities:</b>		
Exchange (gain) loss on loan notes and other instruments	10,663	3,537
<b>Net cash provided by (used in) foreign currency activities</b>	<b>10,663</b>	<b>3,537</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(96,477)</b>	<b>77,478</b>
Cash and cash equivalents, beginning of the period	96,897	19,419
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 420</b>	<b>\$ 96,897</b>

See accompanying notes to consolidated financial statements.

**FLINT TELECOM GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**SUPPLEMENTAL DISCLOSURES**  
**(Unaudited)**

Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
<b><u>Supplemental disclosure of non-cash investing and financing activities:</u></b>		
Discount - warrants	\$ -	\$ 50,000
Discount - beneficial conversion features	\$ 312,000	\$ 1,141,870
Conversion of notes payable and accrued interest to equity	\$ 260,798	\$ 892,392
Preferred shares issued in settlement of payables and debt	\$ 140,000	\$ -
Capitalization of accrued interest to principal	\$ 90,000	\$ 43,634
Accrued dividends and penalties on preferred shares	\$ 435,223	\$ -
Discount on preferred convertible equities	\$ 316,438	\$ -
Unrealized loss on AXLX shares	\$ 61,200	\$ -
Deferred stock compensation	\$ -	\$ 66,000
<b><u>Disposal of Ingedigit International, Inc., Gotham Ingedigit Financial Processing and Connect2Family:</u></b>		
Cash	\$ 760	\$ -
Fixed assets	\$ 2,644,171	\$ -
Accounts payable	\$ (1,239,142)	\$ -
Accrued interest	\$ (131,161)	\$ -
Accrued payables	\$ (492,783)	\$ -
Lines of credit	\$ (1,885,400)	\$ -
	\$ (1,103,554)	\$-
<b><u>Disposal of Phone House, Inc.</u></b>		
Cash	\$ 63,276	\$ -
Accounts receivable	\$ 697,308	\$ -
Inventories	\$ 200,070	\$ -
Accounts payable	\$ (1,496,879)	\$ -
Cash overdraft	\$ (58,732)	\$ -
Accrued payables	\$ (195,763)	\$ -
Lines of credit	\$ (167,694)	\$ -
Return of common stock in FLTT	\$ 11,007	\$ -
	\$ (947,407)	\$ -
<b><u>Disposal of DPSI:</u></b>		
Investment in VOIP ACQ Inc. - 69 million AXLX shares.	\$ 172,500	\$ -
	\$ 172,500	\$ -
<b><u>Preferred shares issues for acquisitions:</u></b>		
Cash	\$ -	\$ 15,063
Other assets	\$ -	\$ 10,297
Fixed assets	\$ -	\$ 3,845,655
Other intangible assets	\$ -	\$ 1,041,717
Accounts payable	\$ -	\$ (361,068)
Accrued interest	\$ -	\$ (92,807)
Other payable	\$ -	\$ (35,961)
Line of credit	\$ -	\$ (1,422,896)
	\$ -	\$ 3,000,000

See accompanying notes to the consolidated financial statements.



**Flint Telecom Group, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**1. Organization and Formation**

Flint Telecom Group, Inc. (“Flint”, “We” or the “Company”), is a Nevada Corporation. We were originally formed in 2005 as Flint Telecom, Inc., a Delaware Corporation, and started operations in April 2006 as a wholly owned subsidiary of Flint Telecom Limited, headquartered in Dublin, Ireland. Flint Telecom Limited is a holding company whose sole operating business in the United States was Flint Telecom, Inc. Flint Telecom Limited was a vehicle for the initial funding of Flint and for the development of proprietary intellectual property.

On October 1, 2008, Semotus Solutions, Inc. (“Semotus”) acquired substantially all of the assets and liabilities of Flint Telecom, Inc. in exchange for 28,460,094 shares of restricted common stock pursuant to a definitive Contribution Agreement dated April 23, 2008. Although Semotus is the legal acquirer, for accounting purposes Flint is the accounting acquirer. The name was changed to Flint Telecom Group, Inc. The existing Semotus operations became a division of Flint, and were subsequently sold in January 2009.

We are headquartered at 7500 College Blvd., Suite 500, Overland Park, Kansas 66210, and our telephone number is 913-815-1570. The address of our website is [www.flinttelecomgroup.com](http://www.flinttelecomgroup.com). Information on our website is not part of this prospectus.

During the fiscal year ended June 30, 2012, we operated our business through 6 wholly-owned subsidiaries, Cable and Voice Corporation, Phone House, Inc., Flint Prepaid, Inc. (previously named Wize Communications, Inc.), Digital Phone Solutions, Inc., Ingedigit International, Inc. and Gotham Ingedigit Financial Processing Corp. (dba Power2Process), as further described below.

The subsidiaries included in this report provide the following telecom services and / or distribute the following telecom products:

- (1) **Cable and Voice Corporation** – Cable and Voice Corporation was established on June 1, 2008, and is located in Tampa, Florida. Through Cable and Voice, the Company is a leading value-added master distributor of advanced broadband products and services to cable, telecommunications, enterprise and service provider customers throughout the United States. Through Cable and Voice, the Company offers a wide range of products and services which include cable modems, cables, UPS units, AV Powerline and Homeplug adapters, Wi-Fi and cellular wireless hardware and software applications, Intelligent Telephone Adapters (ITA) and IP Telephones for VoIP services and other customer premise equipment.
- (2) **Phone House, Inc.** – Phone House, Inc. was established on June 12, 2001, and is located in Artesia, California. Phone House is a master distributor for discount calling products that enable users who purchase cards in the United States to call China, India, Mexico, Africa, South America, Brazil, Bangladesh, and other countries throughout the world at significant savings. The international calling cards may be used to call from the United States to other countries, to call from other countries to the United States, or to call between countries outside the United States. These products are currently sold through a network of over 90 private distributors. Through this network, the Company estimates that its calling products are sold through over 10,000 retail outlets in the United States, of which more than 5,000 retail outlets are located in Southern California.
- (3) **Digital Phone Solutions, Inc.** (“DPSI”) – Digital Phone Solutions, Inc. was established on January 29, 2009, and is located in Overland Park, Kansas. Through Digital Phone Solutions, the Company provides a suite of enhanced IP telephonic solutions aimed primarily at small and medium sized enterprises in the United States. Digital Phone delivers all the value added services that manage the entire value-chain including billing, customer care, call routing, service provisioning. Advanced features such as voicemail-delivered-to-email, free inter-office calling, and virtual phone numbers provide additional revenue opportunities. Digital Phone Solutions enables its customers to establish reliable, feature rich and cost effective digital phone services very quickly with zero capital investment.

- (4) **Flint Prepaid, Inc.** – Flint Prepaid, Inc. (previously Wize Communications, Inc.) was incorporated on March 30, 2009, and is located in Overland Park, Kansas. Flint Prepaid is a retail focused company selling directly to end-users through master distributors and retailers. Flint Prepaid provides pre-paid calling services primarily to immigrant customers wanting to make inexpensive quality calls to their home countries. These value-based calling cards are regionalized and selectively marketed depending on the geographical area and user community.
- (5) **Ingedigit International Inc. (“III”)** – a U.S. based international pre-paid debit card company, partnered with both U.S. banks and international banks to offer debit cards to their customers. Included with the debit card services are additional services, allowing the partnering banks to add new customers, share funds between existing card holders and perform international fund remittance. All transactions are fully compliant with U.S. and international money laundering laws, as well as counter-terrorism regulations. Transactions are practically instantaneous, available to the card-holder on a 24/7, 365-day basis. The Company’s current markets include the United States, Canada, Mexico, India, Central and South America, Gulf Coast Countries, and the Philippines. The Company intends to expand into the U.K., Africa, Sri Lanka, Bangladesh and the Pacific Rim markets in the near future. As of December 31, 2010, this company has not yet generated any revenue.
- (6) **Gotham Ingedigit Financial Processing Corp. dba Power2Process (“P2P”)** – a U.S. based advanced financial transaction processing and technology company, working with banking clients and other program sponsors globally. Using P2P solutions, clients can deliver ‘own brand’ financial transaction processing services, such as pre-paid products, virtual accounts, money remittances and other stored value services. Both MasterCard and fully PCI Certified, as well as being SAS-70 compliant, P2P is in the unique position of having complete control of all its services from applications development and processing to marketing and support for a full array of back office processing, including ATM and POS network integration and management. As of December 31, 2010, this company has not yet generated any revenue

In March and April of 2012, four of these subsidiaries, Phone House, DPSI, III & P2P, were sold. The Company continues to operate through the remaining two subsidiaries, Cable & Voice and Flint Prepaid, going forward (See Notes 4, 5 & 6 for more detail).

## 2. Significant Accounting Policies

**Revenue Recognition** – Net revenue is derived from the sale of products and services to third parties and any intercompany sales in the period are eliminated on consolidation. Flint generally recognizes revenue when persuasive evidence of a sales arrangement exists, delivery has occurred or services are rendered and the sales price or fee is fixed or determinable. For the twelve month periods ending June 30, 2011 and 2012, Flint operated a number of subsidiaries in three business segments that may have specific revenue recognition policies relating to their business in addition to this general policy Revenue recognition policies for each segment and business type are outlined below.

### Technology Segment:

In the case of equipment sales, revenues are recognized in line with Flint’s general revenue recognition policies. Software or technology license revenues are recognized when the service(s) are delivered in line with contract terms. Sales related to services where the Company may have to provide future support or warranty services associated with the transaction are deferred at sale and recognized as revenue evenly over the life of the contractual term that such support or warranty applies. Fees for financial processing services are recognized as revenue when received from the clearing financial partner.

### Prepaid Services Segment:

**Telecom:** The Company operates two businesses that provide prepaid telecom products and services. Phone House Inc. is a master distributor of prepaid calling cards and mobile products purchased from third party card and wireless service providers. Phone House recognizes revenues on sales of these products to channel partners, including retailers, resellers or other distributors when activated cards are delivered to the partners. Any subsequent returns are credited to the partners and disclosed revenues are reported net of such returns. Returns are placed back in inventory for resale to other partners or ultimate return to suppliers if appropriate. Phone House is responsible for inventory purchased from suppliers and the credit risk for products sold to the channel but does not have an ongoing service responsibility once the cards are purchased by customers.

Flint Prepaid Inc is a provider of prepaid calling cards and wireless services. Revenue from the sale of calling cards is recognized when the cards are used and the funds are received from the respective distribution channel. Once the cards are used, the cards are not returnable. Up to that point, the cards may be returned by the distribution channel at any time, which will have no revenue impact on the Company. Wireless services are recognized as revenue when services are provided, primarily based on usage and/or the assessment of applicable monthly service fees. Handset equipment sales are recognized at time of sale to the end customer and counted in inventory while at the channel partner premises.

Basis of Consolidation – The consolidated financial statements include 100% of the assets, liabilities, revenues, expenses and cash flows of Flint Telecom Group, Inc. The Company additionally consolidated the financial statements of its wholly owned operating subsidiaries: Cable and Voice Corporation, Phone House, Inc. (of California), Digital Phone Solutions, Inc. and Flint Prepaid, Inc. The financial statements include consolidated income information for Gotham Ingedigit Financial Processing Corp and Ingedigit International, Inc from the date of acquisition through to June 30, 2011 and through the date of disposition for the year ended June 30, 2012,. The financial statements include consolidated income information for Phone House, Inc. (of California) and Digital Phone Solutions, Inc. from the date of acquisition through to June 30, 2011 and through the date of disposition for the year ended June 30, 2012. All intercompany accounts and transactions have been eliminated in consolidation. The results of subsidiaries acquired or disposed of during the respective periods are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Cost of Revenue – Costs directly related to the production of revenue are categorized as a cost of revenue. These costs are the cost of equipment, call generation, including transmission and termination, network charges including access costs, lease and right-of-way charges and other third party fulfillment costs, and other telecommunication fees, such as emergency 911 service fees.

Earnings (loss) per share - Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method or the if converted method, that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Any dilutive security issued, that would create an anti-dilutive effect, is not included in the weighted average share calculation for that period.

Income taxes - Income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company's financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

The Company provides for the minimum recognition threshold a tax position must meet before being recognized in the Company's financial statements. Generally, recognition is limited to situations where, based solely on the technical merits of the tax position, the Company has determined that the tax position is more likely than not to be sustained on audit.

Cash and Cash Equivalents – The Company considers all highly liquid investments with original maturities of three months or less or money market funds from substantial financial institutions to be cash equivalents. The Company places substantially all of its cash and cash equivalents in interest bearing demand deposit accounts with one financial institution and in amounts that are insured either by the Irish government for Euro deposits or by the Federal Deposit Insurance Corporation for U.S deposits.

Allowance for Doubtful Accounts - The Company provides an allowance for doubtful accounts based on management's periodic review of recoverability of accounts receivable. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make payments, which results in bad debt expense. Management determines the adequacy of this allowance by continually evaluating individual customer receivables, considering the customer's financial condition, credit history and current economic conditions. The Company recognizes bad debts on unpaid trade accounts receivable as each account is deemed to be uncollectible and estimates an allowance for accounts that have a risk of not being collected.

Inventory - Inventory consists of finished goods and is valued at the lower of cost or market basis using the first-in, first-out method. Inventory also includes goods-in-transit where applicable.

Goodwill - Goodwill resulting from a business combination is not subject to amortization. The company tests such goodwill at the reporting unit level for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other Intangible Assets are amortized over a 3-15 year period.

Stock Options and Other Share-Based Compensation - The Company issues stock options and other share-based compensation to its employees. For equity awards, such as stock options, total compensation cost is based on the grant date fair value and for liability awards, such as stock appreciation rights, total compensation cost is based on the settlement value. The Company recognizes stock-based compensation expense for all awards over the service period required to earn the award. The Company amortizes these newly issued graded awards on a straight-line basis.

Concentrations of Credit Risk - Financial instruments which potentially subject the Company to concentrations of risk consist principally of trade and other receivables. The Company extends credit to its customers in the ordinary course of business and periodically reviews the credit levels extended to customers, estimates the collectability and creates an allowance for doubtful accounts, as needed. The Company does not require cash collateral or other security to support customer receivables. Provision is made for estimated losses on uncollectible accounts.

The Company estimates its allowance for doubtful accounts by applying estimated loss percentages against its aging of accounts receivable balances. The estimated loss percentages are updated periodically and are based on the Company's historical write-off experience, net of recoveries. Changes to allowances may be required if the financial condition of the Company's customers improves or deteriorates or if the Company adjusts its credit standards for new customers, thereby resulting in write-off patterns that differ from historical experience.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain significant estimates were made in connection with preparing the Company's financial statements. Actual results could differ from those estimates.

Fair value of financial instruments - The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and short-term notes approximate fair value because of their short maturity as of June 30, 2011 and 2012. The Convertible Notes were recorded at face value as of the issuance date. Those Convertible Notes issued in the Euro currency were translated at the Euro – U.S. Dollar exchange rate as of the transaction date and are adjusted for exchange rate changes on a quarterly basis. The Convertible Notes approximate fair value since they are a long term liability with a fixed interest rate, adjusted for exchange rates if required and will be held until maturity or until converted into common stock.

Foreign Currency Transactions - Exchange adjustments resulting from foreign currency transactions are generally recognized in operations. Flint has notes payable in British Pounds. Net foreign currency transaction losses were \$10,664 for the year ended June 30, 2012 and \$3,176 for the year ended June 30, 2011.

Fixed Assets – These assets are stated at cost, net of accumulated depreciation and amortization. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets, generally three to seven years. Amortization on capital leases is over the lesser of the estimated useful life or term of the lease if shorter, and is included in depreciation and amortization expense in the statement of operations. Ordinary course repairs and maintenance on fixed assets are expensed as incurred. The carrying values of fixed assets are assessed annually or when factors indicating impairment are present. We review our fixed assets for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Impairment reviews require a comparison of the estimated future undiscounted cash flows to the carrying value of the asset. If the total of the undiscounted cash flows is less than the carrying value, an impairment charge is recorded for the difference between the estimated fair value and the carrying value of the asset.

Fiscal Year End – The Company's fiscal year end is June 30.

### **3. Going Concern**

The financial statements at June 30, 2012 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of our business. As reflected in the accompanying financial statements, Flint had a net profit of \$444,646 and \$9,251,860 for the years ended June 30, 2012 and 2011, respectively; negative cash flow from operating activities of \$437,767 for the year ended June 30, 2012, and accumulated stockholder's deficit of \$22,513,044 and a working capital deficit of \$13,945,655 as of June 30, 2012. Also, as of June 30, 2012, we had very limited liquid and capital resources. We are currently highly dependent upon the goodwill and support of our debt holders and on obtaining sufficient short and long term financing in order to continue running our operations.

As at June 30, 2012, the Company was in default on the majority of notes payable and other debt repayment plans of the approximately \$8.9 million total due on notes payable and leases, representing 14 individual parties. As a result, all outstanding principal and accrued interest, if any, outstanding and owed as of the date of default shall be immediately due and payable, including the following largest holders (these amounts reflect principal amounts only): Secured lender Thermo Credit LLC (\$2,000,000); second secured lenders Cape One Capital Advisors LLC, Chestnut Ridge Partners LP and Mr. J. Lavery totaling (\$1,090,000); Mr. T. Davis (\$2,365,144); Mr. P. McCarthy (\$1,114,450). (See Note 14: Promissory Notes for more details). In addition, by filing Form 15-12G on October 7, 2011 the Company automatically defaulted on all outstanding Convertible Notes in the aggregate principal amounts of approximately \$913,000. The Company has accrued approximately \$3.2 million of accumulated interest, preferred share dividends and related penalties in the financial statements ending June 30, 2012. We have also not made any dividend payments on our Series E preferred stock as these payments have become due (See Note 16: Stockholders Equity for more detail). In addition, we have approximately \$1.0 million of trade payables that are past due and four vendors have obtained summary judgments against us.

Of the 14 outstanding note holders, eleven have initiated legal proceedings and nine have obtained summary judgments against Flint in the total aggregate amount of approximately \$5.4 million as of June 30, 2012.

THE FOREGOING FACTORS RAISE SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN. ULTIMATELY, OUR ABILITY TO CONTINUE AS A GOING CONCERN IS DEPENDENT UPON THE SUPPORT OUR DEBT HOLDERS AND OUR ABILITY TO ATTRACT NEW SOURCES OF CAPITAL, TO ATTAIN A REASONABLE THRESHOLD OF OPERATING EFFICIENCY AND ACHIEVE SUSTAINABLE PROFITABLE OPERATIONS. THIS CANNOT BE GUARANTEED GIVEN THE CURRENT LACK OF OPERATING CAPITAL. THE FINANCIAL STATEMENTS DO NOT INCLUDE ANY ADJUSTMENTS THAT MIGHT BE NECESSARY IF WE ARE UNABLE TO CONTINUE AS A GOING CONCERN.

GIVEN OUR LACK OF OPERATING CAPITAL AND CURRENT INABILITY TO ISSUE ADDITIONAL SHARES, NO GUARANTEE CAN BE GIVEN THAT WE WILL REACH ANY SUCCESSFUL CONCLUSION WITH OUR DEBT HOLDERS.

Following the filing of Form 15-12G on October 7, 2011, our previously announced \$15 million Equity Funding Line with Kodiak Capital was automatically terminated. The Company had not drawn any funds under this facility prior to the termination.

### **4. Acquisition and Subsequent Disposition of Ingedigit International, Inc. and Gotham Ingedigit Financial Processing Corp.**

On October 25, 2010, Flint Telecom Group, Inc. ("Flint") acquired all of the stock of Ingedigit International, Inc. ("III") and Gotham Ingedigit Financial Processing Corp dba Power2Process ("P2P"), both Florida corporations and together, the "Targets", through a merger of each of those companies into two wholly-owned subsidiaries of Flint, in exchange for a maximum potential total of 600,000 shares of Flint's Series H Convertible Preferred Stock (the "Merger Stock"), pursuant to an Agreement and Plan of Merger dated October 5, 2010 (the "Merger Agreement"). 300,000 shares of the Merger Stock were issued on the closing date. Under the merger agreement, the remaining 300,000 shares of the Merger Stock would be issued, in two tranches of 150,000 each, during the 12 and 24 months following the Closing Date if either or both of the Targets meet or exceed the revenue and/or other operating targets as mutually agreed upon by Flint and the Targets as of the closing date. As of October 2011, the end of the first year earn out period, the operating targets had not been met.

On March 23, 2012, Flint sold the Targets pursuant to a definitive Share Purchase Agreement entered into on March 5, 2012 with Brankib Holdings Pty. Ltd., an Australian company, the Targets, as well as with the Targets' executive officers, Mitchell Siegel, Joseph Seroussi and Abu Karim (the "Share Purchase Agreement"). As a result, the additional 300,000 shares of Merger Stock will not be issued. Flint has therefore booked the transactions based on a total of 300,000 shares of Merger Stock issued at the closing date.

In accordance with the Share Purchase Agreement, Flint sold all of the stock of the Targets owned by Flint in exchange for a potential maximum of \$11,000,000 in deferred cash payments, to be paid over a period of five years and contingent on future revenues earned by the Targets. The payments shall be made in the form of a revenue share based on actual customer usage and include a minimum total of \$2,440,000 in cash, to be paid through minimum monthly payments of \$40,000 payable from month 14 to month 29 and minimum monthly payments of \$60,000 payable from month 30 to month 60. This total consideration is subject to a number of third party deductions, as follows and in accordance with an escrow agreement by and among Flint and Flint's secured lender, Thermo Credit LLC: \$2,000,000 must be used to repay Flint's outstanding secured loan issued from Thermo Credit, LLC; \$3,000,000 shall be set aside and paid to Flint's Series H Convertible Preferred Stock Holders in exchange for the return of the Series H Preferred Shares, at the Preferred Holder's option and pursuant to a settlement agreement, and \$1,000,000 must be used to repay certain accrued payroll liabilities of the Targets.

Although the prescribed accounting treatment for this transaction would list the deferred cash payments as a receivable in the balance sheet, we have decided not to book any of the receivable due under this agreement in the accounts to June 30, 2012 as the most prudent approach. Therefore, all funds received under the contract will be booked as a realized gain at the actual time of receipt rather than booking a dependent receivable in full in these accounts.

The Series H Convertible Preferred Stock has a \$0.001 per share par value, and one vote for each preferred share issued. The fair value of the common stock into which the Series H Convertible Preferred Stock can be converted is \$10.00 per preferred share. Each preferred share has a conversion value of \$10.00 of common stock. The 300,000 shares of Series H Convertible Preferred Stock therefore represents an aggregate value of \$3 million in common stock when converted. Subsequently, following the sale of the Targets in March 2012, the Series H Convertible Preferred Stockholders have the option, pursuant to the terms of a settlement agreement, to return their Series H Shares in exchange for a portion of the contingent deferred cash to be paid by the Targets to Flint under the Sale Agreement.

If not redeemed for cash, the Series H Convertible Preferred Stock is convertible on or after October 25, 2011 into common stock at a 25% discount to the Market Price. Market Price is defined as the average closing price per share over the twenty trading days prior to the date of conversion. Provided, however, that the conversion price shall never be lower than ten percent of the Market Price on the closing date, or \$0.0118. The closing price for our common stock on October 25, 2010 was \$0.118. Therefore, the applicable conversion price for the full amount of Series H preferred stock at the transaction date was \$0.0885 per share, representing a potential total of 67,796,610 common shares on the transaction date.

Under ASC 470-20, we have recorded a beneficial conversion feature of \$1,000,000 as a discount on the Series H Convertible Preferred Stock of which is fully accreted in the financial year ended June 30, 2012. We accreted \$683,562 for the financial year ended June 30, 2011. Under ASC-10-S99, we have presented the total net value of the Series H Convertible Preferred Stock as temporary equity.

If the 300,000 currently issued Series H Convertible Preferred Shares were converted as of June 30, 2011, a total of 254,237,288 common shares would be issued based on the lowest per share conversion price of \$0.0118. However, the Power2Process and Ingedigit shareholders as a group cannot hold more than 4.99% of Flint's total issued and outstanding common stock at any one time.

Our preliminary allocation of the consideration to the assets and liabilities are as follows:

Cash	\$	15,063
Other assets	\$	10,297
Fixed assets	\$	3,845,655
Other intangible assets	\$	1,041,717
Accounts payable	\$	(361,068)
Accrued interest	\$	(92,807)

Other payable	\$ (35,961)
Line of credit	\$ (1,422,896)
	<u>\$ 3,000,000</u>

The allocation of the consideration to the assets and liabilities as listed above is preliminary and was not carried out by a third party expert valuation firm. Following the sale of the Targets in March 2012 for contingent deferred cash payments, management elected not to book an impairment charge in the financial year ended June 30, 2011.

Separate from the Merger Agreement, as a hiring and retention incentive and in lieu of issuing stock options under the Company's stock option plan, during the fiscal year ended June 30, 2011, we issued a total of 390,000 shares of restricted common stock, vesting over a period of three years with one third vesting at the first annual anniversary of employment with the company and quarterly thereafter, to the officers and employees at III and P2P. These shares of restricted common stock were valued at \$0.118 per share. We recorded approximately \$15,333 in expense in the year ended June 30, 2012, related to the shares of restricted common stock granted to these officers and employees.

## **5. Sale of Digital Phone Solutions, Inc.:**

On March 30, 2012, Flint sold certain assets of one of its wholly owned subsidiaries, Digital Phone Solutions, Inc. ("DPSI") related to its VOIP activities and strategy to VOIP ACQ, Inc. ("VOIP") in exchange for 60 shares of restricted common stock of VOIP (representing 6% of VOIP's total issued and outstanding common stock) pursuant to an Asset Purchase Agreement by and among Flint, DPSI and VOIP. The VOIP Shares may not be sold for at least five years and will be voted by Mr. Vincent Browne pursuant to a proxy voting agreement. VOIP is a related party due to the fact that VOIP is controlled by Mr. Browne. The foregoing description of the Asset Purchase Agreement is qualified in its entirety by reference to the full text of the Asset Purchase Agreement, attached to Flint's Initial Issuer Statement as an exhibit.

## **6. Sale of Phone House, Inc.:**

On March 30, 2012, Flint sold one of its wholly owned subsidiaries, Phone House, Inc. ("PHI") to Deepak Hiranandani pursuant to a Share Purchase Agreement by and among Flint, PHI and Mr. Hiranandani, whereby Mr. Hiranandani acquired all of the shares of PHI in exchange for the return of 10,006,250 shares of Flint's common stock owned by Mr. Hiranandani. The foregoing description of the Share Purchase Agreement is qualified in its entirety by reference to the full text of the Share Purchase Agreement, attached to Flint's Initial Issuer Statement as an exhibit.

## **7. Recent Accounting Pronouncements**

On December 21, 2010, the FASB issued Accounting Standards Update ("ASU") 2010-29, which impacts any public entity that enters into business combinations that are material on an individual or aggregate basis. The guidance specifies that if a public entity presents comparative financial statements, the entity should disclose revenues and earnings of the combined entity as though the business combination(s) that occurred during the year had occurred at the beginning of the prior annual period when preparing the pro forma financial information for both the current and prior reporting periods. The guidance also requires that pro forma disclosures be accompanied by a narrative description regarding the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in reported pro forma revenues and earnings. This guidance is effective for business combinations consummated in periods beginning after December 15, 2010. We are currently evaluating the impact of this ASU.

To the best of its knowledge, management does not believe that there are any recently-issued, but not yet effective, accounting standards that could have a material effect on the accompanying financial statements.

## **8. Accounts Receivable and Concentration of Credit Risk**

Net accounts receivable at June 30, 2012 were \$92,552 and at June 30, 2011 were \$1,209,103. These amounts are quoted net of allowance for doubtful debts of \$35,044 and \$717,245, respectively.

During the fiscal year ended June 30, 2012, 10 customers accounted for 67% of the revenues. 3 customers accounted for 80% of the accounts receivable at June 30, 2012, the largest of which accounted for 56% of the receivables.

#### Factoring of receivables:

One of Flint's subsidiaries, Cable and Voice Corp, operates a factoring arrangement with Bayview Funding Inc. whereby Cable and Voice Corp may sell a portion of its receivables to Bayview. Bayview advances up to 85% of eligible invoices to Cable and Voice at time of sale. Bayview applies a factoring fee of one and eight-tenths of one percent (1.80%) for the first thirty days that each financed invoice remains outstanding, based on the face amount of each financed invoice, and nine-tenths of one percent (0.90%) per every ten days thereafter. Bayview collects its advances, deducts its financing fees and remits any funds remaining together with payments received on non-financed invoices on a weekly basis. At June 30, 2011 and 2012, no amounts were factored with Bayview and there were no reserve amounts held by Bayview.

### **9. Fixed Assets**

On October 25, 2010 we acquired all of the stock of two companies, III and P2P. See Note 4 above for more details. As a result, we recorded an additional \$3,845,655 amount in fixed assets as of December 31, 2010, being depreciated over 5 years. Subsequently on March 23, 2012, Flint sold these assets to Brankib resulting in a reduction of fixed assets of \$2,644,171 representing the acquired value less accumulated depreciation to the date of disposition. (See Note 4: Acquisition and Subsequent Disposition of Ingedigit International, Inc. and Gotham Ingedigit Financial Processing Corp for more details).

In May of 2010 we entered into a settlement agreement with Telmage Consulting LLC ("TelSpace") in which TelSpace has furnished to us a perpetual software license as consideration for the repayment of the \$250,000 promissory note due to us from TelSpace. As a result, we recorded an additional \$250,000 amount in Fixed Assets as at June 30, 2010. Subsequently management booked an impairment charge of \$250,000 in the financial statements ending June 30, 2011.

### **10. Related Party Transactions**

#### **Loans:**

We have limited access to capital from either banking institutions or the capital markets. Consequently, we have loans from a number of third parties, including related parties, as follows.

#### **Flint Telecom Group Ltd:**

Flint Telecom Ltd, which is controlled by Mr. Browne, Flint's CEO, has a balance due of \$213,160 and \$213,160 at June 30, 2012 and 2011, respectively, for management fees. The management fees are for the executive, operating and financial services provided by Flint Telecom, Ltd. to us, which during the year ended June 30, 2012 and 2011 were \$0 and \$200,000, respectively.

#### **Executive Officer Loans:**

On November 8, 2010 and November 19, 2010, Vincent Browne, our Chief Executive Officer, invested \$48,000 and \$24,000, respectively and was issued promissory notes for those principal amounts, accruing no interest and having a maturity date of one year from the date of issuance. These amounts were still outstanding at June 30, 2011. But on April 30, 2012, these notes were exchanged for shares of Series I Convertible Preferred Stock. See Note 19: Management Changes for more details.

#### **Michael Butler Debt Restructure:**

We had a number of loans outstanding from Mr. Butler, one of previous our board members who resigned as of , for which we issued various promissory notes, convertible promissory notes, warrants and shares of restricted common stock to him as consideration. The total outstanding balance on all of Mr. Butler's loans was approximately \$4,100,000. Subject to an agreement that was executed December 31, 2009 that became effective February 5, 2010 we executed a settlement agreement with Mr. Butler in which all of Mr. Butler's loans to Flint were cancelled in exchange for 302,000 shares of Series E preferred stock of Flint, valued at €10.00 per share, having the following material terms:

1. Yielding a 14% annual dividend payment, payable monthly in Euros, from February 28, 2010;
2. Convertible at any time into that number of shares of Common Stock as is determined by the



quotient of (i) €10.00 over (ii) the Conversion Price in effect at the time of conversion.

- a. The Conversion Price has a 20% discount to the Market Price at time of conversion and subject to a minimum conversion price of \$5.50 per Common Share.
  - b. Market Price means the average closing price of Flint's common stock over the twenty trading days preceding the conversion request date.
  - c. The common stock issued at the time of conversion will be restricted stock and subject to SEC 144 Rule.
  - d. Based on the minimum conversion price, Mr. Butler would receive 10,981,818 shares of common stock if all preferred shares were converted into common stock.
3. The Preference Shares will be transferable at Mr. Butler's discretion, after giving Flint a right of first refusal;
  4. A penalty rate of 0.5% per month on the total amount outstanding will apply for dividend payments that are more than 10 days late, and will continue to apply until default payments are caught up.

**Equity Reclassification:** The Series E preferred shares issued to Mr. Butler pursuant to a settlement agreement dated December 31, 2009 have been moved from equity to the mezzanine area of the balance sheet as Mr. Butler has the right to rescind this agreement in the event that we should enter into a voluntary or involuntary bankruptcy. We have therefore classified these shares of Series E Convertible Preferred as part of Preferred Shares in our Balance Sheet. The equity statement has been updated to account for this reclassification.

As at June 30 2012, we have not made any dividend payments to Mr. Butler and have accrued dividends and penalties due of \$1,464,073 and \$913,999 at June 30, 2012 and 2011, respectively.

***SEL Nominees:***

On March 8, 2010 SEL Nominees Ltd. ("SEL") loaned us \$58,000 and we issued a \$58,000 convertible promissory note accruing interest at a rate of eighteen percent (18%) per annum, with interest only payments due each month and a maturity date of March 2011, and having a variable conversion price of 50% of the Market Price. On March 12, 2010 SEL loaned us \$40,000 and we issued a \$40,000 convertible promissory note accruing interest at a rate of eighteen percent (18%) per annum with interest only payments due each month and a maturity date of March 2011, and having a variable conversion price of 50% of the Market Price. "Market Price" means the average of the lowest three (3) Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. These SEL notes also contain a most favored nations clause as it relates to the conversion price. As of June 30, 2012, the conversion price is \$0.0002 per share, resulting in the maximum potential total of 634,540,000 shares to be issued upon conversion of the principal of both SEL notes. However, in accordance with the terms of the agreements related to these notes, each note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time without shareholder approval. As of June 30, 2012, neither of these promissory notes had been repaid and are therefore in default. As a result, a default interest rate of 25% applies and the notes are immediately due and payable and we shall pay an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of the notes plus (x) accrued and unpaid interest plus (y) default interest (the "Default Sum") or (ii) the "parity value" of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of common stock issuable upon conversion of or otherwise pursuant to such Default Sum. SEL is recorded in the accounts as a related party due to the fact that SEL is controlled by Mr. Butler, who was one of our board members in March of 2010. We have recorded a total \$126,908 as due under these notes at June 30, 2012.

***Employment Agreements:***

Effective February 23, 2010, we entered into a two year employment agreement with Bernard A. Fried, effectuating the following: (i) Mr. Fried's title is President and Chief Operating Officer; (ii) Mr. Fried was appointed as a member of Flint's Board of Directors, (iii) Mr. Fried will receive a salary in the amount of \$186,000 per year, and (iv) Mr. Fried was issued 6,000,000 shares of restricted common stock vesting over a period of four years, such that ¼ of the shares shall vest at the first annual anniversary of the Effective Date, and quarterly thereafter so that 100% of the shares shall be fully vested at his four year anniversary with Flint. The Company may terminate this

agreement without cause at any time by giving Mr. Fried 60 days prior written notice, and the Company shall have no further liability other than for the payment of any unpaid salary through the termination date and reimbursement of reasonable business expenses incurred prior to the termination date.

On April 30, 2012, Mr. Fried, Flint's President, agreed to extend his employment agreement by a period of two years and to also serve as Flint's CEO, and Flint entered into a settlement agreement with Mr. Fried. Mr. Fried agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$40,000 and (ii) add the title and duties of CEO to his ongoing duties as President, COO and member of the Board, in exchange for 40,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. Mr. Fried's remaining unpaid salary continues to accrue. The foregoing description of the settlement agreement with Mr. Fried and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the Settlement Agreement and the Certificate of Designation of the Series I Convertible Preferred Stock, which were attached to the Company's Initial Issuer Statement as Exhibits.

Subsequently, on September 15, 2012, Mr. Fried resigned as the Company's CEO, President, COO, and as a member of the Board of Directors effective September 19, 2012 (See Note 25: Subsequent Events).

Also on April 30, 2012, Mr. Browne resigned as CEO of Flint and Flint entered into a settlement agreement with Mr. Browne. Mr. Browne agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$183,000, (ii) return all of his 2,500,000 (pre-split) shares of restricted common stock, and (iii) continue serving as Flint's Chief Financial Officer, Chairman of the Board and Corporate Secretary at a nominal salary of \$1.00 (One Dollar) per year. In exchange for the remaining portion of his accrued but unpaid salary in the amount of \$28,000, and the conversion of Mr. Browne's outstanding loans in the amount of \$72,000, Flint issued to Mr. Browne 100,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. The foregoing description of the Settlement Agreement and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the settlement agreement with Mr. Browne and the Certificate of Designation of the Series I Convertible Preferred Stock, which were attached to the Company's Initial Issuer Statement as Exhibits.

Subsequently, effective September 19, 2012, Mr. Browne was re-appointed as CEO of Flint. (See Note 25: Subsequent Events).

#### **Separation Agreement with Bill Burbank:**

Bill Burbank resigned as the President and Chief Operating Officer of the Company, effective February 4, 2010. In connection with Mr. Burbank's resignation, we entered into a Separation Agreement with Mr. Burbank (the "Separation Agreement"), effective February 5, 2010. The Separation Agreement provides that Mr. Burbank will be paid an aggregate of approximately \$150,000 in cash and \$842,500 worth of shares of restricted common stock, consisting of:

- payment for past salary owed, of approximately \$45,785;
- repayment for various loans made to the Company, in the amount of \$100,000;
- reimbursement for approved expenses in an amount that has yet to be determined;
- all such cash payments as listed above shall be paid in the future as funds become available;
- acceleration of 1,500,000 shares of his unvested restricted stock and the grant and issuance of 4,000,000 additional shares of immediately vested restricted common stock, for a total of 5,500,000 shares of restricted common stock. Additionally, 500,000 vested on January 29, 2010. The 2,000,000 previously issued shares that vested were valued at \$0.38 per share (date of original grant). The closing price of our common stock on February 5, 2010 was \$0.08 per share, and therefore the additional 4,000,000 shares were valued at \$320,000, for a total fair market value of these shares was \$842,500.

Subsequently, effective May 28, 2010, we entered into an Addendum to the Separation Agreement with Mr. Burbank, agreeing to pay a total of \$150,000 cash to Mr. Burbank over a period of 8 months; monthly payments in the amount of \$18,750 shall commence as of July 31, 2010. As of the date of the filing of this annual report we have not made these payments and are therefore currently in default. As a result, a default interest rate of 18% shall be applied to any outstanding payments owed as of the date of default and an additional cash payment of \$40,000 is also immediately due and payable. Mr. Burbank sought and received a judgment for damages in the amount of \$190,000 plus interest, attorney's fees and costs. (See Note 17: Commitments & Contingencies for more details).

**Settlement Agreement with China Voice Holding Corp.**

Effective as of May 28, 2010, we executed a settlement agreement with China Voice Holding Corp. (CHVC) whereby CHVC had agreed to, among other things, cancel and terminate any and all rights it has under its \$7,000,000 promissory note issued by us (the "Note") and the Series C Preferred Shares of Flint (the "Preferred Shares"), including the repayment of any and all principal amounts underneath the Note and the Preferred Shares, and to return 15,800,000 shares of our common stock to Flint (thereby allowing CHVC to keep 5,200,000 shares of our common stock), and in exchange we agreed to pay a total of \$1,520,242 to CHVC through installment payments over a period commencing August 31, 2010 and ending May 31, 2011 and abandon its claim to 15,000,000 shares of CHVC's common stock.

CHVC sought and received a judgment for damages in the amount of \$82,742 plus pre-judgment interest of 18% per annum starting September 1, 2010, plus \$500,000 as an additional liquidated damage, post judgment interest, costs and attorney's fees. (See Note 15: Commitments and Contingencies for more detail.) As of the date of the filing of this annual report, we have not made these payments and are therefore in default.

**Misc. Loans from other ex-Officers**

During the year ended June 30, 2010, Mr. Burbank, our President at the time, loaned \$100,000 to us. Payments under this loan were to commence as of July 31, 2010; as of June 30, 2012 no payments have been made and the note is therefore currently in default (See "Separation Agreement with Bill Burbank" above, which is part of this Note, and Note 15: Commitments and Contingencies for more details).

**11. Amounts due under project finance contracts**

One of Flint's subsidiaries, Cable and Voice Corp, operates purchase order finance contracts with a specialist provider that, based on customer approval from Bayview Funding and vendor eligibility, will advance funds to the vendor at time of order shipping which allows Cable and Voice to pay for goods as they shipped. Funds advanced by the provider are secured against an approved customer invoice underwritten by Bayview funding. Under this arrangement Cable and Voice can draw up to \$250,000 of credit to pay vendors for goods sold to customers in the US. Once the goods arrive and are invoiced to the end customer, Bayview Funding uses the advances generated under our factoring agreement to pay down the amounts due under these contracts. The provider charges a fee of between 3% - 4% on any funds advanced in the first 30 days and 1% of the funds every 10 days thereafter. These fees are accounted for as direct costs in the financial statements.

Amounts due under these agreements were \$0 at June 30, 2012 and \$98,815 at June 30, 2011 respectively.

**12. Capital Leases**

We have acquired \$819,025 in equipment through capital lease obligations primarily for computer and telephony equipment. During the year ended June 30, 2010 we wrote down the value of this equipment to zero. During the year ended June 30, 2010, as part of our debt restructuring plan, we renegotiated the terms of our capital lease with our equipment vendor, which resulted in the disposal of certain assets under this agreement and the restructure of the payment terms for the remaining equipment.

On September 15, 2010 we executed a Second Amendment to our equipment lease agreement with Data Sales, such that monthly payments in the amount of \$20,000 shall commence as of November 1, 2010 and continue until April 1, 2011, at which time the monthly payments shall increase to \$57,991 until January 1, 2012. Additionally, Data Sales has waived all late fees and accrued interest, and we gave Data Sales the option to purchase up to a maximum of \$61,000 worth of our restricted common stock at a 20% discount to the Market Price. Market Price being the average closing price per share over the 20 trading days prior to notice of exercise, and having a minimum per share price of \$0.0031 (50% of the Market Price as of September 15, 2010). For the years ended June 30, 2011 and 2012, total cash payments should have been \$375,371 and \$405,938, respectively. As of June 30, 2012 we had not made any payments and are in default. As a result, all outstanding payments owed as of the date of default are immediately due and payable and have been classified as current liabilities.

**13. Goodwill and Goodwill Impairment**

There was no Goodwill recorded at June 30, 2012 and June 30, 2011 respectively.

#### **14. Accounts Payable and Concentrations**

Accounts payable at June 30, 2012 were \$1,979,796 . 7 vendors accounted for 73% of the payables at June 30, 2012, the largest of which accounted for 24% of the payables.

Accounts payable at June 30, 2011 were \$5,046,957. 4 vendors accounted for 68% of the payables at June 30, 2012, the largest of which accounted for 10% of the payables. Although we believe that we have adequate alternative vendors to purchase services and products, there can be no assurance of comparability, which could have a detrimental effect on the business.

#### **15. Lines of Credit**

Effective June 4, 2009, we entered into a Loan and Security Agreement with Thermo Credit LLC (“Thermo”), for a line of credit in an amount not to exceed \$2,000,000 (the “Agreement”). Under the terms of the Agreement, we agreed to pay a commitment fee equal to 2% of the amount of the Credit Facility, an unused facility fee of 0.25% per annum and a monitoring fee equal to the greater of \$1,500.00 per month, or 0.05% of the Credit Facility per week. The line of credit is evidenced by a Loan and Security Agreement and a Promissory Note in the maximum amount of \$2,000,000. The Note carries an interest rate of the greater of the prime rate plus 8%, or 15%. The indebtedness is secured by a pledge and grant to Thermo of a security interest in all of our property or assets, real or personal, tangible or intangible, now existing or hereafter acquired.

Effective as of June 8, 2010, Flint executed an amendment to the \$2,000,000 promissory note issued to Thermo, whereby Thermo has agreed to a forbearance of principal payments, with the first principal payment of \$100,000 due on or before August 31, 2010, and an extension of the Maturity Date to March 31, 2012. Principal payments shall then be due in equal installments of \$100,000 per month from August 31, 2010 until the note is paid in full. Additionally, two one-time commitment fees of \$20,000 each shall be paid on August 31, 2010, and an additional waiver/forbearance fee of \$20,000 shall be paid on or before the one-year anniversary of the execution of the Amendment, or June 8, 2011.

In February of 2011, \$100,000 of the principal of the Thermo note was sold and assigned to third parties and subsequently converted into equity.

As of June 30, 2012 the first principal payment, which was due on or before August 31, 2010, has not been made and we are therefore in default and therefore the total balance has therefore been classified as a current liability. Upon default, the entire unpaid balance of principal, together with all accrued but unpaid interest thereon, and all other indebtedness owing to Thermo at such time, which as of June 30, 2012 was \$2,000,000 shall, at the option of Thermo, become immediately due and payable without further notice. In addition, Thermo shall be entitled to foreclose upon its security interests granted under the Agreement and to cause the Collateral to be immediately seized wherever found and sold with or without appraisal. Collateral consists of any and all of our subsidiaries’ property or assets, real or personal, tangible or intangible, now existing or hereafter acquired, and all supporting obligations, products and proceeds of all of the foregoing. Despite the default status, Thermo remains supportive of the company and have not initiated any legal process to foreclose on the outstanding amount.

In September of 2011, Thermo, Flint and Flint’s subsidiaries executed a Forbearance Agreement whereby Thermo agreed to forbear from pursuing its rights to collection until December 31, 2011 in exchange for a security agreement between Thermo and one of Flint’s subsidiaries, Cable & Voice Corporation.

In March of 2012, as part of the Share Purchase Agreement (the “Purchase Agreement”), between Brankib Holdings Pty., LTD and Flint for the sale of International Ingedigit, Inc., Gotham Ingedigit Financial Processing Corp. and Connect2Family USA Inc., a minority owned interest of Flint (III, P2P, & CF2 together, the “Targets”), for which Brankib shall pay, and Flint is entitled to receive, certain monthly cash payments, Thermo Credit agreed to freeze the total amount due at \$2,000,000 and that it shall be repaid through those deferred cash payments to be made by Brankib under the Purchase Agreement. Accrued interest of \$600,000 was written back to non-operating costs in the last quarter of the year to June 30, 2012 following this agreement.

One of our subsidiaries, Phone House, Inc., has a line of credit with Wells Fargo bank in the amount of \$37,358 June 30, 2011. During the year ended June 30, 2011, Phone House, Inc received a loan of \$145,313 that was still outstanding at June 30, 2011. On March 30, 2012, Flint sold Phone House, Inc. (“PHI”) to Deepak Hiranandani pursuant to a Share Purchase Agreement by and among Flint, PHI and Mr. Hiranandani, whereby Mr. Hiranandani

acquired all of the shares of PHI and therefore the line of credit and the loan were acquired as part of the transaction and are no longer contained in the consolidated results for the year ended June 30, 2012. (See Note 6 for further details).

Another one of our subsidiaries, Ingedigit International Inc. ("III") has a line of credit with the Florida Export Finance Corporation ("FEFC") in the principal amount of \$1,072,916, with monthly payments to commence July 15, 2011 in the principal amount of \$65,000.00 plus 6% per annum interest on the then outstanding balance. On March 23, 2012, Flint sold III pursuant to a definitive Share Purchase Agreement entered into on March 5, 2012 with Brankib Holdings Pty. Ltd. The line of credit with FEFC was acquired as part of the acquisition and is therefore not listed in the consolidated balances at June 30, 2012.

## 16. Promissory Notes and Convertible Promissory Notes

### **FY2012:**

As of June 30, 2012, we had (taking into consideration the calculation of debt discounts) \$4,915,695 of total principal owed under promissory notes and \$1,996,235 of total principal owed under convertible promissory notes.

During the year ended June 30, 2012, we issued \$25,000 of total principal in the form of promissory notes and \$82,000 of total principal in the form of convertible promissory notes. Substantially all of the proceeds have been used for the continued operation of our business, including capital expenditures and working capital. We also restructured \$260,798 principal amount of promissory notes into U.S. Dollar Convertible Promissory Notes, which were assigned to third parties and subsequently partially converted into shares of restricted common stock. A total of 466,826,281 shares were issued to approximately 15 different shareholders based upon conversion of promissory notes.

On April 30, 2012 Mr. Browne converted \$72,000 of loans provided during 2010 along with unpaid salary of \$28,000 into 100,000 Series I Preferred shares as part of the settlement agreement with him. (See Note 10 for further details).

### **Debt Schedule:**

The following table sets forth the summary schedule of the cash payments required to be made by us, broken down by the type of loan:

	<b>Total</b>	<b>Current</b>	<b>Long Term 1-3 years</b>
Lines of credit	2,000,000	2,000,000	-
Notes payable	4,276,521	4,276,521	-
Convertible notes payable, third party - net of discount	1,898,235	1,898,235	-
Convertible notes payable, related parties - net of discount	98,000	98,000	-
Notes Payable - related parties	639,444	639,444	-
<b>Total</b>	<b>8,912,200</b>	<b>8,912,200</b>	<b>-</b>

### **FY2011:**

During the year ended June 30, 2011, we issued \$154,500 of total principal in the form of promissory notes and \$832,446 of total principal in the form of convertible promissory notes. Substantially all of the proceeds have been used for the continued operation of our business, including capital expenditures and working capital.

During the year ended June 30, 2011 we also restructured \$291,000 principal amount of promissory notes into U.S. Dollar Convertible Promissory Notes, and restructured \$64,508 principal amount of debt owed to Flint Telecom, Ltd. into convertible notes, which were assigned to third parties and subsequently partially converted into shares of restricted common stock.

As of June 30, 2011, we had (taking into consideration the calculation of debt discounts) \$5,207,319 of total principal owed under promissory notes and \$2,003,127 of total principal owed under convertible promissory notes.

As of June 30, 2010, we had (taking into consideration the calculation of debt discounts) \$3,997,024 of total principal owed under promissory notes and \$1,214,056 of total principal owed under convertible promissory notes.

#### Promissory Notes

In August of 2010 a \$35,000 note was issued accruing interest at 18% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion, and containing a most favored nations clause relating to this variable conversion price. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

In September of 2010 a \$40,000 note was issued accruing a rate of 10% per annum and convertible into shares of common stock at 33% of the Market Price at the date of conversion or \$0.14 per share, whichever is higher. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On September 13, 2010 we issued a \$25,000 convertible note, accruing interest at 6% per annum and having a maturity date of September 13, 2011, and convertible at a 50% discount to the lowest closing bid price on any of the previous 4 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On September 22, 2010 a \$50,000 convertible promissory note was issued accruing interest at a rate of 18% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion, and containing a most favored nations clause relating to this variable conversion price. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On October 8, 2010, \$25,000 was invested and a \$25,000 note was issued to an institution accruing interest at 8% per annum and convertible into shares of common stock at 25% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On October 11, 2010, \$25,000 was invested and a \$25,000 note was issued to an institution accruing interest at 6% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On October 13, 2010, \$40,000 was invested and a \$40,000 note was issued to an institution accruing interest at 18% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On October 21, 2010, \$30,000 was invested and a \$30,000 note was issued to an institution accruing interest at 8% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On October 25, 2010, \$25,000 was invested and a \$25,000 note was issued to an institution accruing interest at 18% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On November 5, 2010, \$15,000 was invested and a \$15,000 note was issued to an institution accruing interest at 18% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On November 8, 2010 and November 19, 2010, Vincent Browne invested \$48,000 and \$24,000, respectively and was issued promissory notes for those principal amounts, accruing no interest and having a Maturity Date of one year.

On November 22, 2010, \$35,000 was invested and a \$35,000 note was issued to an institution accruing interest at 8% per annum and convertible into shares of common stock at 52% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On November 25, 2010, \$14,000 was invested and a \$14,000 note was issued to an institution accruing interest at 18% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On December 3, 2010, \$75,000 was invested and a \$75,000 note was issued to an institution accruing interest at 6% per annum and convertible into shares of common stock at 50% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On December 7, 2010, \$40,000 was invested and a \$40,000 note was issued to an institution accruing interest at 8% per annum and convertible into shares of common stock at 52% of the Market Price at the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On December 15, 2010, a third party invested \$50,000 and was issued a \$50,000 promissory note, accruing interest at 18% per annum and having a Maturity Date of January 31, 2011. Warrants to purchase up to 1,666,667 shares of common stock at an exercise price of \$0.02 per share and having an expiration date of December 15, 2013 were also issued in connection with this \$50,000 promissory note. The warrant component of this promissory note was valued at \$50,000 and was recorded as a discount to the promissory note and was netted against the debt. As of December 31, 2010, the unamortized discount totaled \$33,333.

On January 11, 2011 we issued a \$20,000 convertible note, accruing interest at 18% per annum and having a maturity date of January 11, 2012; this note is convertible at a 50% discount to the lowest 3 closing bid prices on any of the previous 10 trading days from the date of conversion and contains a most favored nations clause relating to this variable conversion price. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On January 13, 2011 we issued a \$50,000 convertible note, accruing interest at 6% per annum and having a maturity date of January 13, 2012, and convertible at a 50% discount to the lowest closing bid price on any of the previous 4 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On January 31, 2011 we issued a \$35,000 convertible note, accruing interest at 8% per annum and having a maturity date of November 3, 2012, and convertible at a 48% discount to the lowest 3 closing bid prices on any of the previous 10 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On February 23, 2011 we issued a \$35,000 convertible note, accruing interest at 10% per annum and having a maturity date of February 23, 2012, and convertible at a 50% discount to the average closing bid prices on any of the previous 20 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On March 30, 2011 we issued a \$30,000 convertible note, accruing interest at 6% per annum and having a maturity date of March 30, 2012, and convertible at a 50% discount to the lowest closing bid price on any of the previous 4 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On April 11, 2011 we issued a \$35,000 convertible note accruing interest at 8% per annum and having a maturity date of January 18, 2012, and convertible at a 48% discount to the average of the lowest 3 closing bid prices on any of the previous 10 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On May 25, 2011 we issued a \$25,000 convertible note accruing interest at 9.9% interest per annum and having a maturity date of February 25, 2012, and convertible at 50% of the lowest trading price during the 7 trading days prior to the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On May 31, 2011 we issued a \$25,000 convertible note accruing interest at 9.9% interest per annum and having a maturity date of February 28, 2012, and convertible at 50% of the lowest trading price during the 7 trading days prior to the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On June 20, 2011 we issued a \$50,000 convertible promissory note accruing interest at 8% interest per annum and having a maturity date of March 20, 2012, and convertible at 50% the average of the lowest 3 closing bid prices on any of the previous 10 trading days from the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

#### Promissory Notes and Restricted Common Stock Private Placements:

On March 7, 2011, an individual invested \$14,000 and was issued a \$7,500 promissory note, accruing interest at 250% and having a Maturity Date of 90 days from the date of issuance, and 1,363,636 shares of restricted common stock pursuant to a stock subscription agreement for \$7,500 at \$0.0055 per share.

On March 8, 2011, an individual invested \$20,000 and was issued a \$10,000 promissory note, accruing interest at 250% and having a Maturity Date of 90 days from the date of issuance, and 1,818,182 shares of restricted common stock pursuant to a stock subscription agreement for \$10,000 at \$0.0055 per share.

On March 11, 2011, an individual invested \$10,000 and was issued a \$5,000 promissory note, accruing interest at 250% and having a Maturity Date of 90 days from the date of issuance, and 909,091 shares of restricted common stock pursuant to a stock subscription agreement for \$5,000 at \$0.0055 per share.

On March 18, 2011, an individual invested \$20,000 and was issued a \$10,000 promissory note, accruing interest at 250% and having a Maturity Date of 90 days from the date of issuance, and 1,818,182 shares of restricted common stock pursuant to a stock subscription agreement for \$10,000 at \$0.0055 per share.

#### Note Restructures:

Subsequent to the special meeting of the shareholders held on August 10, 2010, which authorized an increase in our total authorized common shares to 900 million shares, in August of 2010, the Company issued a total of 4,956,750 shares of common stock to ten investors as a result of conversions of all of the principal and accrued interest in a previously issued and outstanding \$50,000 convertible promissory note, converting a total of \$59,481 of existing debt into shares of the Company's common stock.

In August and September of 2010, \$15,800 from a \$50,000 convertible note issued on December 18, 2009 was converted into 756,657 shares of common stock, leaving \$18,200 outstanding. Additionally, in September 2010, \$9,000 from a \$25,750 convertible note issued in April of 2009 and assigned in May of 2010 was converted into 591,049 shares of common stock, leaving \$7,000 outstanding.

In August of 2010, a 100,000 EURO note originally issued in May of 2009 was partially converted (\$6,600 into 600,000 shares), and partially sold (\$8,250) and subsequently converted into 750,000 shares of common stock. In September of 2010, \$50,000 of this 100,000 EURO note was assigned to a third party and 750,000 shares were issued into an escrow account for the subsequent conversion of this note. The \$50,000 note was amended to include the following terms: accruing interest at 6% per annum and having a maturity date of September 13, 2011, and convertible at a 50% discount to the lowest closing bid price on any of the previous 4 trading days from the date of conversion.



Also in August of 2010, \$27,500 from the remaining \$98,500 convertible note originally assigned in April of 2009 was assigned to a third party. The \$27,500 note accrues no interest and is convertible into shares of common stock at \$0.015 per share. In September of 2010 \$10,000 worth of a \$100,000 note issued in August of 2009 was made convertible at \$0.10 per share and was converted into 100,000 shares of common stock.

On October 8, 2010, \$25,000 from a 100,000 EURO note original issued in May of 2009 was sold to a third party and partially converted into 900,000 shares of common stock at \$0.015 per share, with \$11,050 of the \$25,000 remaining outstanding as of December 31, 2010.

On October 11, 2010, \$50,000 from the remaining balance on a 100,000 EURO note originally issued in May of 2009 was sold to a third party and 1,500,000 shares were issued into an escrow account for the subsequent conversion of the note. The \$50,000 note was amended to include the following terms: accruing interest at 6% per annum and having a maturity date of October 11, 2011, and convertible at a 50% discount to the lowest closing bid price on any of the previous 4 trading days from the date of conversion.

During October through December of 2010, \$44,000 from the remaining balance of \$71,000 from a \$98,500 promissory note originally issued on April 30, 2009 was assigned to various third parties and converted into a total of 3,000,000 shares of common stock. The remaining \$27,000 outstanding balance was converted by the note holder into 2,250,000 shares of common stock.

On October 25, 2010, a portion, \$16,000 out of a \$100,000 promissory note issued on August 17, 2009 was amended to become convertible at \$0.16 per share and converted into 100,000 shares of common stock, leaving an outstanding principal balance of \$67,817.

On November 3, 2010, the remaining outstanding balance of \$75,000 on a promissory note originally issued on September 24, 2009 was assigned and converted into 2,709,445 shares of common stock.

On December 3, 2010, \$50,000 out of a \$540,000 convertible promissory note was purchased by a third party. The \$50,000 note was amended to include the following terms: accruing interest at 6% per annum and having a maturity date of December 3, 2011, and convertible at a 50% discount to the lowest closing bid price on any of the previous 4 trading days from the date of conversion.

On January 10, 2011, \$20,000 out of a \$40,000 promissory note originally issued on May 31, 2010 was assigned to a third party and converted into 4,791,666 shares. On January 24, 2011 \$10,000 was converted into 1,666,667 shares, leaving \$10,000 of the note outstanding as of March 31, 2011.

On January 13, 2011, \$30,000 out of a \$540,000 promissory note originally issued on September 1, 2009 was assigned to a third party; the restated \$30,000 note accrues interest at 6% per annum and has a maturity date of January 13, 2012. This note is convertible at 50% of the lowest closing bid price over the 4 trading days prior to the date of conversion. In accordance with the terms of these notes, the note holders cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On January 27, 2011, \$50,000 of the \$2,000,000 promissory note owed to Thermocredit was assigned to a third party institution; the restated \$50,000 note accrued interest at 8% per annum and has a maturity date of June 28, 2011. This note is convertible at 50% of the average of the lowest 3 closing bid prices over the 10 trading days prior to the date of conversion. In accordance with the terms of these notes, the note holders cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time. In February of 2011, \$24,500 of this note was converted into 4,500,000 shares of common stock. In March of 2011, the remaining \$25,500 was converted into a total of 6,577,295 shares of common stock.

In January of 2011 two convertible note holders converted \$50,000 (\$25,000 each) of their \$125,000 notes into a total of 3,571,428 shares. In March of 2011 these two convertible note holders converted another total of \$50,000 into a total of 9,357,142 shares. As of March 31, 2011 the balance left outstanding on each of these two notes is \$30,000.

In February of 2011, \$5,601 from the remaining \$27,500 convertible note assigned in May of 2010 was converted into 430,987 shares of common stock. Also in February, \$15,000 worth from a \$100,000 note originally issued on August 17, 2009 was made convertible and converted into 1,000,000 shares.

On February 17, 2011, \$50,000 of the \$2,000,000 promissory note owed to Thermocredit was assigned to two third party institutions; the restated notes in the principal amount of \$25,750 each accrue interest at 15% per annum and have a maturity date of February 17, 2013; these two notes are convertible at a 50% discount to the lowest closing price over the 20 trading days prior to the date of conversion. In accordance with the terms of these notes, the note holders cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On February 28, 2011, one note holder converted \$9,000 into 2,400,000 shares of common stock.

During the three months ended March 31, 2011, one convertible note holder converted a total of \$35,208 into a total of 6,445,763 shares.

In April 2011, 7 note holders converted a total of \$87,500 into a total of 32,455,073 shares.

In May of 2011, 6 note holders converted a total of \$68,600 into a total of 31,417,870 shares.

In May of 2011, \$29,000 out of a \$40,000 promissory note originally issued on September 9, 2010 was assigned to a third party. \$27,500 of the restated note was then converted in May and June of 2011 into 24,880,951 shares, leaving a balance of \$1,500 accruing interest at 10% per annum and having a maturity date of September 9, 2011. This note is convertible at 50% of the lowest closing bid price over the 4 trading days prior to the date of conversion. In accordance with the terms of these notes, the note holders cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

Also in May of 2011, \$25,000 out of a \$35,000 note originally issued on August 19, 2010 was assigned to a third party, all of which was then converted in May and June of 2011 into 21,451,613 shares.

In June of 2011, 6 note holders converted a total of \$104,479 into a total of 84,123,449 shares.

In June of 2011, \$25,000 out of a \$50,000 note originally issued on September 22, 2010 was assigned to a third party. \$8,333 of the restated note was converted into 11,904,757 shares. The remaining balance on the note carries a 9.9% interest rate per annum and has a maturity date of March 2012. This note is convertible at 50% of the lowest trading price over the 7 trading days prior to the date of conversion. In accordance with the terms of these notes, the note holders cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

Also in June of 2011, a First Addendum to a \$230,000 Note originally issued on October 28, 2009 was executed, making \$102,500 convertible at a 50% discount to the average closing price on the previous 10 trading days prior to the conversion date, and making \$150,000 convertible at \$0.0015 per share. In accordance with the terms of the Addendum, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time. \$15,000 of this note was converted in June 2011 into 10,000,000 shares. Also in June 2011, \$37,500 was assigned from this note to another third party, of which, \$7,700 was converted in June 2011 into 11,000,000 shares.

Also in June 2011, \$7,000 out of a \$14,000 note originally issued on November 25, 2010 was assigned to a third party and converted into 10,000,000 shares.

#### **Warrant Component:**

As of June 30, 2011, the warrant component of the promissory notes was valued at \$1,576,379. The value was recorded as a discount to the promissory note and \$390,685 was netted against the debt during the twelve months ending June 30, 2011. The warrant component was totally amortized at June 30, 2011.

#### **17. Commitments and Contingencies - Litigation**

We are a party to various legal proceedings, as follows:

A stipulation for judgment was filed by Carmel Solutions, Inc. ("Carmel") in the Superior Court of California, Orange County, in accordance with, and upon our default of, a settlement agreement we entered into with Carmel on May 5, 2009, and a judgment was entered against us on October 26, 2009 in the amount of \$72,852, plus accruing

interest from that date at the rate of \$20 per day and post judgment costs incurred in enforcing the judgment. As of June 30, 2012, the financial statements contain a payable amount of \$60,000 in relation to this action. Flint's management is confident that the lower amount will be more reflective of the end settlements amount. There are currently no discussions taking place between the parties on settling this amount and no approach has been received from Carmel since the judgment was entered.

The US District Court of the District of Connecticut granted AT&T an automatic entry of judgment against the Company in the amount of \$440,672 plus interest, attorney's fees and costs. In December of 2010, AT&T obtained an Order of Garnishment against one of the Company's bank accounts in the amount of \$510,525, \$76,653 of which was actually garnished. As of June 30, 2012, Flint's financial statements contain a payable amount of \$445,079 in relation to this action.

In September of 2011 the Superior Court of Fulton County, Georgia granted First Citizens Bank & Trust, Inc. default judgment against the Company in the amount of \$200,000 plus interest, attorney's fees and costs. As of June 30, 2012, Flint has accrued \$215,000 in the accounts in relation to this action.

Bill Burbank, Flint's previous President and COO, filed a lawsuit against Flint in the 15th Judicial Circuit in Palm Beach County, Florida on September 22, 2010. Mr. Burbank sought and received a judgment for damages in the amount of \$190,000 plus interest, attorney's fees and costs. On October 24, 2011, Mr. Burbank obtained an Order of Garnishment against one of the Company's bank accounts and \$147 was actually garnished. As of June 30, 2012, Flint has accrued \$224,776 in the accounts in relation to this action to include interest and penalties.

On October 25, 2010, China Voice Holding Corp. ("CHVC") filed a lawsuit against Flint in the 15th Judicial Circuit in Palm Beach County, Florida. This suit alleges one cause of action for breach of contract. The complaint alleges that Flint entered into a settlement agreement with CHVC to settle the amount owed to it, and that Flint failed to make the first monthly payment due under such settlement agreement. CHVC sought and received a judgment for damages in the amount of \$82,742 plus pre-judgment interest of 18% per annum starting September 1, 2010, plus \$500,000 as an additional liquidated damage, post judgment interest, costs and attorney's fees. As of June 30, 2012, Flint has accrued \$2,196,751 in the financial statements in relation to this action to include interest and penalties.

On November 10, 2010, Abovenet Communications filed a complaint against Flint in US District Court for the Southern District of New York, alleging breach of contract and seeking \$87,761 in damages, plus interest, attorney's fees and costs. As of June 30, 2012, Flint has accrued \$40,000 in the financial statements in relation to this action, which is the amount of services used from Abovenet prior to its action. To date, no discussions have taken place with Abovenet in relation to settling this action.

On November 24, 2010, Tom Davis filed a Demand for Arbitration alleging a breach of the settlement agreement by and among Mr. Davis and Flint, and seeking damages in the amount of \$2,230,000. On July 27, 2011 a final award was issued by the Arbitrator. On September 3, 2011, Mr. Davis petitioned for default judgment in the US District Court in the Southern District of Florida in the amount of \$2,365,144 plus 9% per annum interest from August 2010 until date of payment, and default judgment was entered against Flint for that amount. As of June 30, 2012 Flint has accrued \$2,664,328 in its financial statements to include total outstanding principal and accrued interest in relation to Mr. Davis.

On July 13, 2011, E-Lionheart Associates, LLC filed a complaint against Flint in the Supreme Court of the State of New York, Westchester County, alleging default on an outstanding promissory note and seeking monetary damages including unpaid principal, accrued interest, costs and attorney's fees. On December 2, 2011, judgment was entered against Flint in the amount of \$37,044.46. As of June 30, 2012, Flint has accrued \$37,044.46 in its financial statements in relation to this action.

On December 21, 2011, The Tripod Group, LLC filed a complaint against Flint, Vincent Browne, Bernard A. Fried and Computershare Trust Company in the Circuit Court of the State of Wisconsin alleging default on an outstanding promissory note and seeking money damages including the unpaid principal, accrued interest and default interest at a rate of 24%, or, in the alternative, injunctive relief requiring the issuance of shares of Flint's common stock in accordance with the terms of the note. On March 30, 2012, judgment was entered against Flint in the amount of \$29,582 plus default interest in the amount of \$16 per day and ordering Flint, through its transfer agent Computershare, to issue as many shares of Flint's common stock as are available, to be held for conversion in accordance with the terms of the note. On April 25, 2012, pursuant to the court order, Flint authorized the issuance of 889,699 shares of its restricted common stock to Tripod. As of June 30, 2012, Flint has accrued \$32,000 in outstanding principal and accrued interest in relation to Tripod's outstanding note.

On March 6, 2012, Tech Data Corporation filed a complaint against one of Flint's subsidiaries, Cable & Voice Corporation, in the 15<sup>th</sup> Circuit Court in Palm Beach County, Florida, alleging nonpayment for services rendered and seeking damages in the amount of \$51,514. On May 30, 2012, default final judgment was entered against Flint in the amount of \$57,123.28. As of June 30, 2012, Flint has accrued \$57,124 in its financial statements in relation to this action.

On May 21, 2012, Tangiers Investors, L.P. filed a complaint against Flint and Vincent Browne in the Superior Court of the State of California for the County of Los Angeles alleging three counts of breach of contract, fraud and deceit, and securities fraud, and seeking damages in the amount of \$188,705, plus 9.9% interest against the \$57,500 in outstanding principal amounts owed, plus \$1,000 per day liquidated damages, plus punitive damages in an amount appropriate to punish the defendant. Flint and Mr. Browne strenuously deny the fraud and deceit and securities fraud claims and sees them as unfounded and nuisance and will vigorously defend this action. Flint also plans to file a counter suit for fraud and deceit against Tangiers Investors, L.P in due course. As of June 30, 2012, Flint has accrued \$112,920 in its financial statements for outstanding principal and accrued interest in relation to Tangier's outstanding promissory notes.

On May 23, 2012, Joaquin Izquierdo and other similarly situated individuals filed a complaint against two of Flint's previously owned subsidiaries, Gotham Ingedigit Financial Processing and Ingedigit International Inc., as well as against Flint and other defendant corporations in the United States District Court for the Southern District of Florida, Fort Lauderdale Division for unpaid wages and seeking monetary damages in the amount of \$118,250, plus liquidated damages in the amount of \$118,250, plus attorneys fees and costs. Because these employees were employees of Flint's subsidiaries, and because Flint sold all of its interest in these subsidiaries, including all liabilities, Flint's position is that it does not owe any amounts to the Plaintiffs pursuant to this lawsuit. As of June 30, 2012, Flint has accrued \$0.00 in its financial statements in relation to this lawsuit.

## 18. Commitments and Contingencies - Leases

Below is a list of our leased offices and space as of June 30, 2012:

Location	Lease Expiration	Monthly Rent	Purpose	Approx. Sq. Ft.
3507 East Frontage Rd., Ste 190, Tampa, FL 33607	December 31, 2012	\$ 1,730	Cable & Voice Corp. office space	1,750

## 19. Stockholder's Equity

### Temporary Equity:

As of June 30, 2012, we have two series of preferred stock that are classified as temporary equity, Series E and Series H.

#### Series E preferred:

Effective February of 2010 we designated and issued 302,000 shares of Series E preferred stock, with no par value (the "Series E"), convertible into a maximum potential total of 549,091 shares of common stock, using the following calculation: Convertible into that number of shares of Common Stock as is determined by the quotient of (i) \$10.00 over (ii) the Conversion Price in effect at the time of conversion; The Conversion Price has a 20% discount to the Market Price at time of conversion and subject to a minimum conversion price of \$5.50 per Common Share; Market Price means the average closing price of our common stock over the twenty trading days preceding the conversion request date. This Series E has one vote per share of preferred stock and yields a 14% annual dividend payment, payable monthly, the first payment of which will be February 28, 2010. A penalty rate of one half of one percent (0.5%) per month on the total amount outstanding will apply for dividend payments that are more than ten (10) business days late, and will continue to apply and accrue until default payments are caught up in full. As of June 30, 2012 we owed \$1,464,073 in unpaid dividends, and as of June 30, 2011 we owed \$913,999 in unpaid dividends on our Series E. During the year ended June 30, 2011 and 2012 we accounted for the Series E dividend payments by recording a \$727,186 and \$435,223 increase to the accumulated deficit and a corresponding increase in redeemable preferred shares.

#### Series H preferred:

Effective October 25, 2010 we designated 600,000, 300,000 of which were issued, shares of Series H Convertible Preferred Stock, with a \$0.001 per share par value, and one vote for each preferred share issued. The fair value of the common stock into which the Series H Convertible Preferred Stock can be converted is \$10.00 per preferred share. Each preferred share has a conversion value (or "liquidation value") of \$10.00 of common stock for each preferred share owned. The 300,000 shares of Series H Convertible Preferred Stock therefore represents an aggregate value of \$3 million in common stock when converted. Following the sale of Power2Process and Ingedigit in March 2012, the Series H Convertible Preferred Stock can now be redeemed for cash received and available for distribution to them under the Sale Agreement or converted into common stock at the option of the holder.

If not redeemed for cash, the Series H Convertible Preferred Stock is convertible on or after a period of twelve months from the closing date into common stock at a 25% discount to the Market Price. Market Price is defined as the average closing price per share over the twenty trading days prior to the date of conversion. Provided, however, that the conversion price shall never be lower than ten percent of the Market Price on the closing date, or \$0.0118. The closing price for our common stock on October 25, 2010 was \$0.118. Therefore, the applicable conversion price for the full amount of Series H preferred stock at the transaction date was \$0.0885 per share, representing a potential total of 67,796,610 common shares on the transaction date.

Under ASC 470-20, we have recorded a beneficial conversion feature of \$1,000,000 as a discount on the Series H Convertible Preferred Stock of which we accreted \$683,562 for the financial year ended June 30, 2012. Under ASC-10-S99, we have presented the total net value of the Series H Convertible Preferred Stock as temporary equity.

If the 300,000 currently issued Series H Convertible Preferred Shares were converted as of June 30, 2012, a total of 254,237,288 common shares would be issued based on the lowest per share conversion price of \$0.0118. However, the Power2Process and Ingedigit shareholders as a group cannot hold more than 4.99% of Flint's total issued and outstanding common stock at any one time.

#### **Common Stock:**

As of June 30, 2012, 900,000,000 total shares of common stock, par value \$0.001 per share, were authorized and 769,578,190 were issued and outstanding. There is no special voting or economic rights or privileges.

On June 28, 2012 we filed an amendment to our articles of incorporation decreasing our par value per common share from \$0.01 per share to \$0.001 per share.

As of June 30, 2011, 900,000,000 total shares of common stock, par value \$0.01 per share, were authorized and 311,993,460 were issued and outstanding.

On January 13, 2011, we received approval from the Financial Industry Regulatory Authority clearing our 1 for 20 reverse stock split of our issued and outstanding common shares. Our issued and outstanding common shares were decreased from 818,277,527 to 40,913,876 effective January 14, 2011.

Effective August 10, 2010 we filed an amendment to our articles of incorporation increasing our total authorized shares of common stock to 900,000,000, par value \$0.01.

#### **Preferred Stock:**

As of June 30, 2012, 5,000,000 total shares of preferred stock, par value \$0.001, were authorized and 293,779.66 shares were issued and outstanding, which is comprised of:

Effective April 30, 2012, we designated and issued 140,000 shares of Series I preferred stock, valued at \$1.00 per share and representing 63% of the voting power of Flint's outstanding capital stock with 3,500 votes per share. The Series I preferred can convert at any time into shares of common stock at \$0.0008 per share. All 140,000 shares of Series I Preferred convert into a total of 175,000,000 shares of common stock. The Series I preferred carries no dividend.

Effective June 17, 2010, we designated and issued 153,000 shares of Series F preferred stock, valued at \$10.00 per share, and yielding a 14% annual dividend payment, based on the total value of the Shares, payable annually beginning on June 17, 2011; A penalty rate of 0.5% per month on the total amount outstanding will apply for dividend payments that are more than 10 days late, and will continue to apply until default payments are paid in full. These shares of Series F preferred stock are convertible at any time after January 1, 2011 into a maximum potential total of 1,530,000 shares, using the following calculation: Convertible into that number of shares of

Common Stock as is determined by the quotient of (i) \$10.00 over (ii) the Conversion Price in effect at the time of conversion. The Conversion Price has a 20% discount to the Market Price at time of conversion and subject to a minimum conversion price of \$1.00 per Common Share; Market Price means the average closing price of Flint's common stock over the twenty trading days preceding the conversion request date. The Shares will be transferable at Mr. Davis' discretion, after giving Flint a right of first refusal; and at no time shall Mr. Davis' beneficial ownership exceed 4.99% of our total issued and outstanding shares. These shares were cancelled during the year ended June 30, 2011 following the adverse findings of the American Arbitration Association rescinding the settlement agreement with Mr. Davis. (See Note 15 Commitments and Contingencies.)

Also effective June 17, 2010 we designated and issued 153,779.66 shares of Series G preferred stock, par value \$0.001 per share and convertible into 768,898 shares of common stock. The Series G preferred carries no dividend and a one vote per preferred share voting right. At no time shall the Series G Holder's beneficial ownership exceed 4.99% of our total issued and outstanding shares.

As of June 30, 2012 and 2011, there are no shares of Series A, B, C or D preferred stock outstanding.

Effective May 2010, we designated and issued 60,000 shares of Series D preferred stock, par value \$0.001, convertible into 300,000 shares of common stock, accruing no dividends and having one vote per share of preferred stock. 100% of these shares of Series D preferred stock were converted in August 2010.

#### **Warrants:**

We have, as part of various debt and other agreements, issued warrants to purchase our common stock. The following summarizes the information relating to all warrants issued and outstanding as of June 30, 2012:

Date Issued	Number of Warrants	Per Share Warrant Exercise Price	Expiration Date
6/30/09	218,182	\$0.004 (2)	6/30/14
6/30/09	7,636	\$0.004 (2)	6/30/14
8/18/09	10,000	\$10.00	12/31/12
10/15/09	12,500	\$6.00	10/15/14
12/10/09	27,273	\$0.004 (1)(2)	12/10/14
12/15/10	1,666,667	\$0.02	12/15/13
03/28/12	2,722,723	\$0.008 (3)	03/28/17

All warrants are fully exercisable.

- (1) Because Flint has not been able to repay a number of its other promissory notes issued to various third parties on time and under their existing terms and conditions, an event of default has occurred and therefore the exercise price of the warrants issued to purchase up to 207,273 shares of Flint's common stock has been reduced from \$7.00 per share to \$0.20 per share, and additional warrants to purchase up to 51,818 shares of Flint's common stock were issued, also exercisable at \$0.20 per share. Of which, 122,727 were cashlessly exercised into 98,182 shares.
- (2) Because Flint issued convertible promissory notes that have converted below the exercise price of these warrants, the exercise price of all of these warrants were further reduced to \$0.004 per share as of March 28, 2012, the lowest per share conversion price used as of that date.
- (3) Because Flint has had an ongoing event of default and certain anti-dilution calculations were triggered, additional warrants were due in an original amount equal to a total of 54,545,450 warrants (2,722,723 post 1:20 reverse split that occurred on January 14, 2011), exercisable at \$0.008 per share (\$0.0004 per share pre-split).

#### **2009 Restricted Stock Plan:**

The 2009 Restricted Stock Plan (the “2009 Plan”) was adopted by us and our board of directors in October 2009 and on December 2, 2009 the 2009 Plan was approved by our stockholders. The purpose of the 2009 Restricted Stock Plan is to provide the Company’s employees, directors, officers and consultants, whose present and potential contributions are important to the success of the Company, an incentive, through ownership of the Company’s common stock, to encourage the Company’s employees, directors, officers and consultants to accept or continue in service with the Company, and to help the Company compete effectively with other enterprises for the services of qualified individuals. A total of 1,750,000 shares of our common stock was initially reserved for issuance under the 2009 Plan, subject to adjustment only in the event of a stock split, stock or other extraordinary dividend, or other similar change in the common stock or capital structure of the Company. During the years ended June 30, 2011 and 2012, no shares were issued. As of June 30, 2012, 1,675,000 shares are issued and outstanding under the 2009 Plan, of which, all but 78,000 shares have vested.

The 2009 Restricted Stock Plan provides for the grant of restricted stock, subject to terms, conditions and restrictions as determined by the Board. The Board shall have the power, from time to time, in its discretion, to select those employees, officers, directors or consultants to whom Awards shall be granted under the Plan, to determine the number of Shares to be granted pursuant to each Award, and, pursuant to the provisions of the Plan, to determine the terms and conditions of each Award (which need not be identical) including any additional restrictions applicable to such Shares, including the time or times at which the Shares shall be sellable, and to interpret the Plan’s provisions, prescribe, amend and rescind rules and regulations for the Plan, and make all other determinations necessary or advisable for the administration of the Plan. All awards shall be granted within ten years from the date of adoption of the Plan by the Board.

#### **Stock Option Plans:**

As part of the reverse merger with Semotus that closed on October 1, 2008, we assumed Semotus’ 1996 and 2005 Stock Option Plans.

The 2005 Stock Option Plan (the “2005 Plan”) was adopted by Semotus in July 2005 and in September 2005 the 2005 Plan was approved by its shareholders. In September 2007 the 2005 Plan was amended to provide for the granting of stock options to purchase up to 1,150,000 shares of our common stock, subject to adjustment only in the event of a stock split, stock or other extraordinary dividend, or other similar change in the common stock or capital structure. The 2005 Plan expires in July 2015, ten years after its adoption. Under the 2005 Plan, the Option Committee may grant incentive stock options to purchase shares of our common stock only to employees, and may grant non-qualified stock options to purchase shares of our common stock to our directors, officers, consultants and advisers. The Option Committee may grant options to purchase shares of our common stock at prices not less than fair market value, as defined under the 2005 Plan, at the date of grant for all stock options. The Option Committee also has the authority to set exercise dates (no longer than ten years from the date of grant), payment terms and other provisions for each grant. In addition, incentive options may be granted to persons owning more than 10% of the voting power of all classes of stock, at a price no lower than 110% of the fair market value at the date of grant, as determined by the Option Committee. Incentive options granted under the Plan generally vest over three years at a rate of 33% after year one and then equally on a monthly basis over the next two years from the date of grant. Non-qualified options granted under the Plan generally vest 100% immediately. During the years ended June 30, 2011 and 2012, no options were exercised. As of June 30, 2011 and 2012, no options were issued or outstanding under the 2005 Plan. See Note 19: Stock Based Compensation, for stock option activity.

## **20. Earnings (Loss) Per Share**

We report Basic and Diluted Earnings per Share (EPS) as follows: Basic EPS is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities. Common equivalent shares are excluded from the computation of net loss per share if their effect is anti-dilutive.

Since we incurred a net loss for the year ended June 30, 2011, 186,768,285 potential shares were excluded from the shares used to calculate diluted EPS as their effect is anti-dilutive. Since we incurred a net profit for the year ended June 30, 2012, 251,760,112 potential shares were included in the shares used to calculate diluted EPS. We reported a net profit of \$444,646 for the year ended June 30, 2012; we reported a net loss of \$9,251,860 for the year ended June 30, 2011.

## **21. Stock Based Compensation**

We recognize the cost of all share-based awards on a straight line vesting basis over the vesting period of the award. Total stock compensation expense recognized by us during the year ended June 30, 2012 was \$490,229. Total stock compensation expense recognized by us during the year ended June 30, 2011 was \$814,875.

### **Restricted Common Stock:**

On October 1, 2008, as a hiring and retention incentive and in lieu of issuing stock options under the Company's stock option plan, we issued 420,500 shares of restricted common stock, vesting over a period of four years, to executive officers and key employees. These shares of restricted common stock had a total value of \$6,307,500; this value was calculated based upon the closing market price of our common stock on the date of grant, October 1, 2008. Out of these 420,500 shares, 12,500 were issued during the year ending June 30, 2009, 93,750 were cancelled during the year ended June 30, 2010, 189,250 were cancelled during the year ended June 30, 2011 and the remaining 314,250 shares were cancelled during the year ended June 30, 2012. We recorded approximately \$351,562 and \$468,750 in expense for the years ended June 30, 2012 and 2011, respectively, related to these shares of restricted common stock granted to these executive officers, consultants and employees.

In February of 2010 we issued 200,000 additional shares of restricted common stock to Bill Burbank as part of his separation from employment and recorded approximately \$320,000 in expense for the year ended June 30, 2010 related to the issuance of these shares. Also in February of 2010, as a hiring and retention incentive and under the Company's 2009 Stock Plan, we issued 300,000 shares of restricted common stock to Bernard A. Fried. These shares have a total value of \$360,000, calculated based on the closing price of our common stock on the date of grant, and we recorded approximately \$90,000 and \$90,000 in expense for the years ended June 30, 2012 and 2011, respectively, related to these shares granted.

During the year ended June 30, 2012 we did not issue any shares to consultants for services. During the year ended June 30, 2011 we issued a total of 4,062,500 shares of restricted common stock to consultants as consideration for services rendered. We recorded approximately \$125,708 in expense for the year ended June 30, 2011 related to these stock issuances.

## **22. Management and Board of Directors Changes**

On April 30, 2012, Mr. Browne resigned as CEO of Flint and Flint entered into a settlement agreement with Mr. Browne. Mr. Browne agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$183,000, (ii) return all of his 2,500,000 (pre-split) (125,000 post-split) shares of restricted common stock, and (iii) continue serving as Flint's Chief Financial Officer, Chairman of the Board and Corporate Secretary at a nominal salary of \$1.00 (One Dollar) per year. In exchange for the remaining portion of his accrued but unpaid salary in the amount of \$28,000, and the conversion of Mr. Browne's outstanding loans in the amount of \$72,000, Flint issued to Mr. Browne 100,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. The foregoing description of the Settlement Agreement and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the settlement agreement with Mr. Browne and the Certificate of Designation of the Series I Convertible Preferred Stock, which were attached to the Company's Initial Issuer Statement as Exhibits.

Also on April 30, 2012, Mr. Fried, Flint's President, agreed to extend his employment agreement by a period of two years and to also serve as Flint's CEO, and Flint entered into a settlement agreement with Mr. Fried. Mr. Fried agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$40,000 and (ii) add the title and duties of CEO to his ongoing duties as President, COO and member of the Board, in exchange for 40,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3,500 to 1 voting rights. Mr. Fried's remaining unpaid salary continues to accrue. The foregoing description of the settlement agreement with Mr. Fried and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the Settlement Agreement and the Certificate of Designation of the Series I Convertible Preferred Stock, which were attached to the Company's Initial Issuer Statement as Exhibits.



Subsequently, on September 15, 2012, Mr Fried tendered his resignation as the Company's CEO, President, COO and as a member of the Board of Directors effective September 19, 2012. (See Note 25: Subsequent Events.) Also effective September 19, 2012, Mr. Browne was re-appointed as Flint's CEO.

## 23. Exchange Gains and Losses

As of June 30, 2011 have issued and outstanding €48,936 in one non-convertible note payable, which has been partially converted and partially assigned and converted (See Note 14, Convertible Notes Payable for more details), and one million dollars (USD\$1,000,000) due May 2011, at CHVC's option, have to be paid through a payment of GBP 721,000, regardless of whether the U.S. dollar strengthens or weakens in relation to the GBP pound sterling during the term of the Note and whether there is therefore a foreign currency translation gain or loss. The reporting currency of Flint is the U.S. Dollar so that transactions and balances are translated into dollars. We recorded a \$10,664\_ and \$3,176 loss on translation for the years ended June 30, 2012 and 2011, respectively.

## 24. Income Taxes and Tax Valuation Allowance

Deferred tax benefits arising from net operating loss carry forwards were determined using the applicable statutory rates. The net operating loss carry forward balances vary from the applicable percentages of net loss due to expenses recognized under generally accepted accounting principles, but not deductible for tax purposes.

At June 30, 2012, the Company had carry forward losses for income tax purposes of approximately \$59,103,106 that may be offset against future taxable income. Due to the uncertainty regarding the success of future operations, management has recorded a valuation allowance equal to 100% of the resultant deferred tax asset.

The carry forward losses expire in future years through 2030 as follows:

Expiration Year	Amount
2025	\$ 51,134
2026	2,088,492
2027	3,973,099
2028	5,239,902
2029	7,660,164
2030	24,077,341

## 25. Subsequent Events

We have evaluated subsequent events through September 19, 2012 that is the date the financial statements were available to be issued:

### Debt Defaults:

On September 10, 2012 we executed a Stock Pledge Agreement with Thermo Credit LLC, our first secured lender, for the 60 shares of restricted common stock we own in VOIP ACQ, Inc., and through such ownership, our beneficial ownership in 69 million shares of restricted common stock of Axiologix, Inc. (together, the "Pledged Securities"). Thermo Credit required, as a condition to continuing to forbear with respect to its loan in the principal amount of \$2,000,000, that we assign to Thermo Credit, as additional security for the repayment of the indebtedness, all of Flint's right, title and interest in and to the Pledged Securities. The foregoing description of the Stock Pledge Agreement is qualified in its entirety by reference to the full text of the Stock Pledge Agreement, attached hereto as an exhibit.

As of the date of the filing of this report, we are currently in default on all of our convertible promissory notes issued during this fiscal year, totaling approximately \$1,996,235 of principal owed. Generally, upon default these notes become immediately due and payable and we are required to pay between 120% - 150% of the then outstanding balance owed plus accrued and unpaid interest, plus default interest at an annual rate of between 18% - 25%. If we fail to pay the default amount within five (5) business days of written notice that such amount is due and payable, then the note holder shall have the right at any time, so long as we remain in default (and so long and to the extent that there are sufficient authorized shares), to require us, upon written notice, to immediately issue, in lieu of the default amount, the number of shares of our common stock equal to the default amount divided by the conversion

price then in effect.

Additionally, Our Series E Preferred Shares have a fourteen percent (14%) dividend payment, payable monthly the first payment of which was February 28, 2010. These dividend payments have not been made to date, and therefore a penalty rate of one half of one percent (0.5%) per month on the total amount outstanding applies for dividend payments that are more than ten (10) business days late, and will continue to apply and accrue until default payments are caught up in full.

#### **Management and Board of Directors Changes**

On September 15, 2012, Mr Fried tendered his resignation as the Company's CEO, President, COO and as a member of the Board of Directors effective September 19, 2012. Also effective September 19, 2012, Mr. Vincent Browne was re-appointed as Flint's CEO.