Mindpix Corporation

Financial Statements

December 31, 2013

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D. Brooks and Associates CPA's, P.A.
Certified Public Accountants ● Valuation Analyst ●Advisors

ACCOUNTANT'S COMPILATION REPORT

To Management of
Mindpix Corporation
Miami, Florida

We have compiled the accompanying consolidated balance sheets of Mindpix Corporation as of December 31, 2013 and 2012, and the related consolidated statements of operations, deficiency and cash flows for the years then ended. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management presenting financial information in the form of consolidated financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

We are not independent with respect to Mindpix Corporation.

D. Brooks and Associates CPA's, P.A.

D. Brooks and Associates CPA's, P.A.
West Palm Beach, Florida
April 15, 2014

Mindpix Corporation
Consolidated Balance Sheets
December 31, 2013 and 2012

	2013	2012
Assets		
Current Assets:		
Cash	$ 2,897	$ 9,995
Current assets	2,897	9,995
Property and Equipment, net	8,868	-
Total assets	$ 11,765	$ 9,995
Liabilities and Deficiency		
Current Liabilities:		
Accounts payable	$ 92,596	$ 1,640
Convertible debt, net	107,094	-
Note payable and accrued interest	93,623	83,027
Due to Emax Media, Inc. and Affiliates	-	224,203
Due to related parties	12,000	494,301
Derivative liability	379,110	-
Total current liabilities	684,423	803,171
Commitments and Contingencies (Note 8)		
Deficiency:		
Common stock, $0.0001 par value; 1,500,000,000 shares authorized; 1,305,669,417 and 1,439,453,962 shares issued and 1,010,836,084 and 1,419,453,962 outstanding, respectively	103,083	143,945
Common stock to be issued, 257,424,159, and 17,642,017 shares as of December 31, 2013 and 2012, respectively	25,742	1,764
Additional paid in capital	16,606,302	23,510,087
Due from Emax Media, Inc. and Affiliates (608,272,878 shares of common stock as of December 31, 2012)	-	(10,693,006)
Treasury stock (694,007,878 and 20,000,000 common shares, respectively)	-	-
Accumulated deficit	(17,087,375)	(13,438,853)
Total Mindpix Corporation stockholders' deficiency	(352,247)	(476,062)
Non-controlling interest in subsidiary	(320,412)	(317,114)
Total deficiency	(672,659)	(793,175)
Total liabilities and deficiency	$ 11,765	$ 9,995

See accountant's report and accompanying notes to the consolidated financial statements.

Mindpix Corporation
Consolidated Statements of Operations
Years Ended December 31, 2013 and 2012

	2013	2012
Revenue	$ -	$ -
Operating Expenses:		
Consulting and professional fees	687,131	-
Compensation	282,240	5,133,114
Concert production	69,308	483,553
Other general and administrative	114,108	119,133
Total operating expenses	1,152,787	5,735,800
Other Expense:		
Gain (loss) on settlements	(2,128,231)	729,960
Interest expense	(117,691)	(5,949)
Initial derivative liability	(230,386)	-
Change in fair value of derivative liability	(22,725)	-
Total other income (expense)	(2,499,033)	724,011
Loss Before Income Taxes	(3,651,820)	(5,011,789)
Income Tax Provision	-	-
Net loss	$ (3,651,820)	$ (5,011,789)
Net loss attributable to non-controlling interest	3,298	317,114
Net Loss attributable to Mindpix Corporation Stockholders	$ (3,648,522)	$ (4,694,675)
Basic and Diluted Loss Per Share	$ (0.00)	$ (0.01)
Basic and Diluted Weighted Average Shares Outstanding	1,266,663,345	596,217,781

See accountant's report and accompanying notes to the consolidated financial statements.

Mindpix Corporation
Consolidated Statement of Deficiency
Years Ended December 31, 2012 and 2013

	Common Stock		Common Stock to be Issued		Additional Paid In Capital	Due From Emax, Inc. and Affiliates	Non-Controlling Interest	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount					
Balances, January 1, 2012	499,521,084	$ 49,952	499,521,084	$ 49,952	$ 7,830,132	$ (477,500)	$ -	$ (8,744,178)	$ (1,291,642)
Retirement of shares previously issued as consideration for services provided to Emax Media, Inc. and Affiliates	(25,000,000)	(2,500)	-	-	(572,500)	575,000	-	-	-
Issuance of common stock for cash	42,800,000	4,280	17,642,017	1,764	293,896	-	-	-	299,940
Issuance of common stock in settlement of obligations of Emax Media, Inc. and A	608,272,878	60,827	-	-	10,632,178	(10,693,006)	-	-	-
Issuance of common stock in settlement of notes payable	13,035,000	1,304	-	-	512,746	-	-	-	514,049
Issuance of common stock for services	280,825,000	28,083	-	-	4,514,248	-	-	-	4,542,330
Settlement of consulting fees by Emax	-	-	-	-	147,000	-	-	-	147,000
Stock-based compensation	-	-	-	-	40,898	-	-	-	40,898
Cash received from non-controlling member of subsidiary	-	-	-	-	3,330	-	-	-	3,330
Net loss	-	-	-	-	-	-	(317,114)	(4,694,675)	(5,011,789)
Balances, December 31, 2012	1,419,453,962	143,945	17,642,017	1,764	23,510,087	(10,693,006)	(317,114)	(13,438,853)	(793,175)
Issuance of common stock in settlement of obligations of Emax Media, Inc. and Affiliates	208,400,000	20,840	-	-	1,670,820	(1,691,660)	-	-	-
Issuance of common stock for cash	41,070,000	4,107	174,482,142	17,448	841,445	-	-	-	863,000
Issuance of common stock for cash received in 2012	14,700,000	1,470	(14,700,000)	(1,470)	-	-	-	-	-
Issuance of common stock for services	1,220,000	122	80,000,000	8,000	740,258	-	-	-	748,380
Stock-based compensation	-	-	-	-	2,108	-	-	-	2,108
Return of common stock and settlement of liabilities under settlement agreements	(674,007,878)	(67,401)	-	-	(10,158,416)	12,384,666	-	-	2,158,849
Net loss	-	-	-	-	-	-	(3,298)	(3,648,522)	(3,651,820)
Balances, December 31, 2013	1,010,836,084	$ 103,083	257,424,159	$ 25,742	$ 16,606,302	$ -	$ (320,412)	$ (17,087,375)	$ (672,659)

See accountant's report and accompanying notes to the consolidated financial statements.

Mindpix Corporation
Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash from Operating Activities:		
Net loss	$ (3,651,820)	$ (5,011,789)
Adjustments to reconcile net loss to cash used in operations:		
Stock issued for services	127,130	4,542,330
Stock-based compensation	2,108	40,898
Payment of production expenses by related party	-	119,301
Obligation to issue common stock to related party	-	345,000
Loss (gain) on settlements	2,128,231	(729,960)
Payment of legal fees by stockholder	26,000	147,000
Depreciation	444	-
Derivative liability expense	253,111	-
Amortization of debt discount	46,348	-
Accrued interest on notes payable	71,343	5,949
Increase (decrease) in accounts payable	83,777	(2,692)
Net cash used in operations	(913,328)	(543,963)
Cash from Investing Activities:		
Purchase of property and equipment	(9,770)	-
Net cash provided by investing activities	(9,770)	-
Cash from Financing Activities:		
Proceeds from the issuance of convertible debt	100,000	-
Advances from Emax Media Inc. and Affiliates	3,000	220,688
Advances from (repayment to) related party	(50,000)	30,000
Investment from minority member in subsidiary		3,330
Sale of common stock for cash	863,000	299,940
Net cash provided by financing activities	916,000	553,958
Net Increase (Decrease) in Cash	(7,098)	9,995
Cash, Beginning of Period	9,995	-
Cash, End of Period	$ 2,897	$ 9,995
Supplemental Cash Flow Information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Schedule of Non-Cash Financing Activities:		
Issuance of note payable for legal fees paid by stockholder	$ 26,000	$ -
Forgiveness of amounts due to Emax and Affiliates	$ 227,203	$ -

See accountant’s report and accompanying notes to the consolidated financial statements.

Note 1. Organization, Basis of Presentation and Significant Accounting Policies

Nature of Business and Basis of Presentation

Mindpix Corporation (referred to herein as the "Company") was originally incorporated in the State of Delaware in 1988, re-domiciled in the State of Nevada in 2004, and is media company that focuses on proprietary technology, music and multi-media global content. In 2011, the Company intended to consummate a reverse merger transaction with Emax Media, Inc. Since May 31, 2011, the intended effective date of the reverse merger, through April 2013, management of Emax Media, Inc. and its affiliates acted as officers of the Company. The Company has determined that the reverse merger was not perfected.

Going Concern and Liquidity

The Company has a working capital deficiency of $672,658 and an accumulated deficit of $17,087,375 as of December 31, 2013. The Company has no recurring sources of revenue or liquidity and incurred a net loss attributable to Mindpix Corporation and net cash used in operations of $3,648,522 and $913,328, respectively, for the year ended December 31, 2013. Management will require additional equity or debt financing to finance its operations. There can be no assurance that such funding will be available to the Company on acceptable terms. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company has not made any adjustments that might result from the outcome of this uncertainty.

Management Plans – The Company is focusing its efforts on:

- Developing new business,
- identifying strategic partnerships that will enhance its service offerings, and
- seeking sources of debt and equity financing.

Management believes that these efforts will allow the Company to continue as a going concern for the foreseeable future.

Principles of Consolidation and Non-Controlling Interest

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiary, New Beginnings Concert 2012, LLC ("New Beginnings), which was organized in the state of Florida in November 2012 for the purpose of producing a concert event in Florida in December 2012. The Company did not recognize any revenues from the concert event due to minimal proceeds, all of which were retained by a payment processing subcontractor because minimum proceeds were not received. The Company owns a 66% interest in New Beginnings. Amounts attributable to the non-controlling members in New Beginnings are presented as non-controlling interest in subsidiary on the accompanying consolidated balance sheets and net loss attributable to non-controlling interest on the accompanying consolidated statements of operations. All significant intercompany balances and transactions have been eliminated in consolidation.

Note 1. Organization, Basis of Presentation and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company's knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates. As discussed below, the Company's most significant estimates include those made in connection with stock based transactions, and the valuation of music licensing rights.

Cash and Cash Equivalents

For the purposes of the balance sheet and statement of cash flows, the Company considers all amounts on deposit with financial institutions and highly liquid investments with original maturities at time of purchase of three months or less to be cash equivalents.

Due from Emax Media, Inc. and Affiliates (Contra-Equity)

The Company accounted for common stock issued in settlement of obligations of Emax Media, Inc. and its affiliates as contra-equity included in Due from Emax Media, Inc. and Affiliates in the deficiency section of the accompanying consolidated balance sheets.

Stock-based Compensation

The Company recognizes stock-based compensation by measuring the cost of services to be rendered based on the grant-date fair value of the equity award. No equity awards were granted to non-employees for future services. The grant date fair value of the equity-awards granted was estimated based on the quoted trading price of the Company's common stock and is recognized as expense over the vesting period, if any.

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments consisting of accounts payable, notes payable and accrued interest, and amounts due to related parties approximate fair value due to their short term nature.

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Note 1. Organization, Basis of Presentation and Significant Accounting Policies (Continued)

The Company accounts for income taxes under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the Company has applied a more-likely-than-not recognition threshold for all tax uncertainties. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities. The Company's tax years since 2004 remain subject to examination by Federal and state jurisdictions.

The Company classifies penalties and interest related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations.

Earnings Per Share

Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. The Company's potentially dilutive securities, consisting of options to acquire 12,000,000 shares of common stock for the year ended December 31, 2012, and 56,760,000 shares underling convertible debt as of December 31, 2013, were anti-dilutive and excluded from the calculation of diluted earnings per share.

Subsequent Events

The Company has evaluated subsequent events through April 15, 2014, which is also the date the financial statements were available to be issued.

Recently Issued Accounting Standards

Management has reviewed and continues to monitor the actions of the various financial and regulatory reporting agencies and is currently not aware of any proposed or pending pronouncements that could have a material impact on the Company's financial position, results of operations or cash flows.

Note 2. Restatement

The Company has restated its previously unaudited consolidated balance sheet as of December 31, 2012 to correct the following misstatements:

Note 2. Restatement (Continued)

Valuation and Impairment of Music Licensing Rights

During 2011, the Company improperly estimated the fair value of 400,000,000 shares of common stock issued as consideration for the music licensing rights and recorded the rights as an intangible asset with an initial carrying value of $40,000,000. During 2013, the Company determined that a proper estimate of the fair value of the 400,000,000 million shares of common stock issued as consideration for the music licensing rights should be based on the quoted trading price of the Company's common stock on the date of the licensing agreement, which was May 31, 2011. Accordingly, the Company estimated the fair value of the Music License Rights at $1,600,000.

During 2011 and 2012, the Company incorrectly concluded that the Music Rights were not impaired. During 2013, the Company determined that it had improperly assessed the nature of the rights provided by the licensing agreement and concluded that the rights had no value to the Company due to its inability to perfect its rights to the underlying music library. Accordingly, the Company is restating its consolidated financial statements to recognize an impairment of the music license rights in 2011 and reduce their carrying value to zero as of December 31, 2012 and September 30, 2013.

Settlement of Obligations of Emax Media, Inc. and Affiliates

At various times since May 31, 2011, the Company has issued common stock in settlement of certain obligations of Emax Media, Inc. and its affiliates. Many of these obligations were improperly recorded on the Company's books and records as obligations of the Company. The Company is restating its consolidated financial statements to reflect these issuances as Due from Emax Media, Inc. and Affiliates, presented at their grant date fair values as contra-equity.

Advances from the Related Parties

During 2012, the 33% member in New Beginnings, Emax Media, Inc. and its affiliates paid approximately $119,301 directly to vendors of the Company related to the production of the December 2012 concert event. An affiliate of New Beginnings advanced $30,000 in cash to the Company. The Company also agreed to issue 30,000,000 shares of common stock with a grant date fair value of $345,000 to an officer of the 33% member in New Beginnings. The Company has restated its financial statements to reflect these amounts as due to related parties.

Non-Controlling Interest in Majority Owned Subsidiary

The Company did not properly present amounts attributable to the non-controlling members of New Beginning.

Note 2. Restatement (Continued)

Stock Based Compensation

The Company did not record expenses associated with stock options granted during the years ended December 31, 2012 and 2011. The Company did not record expense related to consulting fees settled by an officer of the Company by transferring common stock to the provider of services. See Note 4.

Debt Settlement

During the year ended December 31, 2012, the Company settled notes payable of the Company with an aggregate face value of $1,244,019 with the issuance of 13,035,000 share of common stock with a fair value of $514,059. The Company did not record a gain on settlement for the excess of the face value of the notes over the fair value of the common stock issued. The Company received notice from a note holder that was issued common stock in settlement of amounts outstanding as of December 31, 2011. The notice indicated that the amounts remained outstanding and due with interest. The Company has restated its financial statements to reflect this potential obligation and the gain on settlement.

The following summarizes the restatements as of and for the year ended December 31, 2012.

	As Reported	Adjustment	Restated
Cash	$ 9,995	$ -	$ 9,995
Music licensing rights	40,000,000	(40,000,000)	-
Total assets	$40,009,995	$(40,000,000)	$ 9,995
Due to Emax Media, Inc. and Affiliates	-	224,203	224,203
Accounts payable	-	1,640	1,640
Due to related parties	-	494,301	494,301
Notes payable and accrued interest	-	83,027	83,027
Stockholders' equity (deficit)	39,806,716	(40,282,778)	(476,062)
Non-controlling Interest	-	(317,114)	(317,114)
Total liabilities and equity (deficiency)	$40,009,995	$(40,000,000)	$ 9,995

	As Reported	Adjustment	Restated
Revenues	$ 134,300	$ (134,300)	$ -
Operating expenses	1,182,072	4,553,728	5,735,800
Gain on settlement of debt	-	729,960	729,960
Interest expense	-	5,949	5,949
Net loss	$(1,047,772)	$ (3,964,017)	$(5,011,789)
Net loss attributable to non-controlling interest	-	317,114	317,114
Net loss attributable to Mindpix stockholders	$(1,047,772)	$ (3,646,903)	$(4,694,675)
Net loss per share	$ (0.00)	$ (0.01)	$ (0.01)

Note 3. Related Parties

Due to Emax Media, Inc. and Affiliates

During the years ended December 31, 2012 and 2013, the Company received proceeds of $216,356 and $3,000, respectively, from third parties for the purchase of the Company's common stock held by the Emax Media, Inc. and its affiliates. During the years ended December 31, 2012 and 2011, Emax Media, Inc. and Affiliates advanced $7,847 and $3,515, respectively, to the Company for working capital purposes. In September 2013, the Company entered into a settlement agreement with Emax Media, Inc. and its affiliates resulting in the forgiveness of these amounts. The settlement agreement provided for the return of common stock in addition to forgiveness of the advanced amounts, resulting in a gain on settlement of $1,939,281.

Advances from the Related Parties for New Beginnings Concert 2012

During 2012, the 33% member in New Beginnings paid $119,301 directly to vendors of the Company related to the production of the December 2012 concert event. The Company also agreed to issue 30,000,000 shares of common stock with a grant date fair value of $345,000 to an officer of the 33% member in New Beginnings. In December 2012, an officer of the 33% member advanced $30,000 to the Company related to the December 2012 concert. During the year ended December 31, 2013, the Company repaid $50,000. In December 2013, the Company entered into settlement agreements with its former chairman of the board directors for amounts owed to the chairman and the 33% member of New Beginnings, which totaled approximately $119,301 as of December 31, 2012. Pursuant to the agreements, the Company agreed to issued 30,000,000 shares of common stock to the former chairman, and maintain the chairman's health insurance for 12 months at a cost of $1,000 per month. The Company also agreed to issue 32,500,000 shares of common stock with a grant-date fair value based on quoted trading prices of $240,500 to the 33% member of New Beginnings in settlement of all amounts owing. The Company recognized a loss on settlement of approximately $189,000 in December 2013.

Settlement with Prior Management and Emax Media, Inc. and Affiliates

In August 2013, the Company entered into agreements with former officers of the Company resulting in the return and cancellation of 175,000,000 shares of common stock.

In September 2013, the Company entered into an additional settlement agreement with Emax Media, Inc. and Affiliates to settle all amounts owed to and from the Company by Emax Media, Inc. and Affiliates. The agreement relieves the Company and Emax Media, Inc. of any future obligations related to amounts reflected on the accompanying condensed consolidated balance sheets as Due to Emax Media, Inc. and Affiliates, and Due from Emax Media, Inc. and Affiliates (Contra-Equity). The agreement relieved the Company of its obligation to repay $224,203 reflected on the accompanying condensed consolidated balance sheet as of December 31, 2012 as Due to Emax Media, Inc. and Affiliates. The agreement also provided for the return and cancellation of additional shares of common stock, as well as the cancellation of 325,454,548 shares of common stock previously returned to the Company in exchange for preferred stock. In total 674,007,878 common shares were returned for cancellation to settle Due from Emax and Affiliates contra equity resulting in a loss on settlement of $1,939,281.

Note 4. Convertible Debt

From April 2013 through June 2013, the Company issued convertible notes with an aggregate face value of $126,000. The notes mature one year from issuance, bear interest at an annual rate of 10%, and are convertible into common stock of the Company at the option of the holder at a conversion rate equal to 30% of the average of the lowest five closing trading prices of the Company's common stock during the twenty trading days immediately preceding the conversion date with reset provisions on the conversion rate. Because the convertible notes are convertible into an indeterminable number of shares of common stock and due to the reset provisions, the fair value of the embedded conversion options are required to be presented as derivative liabilities and adjusted to fair value at each reporting date, with changes in fair value reported in the statement of operations.

The Company estimated the fair value of the derivative liabilities on the dates of issuance using Monte Carlo Simulations and the following assumptions:

Volatility	489.86% -640.01%
Risk Free Rate	0.11% - 0.15%
Expected Term	1.0 Years
Dividend Rate	0%

On the dates of issuance the Company recorded derivative liabilities of $356,386, debt discount of $126,000, and derivative expense of $230,386. The debt discounts are being amortized into expense through the maturity dates of the convertible notes. During the year ended December 31, 2013, the Company recorded amortization expense of $103,944. As of December 31, 2013, the carrying value of the convertible notes was $103,944, net of remaining unamortized discounts of $22,056. In addition to the amortization of the discounts the Company recognized $7,785 of interest expense on the convertible notes for the year ended December 31, 2013.

The fair value of the embedded derivatives as of the December 31, 2013 was determined to be $379,110, resulting in derivative expense of $22,725, the increase in the fair value of the derivative from the date of issuance, by using Monte Carlo Simulations and the following assumptions:

Volatility	374.09% - 420.45%
Risk Free Rate	0.04% - 0.10%
Expected Term	0.57 - 0.75 Years
Dividend Rate	0%

Note 5. Note Payable

The Company has a note payable with a principal balance of $59,491 as of December 31, 2013 and December 31, 2012, and accrued interest of $35,628 and $23,536 as of December 31, 2013 and December 31, 2012, respectively. The note is due on demand and accrues interest at an annual rate of 10%.

Note 6. Stockholders' Deficiency

Issuance of Common Stock for Cash

During the year ended December 31, 2013, the Company received net proceeds of $863,000 for the sale of 215,552,000 shares of common stock, of which 41,070,000 shares were issued during the year ended December 31, 2013, and 172,482,000 has yet to be issued as of December 31, 2013. The Company also issued 14,700,000 shares of common stock for cash received during the year ended December 31, 2012.

Issuance of Common Stock for Services

During the year ended December 31, 2013, the Company issued 1,220,000 shares of common stock as consideration for professional services rendered, and agreed to issue 80,000,000 shares of common stock for services and settlements. The Company recorded compensation expense equal to the grant date fair value of the shares, estimated based on the grant date quoted trading prices of the Company's common stock, totaling $748,380 for the year ended December 31, 2013.

Due from Emax Media, Inc. and Affiliates

During the year ended December 31, 2013, the Company issued 208,400,000 shares of common stock in settlement of obligations of Emax Media, Inc. and affiliates. The obligations were settled by the Company prior to management's determination that the intended reverse merger was not perfected. The Company recorded the grant date fair value of the common stock, estimated based on the grant date quoted trading prices of the Company's common stock, as contra- equity totaling $1,691,660. In August 2013, the Company entered into agreements with former officers of the Company resulting in the return and cancellation of shares of common stock held by them.

In September 2013, the Company entered into an additional settlement agreement with Emax Media, Inc. and Affiliates to settle all amounts owed to and from the Company by Emax Media, Inc. and Affiliates. The agreement relieves the Company and Emax Media, Inc. of any future obligations related to amounts reflected on the accompanying balance sheet as Due to Emax Media, Inc. and Affiliates, and Due from Emax Media, Inc. and Affiliates (Contra-Equity). The agreement relieved the Company of its obligation to repay $224,203 reflecting on the accompanying consolidated balance sheet as of December 31, 2012 as Due to Emax Media, Inc. and Affiliates. The agreement also provided for the return and cancellation of additional shares of common stock, as well as the cancellation of 325,454,548 shares of common stock previously returned to the Company in exchange for preferred stock. In total 674,007,878 common shares were returned for cancellation to settle Due from Emax and Affiliates contra equity resulting in a loss on settlement of $1,939,281.

Return of Common Stock to Treasury

During the year ended December 31, 2013, members of prior management returned 674,007,878 shares of common stock as part of various settlement agreements. These shares were held in treasury as of December 31, 2013. See Note 3.

Note 6. Stockholders' Deficiency (Continued)

Stock Options

During the year ended December 31, 2013, the Company recognized $2,108 of compensation expense related to the vesting of stock options. The Company did not grant any stock options during the year ended December 31, 2013, options to acquire 5,000,000 shares of common stock, with an aggregate grant date fair value of $86,800 were forfeited and options to acquire 7,000,000 shares expired. There were no stock options outstanding as of December 31, 2013.

Preferred Stock

The Company is authorized to issue 25,000,000 shares of preferred stock, par value $0.0001 with all 25,000,000 designated as Series A. Each share of Series A preferred stock entitles its holder to 25 votes, is convertible into 5 shares of common stock, has cumulative dividend rights, a liquidation preference of $5.00 per share plus accrued and unpaid dividends. There were no preferred shares outstanding as of December 31, 2012 or 2011.

Note 7. Income Taxes

The provision (benefit) for income taxes consists of the following:

	Year Ended December 31, 2013	Year Ended December 31, 2012
Current		
Federal	$ -	$ -
State	-	-
Deferred		
Federal	(149,507)	(95,731)
State	(14,511)	(9,292)
Change in valuation allowance	164,018	105,022
	$ -	$ -

The Company's income tax rate computed at the statutory federal rate of 34% differs from its effective tax rate primarily due to permanent items, state taxes and the change in the deferred tax asset valuation allowance.

	Year ended December 31, 2013	Year ended December 31, 2012
Income tax at statutory rate	34.00%	34.00%
State income taxes, net of federal benefit	3.70	3.70
Permanent differences	(32.80)	(35.20)
Change in valuation allowance	(4.90)	(2.14)
Total	0.00%	0.00%

Note 7. Income Taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, Management evaluates whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on Management's evaluation, the net deferred tax asset was offset by a full valuation allowance in all periods presented. The Company's deferred tax asset valuation allowance will be reversed if and when the Company generates sufficient taxable income in the future to utilize the tax benefits of the related deferred tax assets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and tax liabilities are as follows:

	December 31, 2013	December 31, 2012
Net operating loss	$ 272,875	$ 108,857
Gross deferred tax assets:	272,875	108,857
Less: valuation allowance	(272,875)	(108,857)
Net deferred tax asset	$ -	$ -

As of December 31, 2013 the Company had a net operating loss carry-forward of approximately $732,000 which may be used to offset future taxable income and begins to expire in 2028.

Note 8. Commitments and Contingencies

The Company's former Chief Financial Officer commenced litigation against the Company claiming that the Company owed him $121,630 for his services pursuant to a Services Agreement. The Company settled the matter in March 2014 and agreed to pay the former Chief Financial Officer $15,000 and issue 8,000,000 shares of common stock with a settlement-date fair value of $67,200. The Company has accrued $82,200, included in accounts payable and accrued expenses, as of December 31, 2013.

The Company defaulted in 2005 on a Financing Agreement with a third party, whereby the third party had loaned approximately $325,000 to the Company. The Company has repaid approximately $177,610; however, the remaining balance is no longer accrued as management believes the statute of limitations has expired. A lawsuit was filed in this matter in Washington County, Utah.

Note 9. Subsequent Events

Issuance of Common Stock

From January 2014 through February 2014, the Company sold 39,903,846 shares of common stock for aggregate proceeds of $145,000.