# Disclosure Statement
# Seaway Valley Capital Corporation
# March 21, 2011

## I. The exact name of new issuer:

**Seaway Valley Capital Corporation**

**Previous Names and Dates of Name Changes:**

formerly: BOSTON PACIFIC MEDICAL INC (filings through 2003-08-21)
formerly: DIRECTVIEW INC (filings through 2006-12-07)
formerly: GS CARBON CORP (filings through 2007-09-14)

## II. The principal executive office of the issuer:

With Offices:
213 West Main Street
PO Box 725
Sackets Harbor, NY 13685
315-646-7101 (phone)
315-646-7152 (fax)

## III. The jurisdictions and date of issuer's incorporation or organization:

Delaware; 1989

## IV. The exact title class and description of securities outstanding, number of shares and the total amount outstanding for each class of securities authorized:

**Common Stock** – CUSIP number 812815504, Symbol "SEVA"
**Preferred Stock**:
Series A voting preferred stock; 100,000 shares authorized; 0 shares issued and outstanding
Series B voting preferred stock; 100,000 shares authorized; 0 shares issued and outstanding
Series C voting preferred stock; 1,600,000 shares authorized; 340,447 shares issued and outstanding
Series D voting preferred stock; 1,250,000 shares authorized; 794,365 shares issued and outstanding
Series E voting preferred stock; 100,000 shares authorized; 100,000 shares issued and outstanding

## V. Par or stated value and description of the security

**A.** Common Stock; $.0001 par value
Series A voting preferred stock, $.0001 par value; no stated face value
Series B voting preferred stock, $.0001 par value; no stated face value
Series C voting preferred stock, $.0001 par value, face value $4.00 per share
Series D voting preferred stock, $.0001 par value; face value $5.00 per share
Series E voting preferred stock, $.0001 par value; no stated face value

**B.** **1. Common Stock Dividends and other rights.** No special rights and to date no dividends.

**2. Preferred Stock Description.**

**SERIES A CONVERTIBLE PREFERRED STOCK**

**Liquidation Preference -** In the event of any liquidation, dissolution or winding up of the Corporation, holders of shares of Series A Preferred Stock are entitled to receive, out of legally available assets, a liquidation preference of $.01 per share, and no more, before any payment or distribution is made to the holders of the Corporation's Common Stock. But the holders of Preferred Stock will not be entitled to receive the liquidation preference of such shares until the liquidation preference amount of any series or class of the Corporation's stock hereafter issued that ranks senior as to liquidation rights to the Series A Preferred Stock ("Senior Liquidation Stock") has been paid in full. The holders of Preferred Stock of all other series or classes of the Corporation's Preferred Stock hereafter issued that rank on a parity as to liquidation rights with the Series A Preferred Stock are entitled to share ratably, in accordance with the respective preferential amounts payable on such stock, in any distribution (after payment of the liquidation preference of the Senior Liquidation Stock) which is not sufficient to pay in full the aggregate of the amounts payable thereon. After payment in full of the liquidation preference of the shares of Series A Preferred Stock, the holders of such shares will not be entitled to any further participation in any distribution of assets by the Corporation.
**Voting -** The holders of the Series A Preferred Stock shall have twelve (12) votes per share of Series A Preferred Stock, and shall be entitled to vote on any and all matters brought to a vote of stockholders of Common Stock.

**Conversion -** The holders of the Series A Preferred Stock shall not have conversion rights.

**SERIES B CONVERTIBLE PREFERRED STOCK**

There are no shares of Series B Convertible Preferred Stock outstanding.

**SERIES C CONVERTIBLE PREFERRED STOCK**

**Liquidation Preference**

Upon the liquidation, dissolution and winding up of the Corporation, the holders of the Series C Convertible Preferred Stock shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or from earnings available for distribution to its stockholders, before any amount shall be paid to the holders of common stock, the sum of Four Dollars ($4.00) per share, after which the holders of Series C Convertible Preferred Stock shall have no share in the distribution.

**Conversion**

Any shares of Series C Convertible Preferred Stock may, at any time, at the option of the holder, be converted into fully paid and nonassessable shares of Common Stock (a "Conversion"). The number of shares of Common Stock to which a holder of Series C Convertible Preferred Stock shall be entitled upon a Conversion shall equal the product obtained by dividing the number of shares of Series C Convertible Preferred Stock being converted by the Conversion Rate. The Conversion Rate shall equal twenty-one and one quarter percent (21.25%) of the average of the Closing Prices on five (5) Trading Days immediately preceding the Conversion Date. For this purpose, "Closing Price" shall mean the last sale price reported on the OTC Bulletin Board (or the closing high bid price, if the Common Stock ceases to be quoted on the OTC Bulletin Board). For this purpose, "Trading Day" shall mean any day during which the New York Stock Exchange shall be open for business.

**Voting**

The holders of the Series C Preferred Stock shall have the following voting rights: Each share of Series C Preferred Stock shall entitle the holder thereof, on all matters submitted to a vote of the stockholders of the Corporation, to that number of votes as shall be equal to the aggregate number of shares of Common Stock into which such holder's shares of Series C Preferred Stock are convertible on the record date for the stockholder action. However, in case can any one Series C Preferred shareholder vote more than 4.99% of the total shares outstanding.

**Dividends**

In the event that the Company's Board of Directors declares a dividend payable to holders of any class of stock, each holder of shares of Series C Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Company's Common Stock into which that holder's Series C Preferred Stock could be converted on the record date for the dividend.

**SERIES D CONVERTIBLE PREFERRED STOCK**

**Liquidation Preference**

Upon the liquidation, dissolution and winding up of the Corporation, the holders of the Series D Convertible Preferred Stock shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or from earnings available for distribution to its stockholders, after satisfaction of any preferential distribution due to the holders of the Series A, Series B or Series C preferred stock, but before any amount shall be paid to the holders of common stock, the sum of Five Dollars ($5.00) per share (the "Liquidation Preference Per Share"), after which the holders of Series D Convertible Preferred Stock shall have no share in the distribution.

**Conversion**

Any shares of Series D Convertible Preferred Stock may, at any time, at the option of the holder, be converted into fully paid and nonassessable shares of Common Stock (a "Conversion"). The number of shares of Common Stock to which a holder of Series D Convertible Preferred Stock shall be entitled upon a Conversion shall equal the quotient obtained by dividing (a) the aggregate Liquidation Preference Per Share of the shares of Series D Convertible Preferred Stock being converted by (b) the Conversion Rate. The Conversion Rate shall equal eighty-five percent (85%) of the average of the Closing Prices on five (5) Trading Days immediately preceding the Conversion Date.

**Voting**

The holders of shares of Series D Convertible Preferred Stock shall have the following voting rights: Each share of Series D Convertible Preferred Stock shall entitle the holder thereof to cast on all matters submitted to a vote of the stockholders of the Corporation that number of votes which equals the number of shares of Common Stock into which such holder's shares of Series D Convertible Preferred Stock are convertible on the record date for the stockholder action.

**Dividends**

In the event the Corporation declares a dividend payable to holders of any class of stock, the holder of each share of Series D Convertible Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Corporation's Common Stock into which that holder's Series D Convertible Preferred Stock could be converted on the record date for the dividend.

**SERIES E CONVERTIBLE PREFERRED STOCK**

**Liquidation Preference**

In the event of any liquidation, dissolution or winding up of the Corporation, holders of shares of Series E Preferred Stock shall be entitled to receive in a cash out of the assets of the Company, whether from capital or from earnings available for distribution to its stockholders, before any amount shall be paid to the holders of Company's Common Stock but after payment of distributions payable to Series A Preferred Stock, the sum of $.001 per share, after which the holders of Series E Preferred Stock shall share in the distribution with the holders of the Common Stock on an equal basis, except that in determining the appropriate distribution of available cash among shareholders, each share of Series E Preferred Stock shall be deemed to have converted into the number of the Company's Common Stock into which the holders' Series E Preferred Stock could be converted on the record date for the distribution.

**Conversion**

Shares of Series E Preferred Stock may, at any time, at the option of the holder, be converted into fully paid and nonassessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series E Preferred Stock shall be entitled upon the Conversion shall equal the sum of (a) the product obtained by (A) multiplying the number of Fully-Diluted Common Shares by four (4), then (B) multiplying the result by a fraction, the numerator of which will be the number of shares of Series E Preferred Stock being converted and the denominator of which will be the number of issued and outstanding shares of Series E Preferred Stock, less (b) the number of shares of Common Stock beneficially owned by the holder prior to the Conversion, including Common Stock issuable on conversion of any convertible securities beneficially owned by the holder. The term "Fully-Diluted Common Shares" means the sum of the outstanding Common Stock plus all shares of Common Stock that would be outstanding if all securities that could be converted into Common Stock without additional consideration were converted on the Conversion Date, but shall not include Common Stock issuable on conversion of the Series E Preferred Stock.

**Voting**

The holders of the Series E Preferred Stock shall have the following voting rights: Each share of Series E Preferred Stock shall entitle the holder thereof, on all matters submitted to a vote of the stockholders of the Corporation, to that number of votes as shall be equal to the aggregate number of shares of Common Stock into which such holder's shares of Series E Preferred Stock are convertible on the record date for the stockholder action.

**Dividends**

In the event that the Company's Board of Directors declares a dividend payable to holders of any class of stock, each holder of shares of Series E Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Company's Common Stock into which that holder's Series E Preferred Stock could be converted on the record date for the dividend.

**3. Material Rights.** Material rights described above.

**4. Describe any provision in the issuer's charter or by-laws that would delay, defer or prevent a change of control of the issuer.** None

**VI.** The current authorized and issued and outstanding capital stock of Seaway Valley Capital Corporation consists of:

| | December 31, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| **Common Stock** | 17,889,255 | 8,075,000 | 2,744 |
| Authorized | 20,000,000,000 | 20,000,000,000 | 10,000,000,000 |
| **Series A Preferred** | 0 | 0 | 0 |
| Authorized | 100,000 | 100,000 | 100,000 |
| **Series B Preferred** | 0 | 0 | 0 |
| Authorized | 100,000 | 100,000 | 100,000 |
| **Series C Preferred** | 340,447 | 340,447 | 1,407,736 |
| Authorized | 1,600,000 | 1,600,000 | 1,600,000 |
| **Series D Preferred** | 881,065 | 881,065 | 881,065 |
| Authorized | 1,250,000 | 1,250,000 | 1,250,000 |
| **Series E Preferred** | 100,000 | 100,000 | 100,000 |
| Authorized | 100,000 | 100,000 | 100,000 |

**Common Stock** – CUSIP number 812815504, Symbol "SEVA"; twenty billion (20,000,000,000) shares authorized at $0.0001 par value Common shares, of which approximately 481,934,553 are issued and outstanding;

**Public Float** - 81,934,553; **Shareholders of Record** – 1,248; **Non-Objecting Beneficial Owners** – 2,662

**VII. Transfer Agent**

Standard Registrar & Transfer Co Inc
12528 South 1840 East
Draper, UT 84020
Phone: 801-571-8844 Fax: 801-571-2551

Our transfer agent is registered under the Exchange Act and is regulated by the Securities and Exchange Commission.

**VIII. The nature of the company's business:**

### A. Business Development

Seaway Valley Capital Corporation ("Seaway Valley" or the "Company") is a venture capital and investment company. Seaway Valley focuses on equity and equity-related investments in companies that require expansion capital and in companies pursuing acquisition strategies. Seaway Valley will consider investment opportunities in a number of different industries, including retail, consumer products, beverages, restaurants, media, business services, and manufacturing. The Company will also consider select technology investments. Returns are intended to be in the form of the eventual share appreciation and dispossession of those equity stakes and income from loans made to businesses.

**RETAIL HOLDINGS**

Seaway Valley sold its majority equity stake of Wisebuys, Inc.

Background: On October 23, 2007, Seaway Valley acquired 100% of the capital stock of WiseBuys Stores, Inc. ("WiseBuys"). WiseBuys Stores, Inc. owned and operated five retail stores in central and northern New York. On November 7, 2007, Seaway Valley and WiseBuys purchased all of the outstanding capital stock of Patrick Hackett Hardware Company, a New York corporation ("Patrick Hackett"). Patrick Hackett, one of the nation's oldest retailers, with roots dating back to 1830, is a full line department store specializing in name brand merchandise and full service hardware. At the time of the acquisition, Patrick Hackett had locations in five towns in northern New York. On January 1, 2008, WiseBuys contributed its retail assets to Patrick Hackett and Patrick Hackett assumed its liabilities. During 2008, the Company operated ten locations: Canton, Gouverneur, Hamilton, Massena, Ogdensburg, Potsdam, Pulaski, Sackets Harbor, Tupper Lake, and Watertown – all in New York.

On December 18, 2008, Seaway Valley transferred ownership of its subsidiary, Patrick Hackett Hardware Company to a public company named "The Americas Learning Centers, Inc." ("ALRN") in exchange for a majority equity stake of ALRN transferred to Seaway Valley. The transfer was affected by the following procedures:

- SVCC transferred 500 common shares representing 100% of the capital stock of PHHC into ALRN.
- The majority shareholders of ALRN transferred to SVCC common and preferred stock of ALRN that collectively represents approximately 90% of the equity of ALRN.
- SVCC paid $250,000 to the majority shareholders of ALRN.
- Tom Scozzafava, the CEO of SVCC, was appointed CEO and Chairman of the Board of ALRN.
- ALRN subsequently changed its name to Hackett's Stores, Inc." ("HCKI") in the first quarter 2009 and to Wisebuys, Inc. in 2010.

Wisebuys, Inc. is the parent company of Patrick Hackett, WiseBuys Stores, Inc. and newly formed HIIO, Inc. ("HIIO")

On March 4, 2008, Patrick Hackett consummated a five million dollar credit and security agreement with Wells Fargo Bank, National Association (the "Line of Credit"), which was also guaranteed by WiseBuys, Seaway Valley and Thomas Scozzafava. The funds available under Line of Credit were based on an advance rate of 55% of the Company's current inventory. The initial term of the Line of Credit was three years. These funds were used for general working capital at the Company. In early January 2009, Wells Fargo initiated an advance rate reduction (from the original 55% of inventory) by 1% per week. In mid-January, Wells Fargo agreed to temporarily suspend the rate reduction in the event that Patrick Hackett raise an additional $2 million in equity capital or subordinated debt. The Company was not successful in these capital raising efforts, and in February 2009 Wells Fargo again commenced the reduction of the advance rate. On March 9th, March 18th and April 2nd, Wells Fargo issued default notices under the credit agreement, citing various default events such as failure to reach Tangible Net Worth, Net Cash Flow and Net Income milestones. Additionally, Wells Fargo continued to reduce the advance rate, and the loan balance had been reduced from a peak of $4.7 million in December 2008 to zero by July 31, 2009.

On April 13, 2009, six of the vendors of Patrick Hackett filed a petition with the United States Bankruptcy Court of the Northern District of New York for relief under Chapter 7 of the US Bankruptcy Code. On April 15th, the petitioning creditors agreed to file a request for a motion to dismiss the case as a result of a Letter Agreement and a Security Agreement between Hackett's and the trade vendors. On May 2, 2009 the United States Bankruptcy Court of the Northern District of New York dismissed the involuntary petition filed against Patrick Hackett.

In November 2009, two vendors with judgments against Patrick Hackett obtained an order to seize the cash assets of Patrick Hackett. As a result, 100% of Patrick Hackett's available cash assets were frozen and made unavailable to the company. As a result, on November 16, 2009, Patrick Hackett sought and obtained protection under Chapter 11 of the US Federal Bankruptcy code. Patrick Hackett's Chapter 11 Bankruptcy case was converted to Chapter 7 liquidation. Neither Hackett's Stores, Inc. nor HIIO, Inc. is being liquidated pursuant to Chapter 7 bankruptcy. The Company sold HCKI for a $135,000 note and merged WiseBuys Stores, Inc. and HIIO, Inc. into SVCC.

**HOSPITALITY HOLDINGS**

In June 2008 a wholly owned subsidiary of the Company, North Country Operating Corp. ("NCOC") acquired the assets of Harbor Acquisition, LLC. North Country Operating Corp. then merged the operations of Alteri Bakery, Inc. ("Alteri"), Seaway Realty Holdings, LLC ("Realty"), Seaway Restaurant Group and Sackets Harbor Brewing Company, Inc. (SHBC), to a public company named "Airborne Security & Protective Services, Inc." ("ASPV"). The merger was affected by the following procedures:

- NCOC merged 100% of the operations of Alteri, Realty and SHBC to ASPV.
- NCOC agreed to pay the selling shareholders $110,000 in equal monthly installments of $10,000.
- The majority shareholders of ASPV transferred to NCOC common and preferred stock in ASPV that collectively represents approximately 91% of the equity in ASPV and ASPV issued to NCOC 60,000,000 shares of common stock and 100,000 shares of Series B Convertible Preferred Stock.
- A noteholder of ASPV placed into escrow convertible debt instruments issued by ASPV in the principal amount of $75,000, of which $25,000 was acquired by a non-affiliated third party.
- Tom Scozzafava, the CEO of SVCC, was appointed CEO and Chairman of the Board of ASPV.
- In September 2009, ASPV changed its name to "Harbor Brewing Company, Inc." ("HBWO")

All of the securities delivered at closing have been placed in escrow. The Escrow Agreement provides that if ASPV satisfies its obligations under the notes issued to its majority shareholders, then the escrow agent will deliver the securities as described above. If, however, there is a default under the promissory notes, unless waived then all of the assets described above will be returned to their owners prior to the closing, except that none of the funds contributed by SVCC will be reimbursed to it.

Sackets Harbor Brewing Company ("SHBC") develops, produces, and markets micro brewed beers such as the award winning "War of 1812 Amber Ale" and "Railroad Red Ale" as well as "Thousand Island Pale Ale", "1812 Amber Ale Light" and "Harbor Wheat" premium craft beers. Its "1812 Amber Ale" is the company's flagship brand and was the winner of a Silver Award at the 1998 World Beer Championship and has been aggressively marketed to command a significant retail presence in the regional market place. Management estimates 1812 Ale is distributed to over 3,000 retail locations in New York and Florida. The company has also developed complementary products such Sackets Harbor Coffee and Sackets Harbor Brewing Co. Root Beer.

Alteri Bakery has serviced the North Country region with quality baked goods since 1971. Alteri's is located in a state of the art baking facility in the heart of Watertown's business district, and is one of the last traditional Italian bakeries in the area. Alteri's produces the area's only "true" Italian breads and specialty pastry items, such as cakes, cookies, muffins, bagels, and specialty gift baskets. Alteri's products can be found at local restaurants, grocery stores, schools, and its own store. In addition, Alteri's recently assumed the production of sub rolls for the entire Jreck Subs franchise chain of 47 locations, which alone includes approximately two million five hundred thousand rolls baked and shipped annually.

Other related facts include:

1. Seaway Valley Capital Corporation ("SVCC") is a C-corporation.
2. SVCC was formed in 1989.
3. SVCC's fiscal year is ended December 31st.
4. Neither SVCC nor its predecessor company has been in bankruptcy.
5. Recent mergers and acquisitions described above.
6. SVCC and/or its subsidiaries have defaulted on several of its debts including the following:

On March 9th , March 18th and April 2nd , Wells Fargo issued default notices under the credit agreement, citing various default events such as failure to reach Tangible Net Worth, Net Cash Flow and Net Income milestones, as well as citing a change of control event as it related to the ALRN transaction. Additionally, Wells Fargo continued to reduce the advance rate, and the loan balance had been reduced from a peak of $4.7 million in December 2008 to approximately $0.00 at the time of this filing.

On August 5, 2009 Juliann Hackett Cliff, Patrick Hackett, Jr. and Norman V. Garrelts filed suit against Seaway Valley Capital Corporation, WiseBuys Stores, Inc. and Thomas W. Scozzafava. The plaintiffs allege that the Company is the obligor to the plaintiffs of certain promissory notes of in aggregate amount of $2,352,761 plus interest, legal costs and court fees.

7. A change of control transaction occurred on July 1, 2007 when Seaway Capital, Inc., now owned by P. H. Ashcraft, acquired outstanding common and preferred shares held by GreenShift Corporation and that in aggregate had voting rights of approximately 85% of the fully diluted shares of the issuer.
8. There have been numerous occasions where common stock has been issued since July 2007 that in aggregate have resulted in increases of common stock outstanding of more than 10%. These issuances have been primarily the result of conversion rights of holders of certain debts or preferred stock.
9. On January 28, 1992, the Issuer effectuated a forward split of the common stock resulting in an increase in the number of authorized common shares to 1,485,000. On September 19, 2008 the Isssuer filed with the Secretary of State of the State of Delaware a Certificate of Amendment of its Certificate of Incorporation to effectuate a reverse stock split of the corporation's common stock in the ratio of 1-for-5. On January 15, 2009, the Isssuer filed with the Secretary of State of the State of Delaware a Certificate of Amendment of its Certificate of Incorporation to effect a reverse stock split of the corporation's common stock in the ratio of 1-for-1,000.
10. None.
11. None.

B. **Business of the Issuer** SIC 6799 – Miscellaneous Investing

Seaway Valley Capital Corporation is a venture capital and investment company. Seaway Valley focuses on equity and equity-related investments in companies that require expansion capital and in companies pursuing acquisition strategies. Seaway Valley will consider investment opportunities in a number of different industries, including retail, consumer products, restaurants, media, business services, and manufacturing. The Company will also consider select technology investments. Returns are intended to be in the form of the eventual share appreciation and dispossession of those equity stakes and income from loans made to businesses.

The issuer is currently conducting operations and has never been a “shell” company. The company spends less than 1% of its time on research and development activities. Less than 1% of the company’s resources are spent on environmental compliance. Company-wide the company employs approximately 125 full time employees and approximately 50 part time employees.

The names of subsidiaries include: (1) Wisebuys, Inc., (2) Harbor Brewing Company, Inc., and (3) Seaway Valley Fund, LLC.

The brewing industry is governed by state and federal regulations.

**IX. The nature of products or services offered.** Seaway Valley Capital Corporation offers no products or services, per se. However, several of its investment subsidiaries do.

**DESCRIPTION OF OUR SUBSIDIARIES’ BUSINESSES**

**GENERAL INFORMATION**

Seaway Valley Capital Corporation is a venture capital and investment company. Seaway Valley focuses on equity and equity-related investments in companies that require expansion capital and in companies pursuing acquisition strategies. Seaway Valley will consider investment opportunities in a number of different industries, including retail, consumer products, restaurants, media, business services, and manufacturing. The Company will also consider select technology investments. Returns are intended to be in the form of the eventual share appreciation and dispossession of those equity stakes and income from loans made to businesses.

## DESCRIPTION OF THE BUSINESS OF HARBOR BREWING COMPANY, INC.

### Alteri Bakery, Inc.

Alteri Bakery, Inc. (“Alteri’s”) has serviced the North Country region with quality baked goods since 1971. Alteri’s is located in a state of the art baking facility in the heart of Watertown’s business district, and is one of the last traditional Italian bakeries in the area. Alteri's produces the area’s only "true" Italian breads and specialty pastry items, such as cakes, cookies, muffins, bagels, and specialty gift baskets. Alteri’s products can be found at local restaurants, grocery stores, schools, and its own store. In addition, Alteri’s recently assumed the production of sub rolls for the entire Jreck Subs franchise chain of 47 locations, which alone includes approximately two million five hundred thousand rolls baked and shipped annually.

The majority of Alteri’s bread is sold through supermarkets and mass merchandisers, while sweet goods are sold principally through supermarkets, national mass merchandisers and convenience stores. One customer, JRECK SUBS, Inc., accounted for approximately 50% of Alteri’s net sales in fiscal 2008 or approximately $1,200,000. No other single customer accounted for more than 10.0% of Alteri’s net sales. Sweet goods sales tend to be somewhat seasonal, with a historically weak winter period, which we believe is attributable to altered consumption patterns during the holiday season. Sales of buns and rolls products are historically higher in the spring and summer months.

Alteri’s marketing and advertising campaigns are conducted through targeted print advertising, as well as coupon inserts in newspapers and other printed media. Alteri’s products are distributed in markets primarily in northern New York. Alteri’s plant is located close to Alteri’s major marketplace enabling effective delivery and superior customer service. We do not keep a significant backlog of inventory, as Alteri’s fresh bakery products are promptly distributed to Alteri’s customers after being produced.

We deliver Alteri’s fresh baked bread and sweet goods from Alteri’s production facility in Watertown, NY. Alteri’s sales force then delivers primarily to mass merchandisers, supermarkets and convenience stores on Alteri’s regional delivery routes. We are one of only a few fresh baked bread and sweet goods producers with a direct store delivery, or DSD, system that enables us to provide frequent and individualized service to Alteri’s customers. Alteri’s DSD system allows us to effectively manage shelf space and efficiently execute in-store promotions and new product introductions. Alteri’s business plan calls for implementing a distribution system that evolves from Alteri’s current system, which generally provides the same delivery to all customers, to one that utilizes different delivery options for Alteri’s customers based on customer size, growth potential and service needs. We believe this system will lower Alteri’s cost structure and contribute to profitable growth in revenues.

In accordance with industry practice, we repurchase dated and damaged products from most of Alteri’s customers.

Alteri’s faces intense competition in its markets from primarily large national bakeries, smaller regional operators, small retail bakeries, supermarket chains with their own bakeries, grocery stores with their own in-store bakery departments or private label products and diversified food companies. Competition is based on product quality, price, customer service, brand recognition and loyalty, promotional activities, access to retail outlets and sufficient shelf space and the ability to identify and satisfy consumer preferences. Customer service, including responsiveness to delivery needs and maintenance of fully stocked shelves, is also an important competitive factor and is central to the competition for retail shelf space. Alteri’s ability to provide customer service through Alteri’s DSD delivery system is highly reliant on the execution and performance of Alteri’s route drivers. This system is operated under collective bargaining agreements that can restrict the implementation, timing and effectiveness of Alteri’s sales operation. Interstate Bakeries, Campbell Soup Company, George Weston Limited, Flowers Foods, Inc., Grupo Bimbo, S.A. and Sara Lee Corporation are the largest fresh baked bread competitors, each marketing bread products under various brand names. Flowers Foods, Inc., George Weston Limited, Grupo Bimbo, S.A., Krispy Kreme Doughnuts, Inc., McKee Foods Corporation and Tasty Baking Company are Alteri’s largest competitors with respect to fresh baked sweet goods. In addition, fresh baked sweet goods also compete with other sweet snack foods like cookies and candies. From time to time, we experience price pressure in certain of Alteri’s markets as a result of competitors’ promotional pricing practices.

Most ingredients in Alteri’s products, principally flour, sugar and edible oils, are readily available from numerous sources. To date, we have not utilized commodity hedging derivatives such as exchange traded futures and options on wheat, corn, soybean oil and certain fuels, to reduce Alteri’s exposure to commodity price movements for future ingredient and energy needs. We also purchase other major commodity requirements through advance purchase contracts, generally not longer than one year in duration, to lock in prices for raw materials. Prices for Alteri’s raw materials are dependent on a number of factors including the weather, crop production, transportation and processing costs, government regulation and policies, and worldwide market supply of, and demand for, such commodities. Although we believe that we are able to obtain competitive prices, the inherent volatility of commodity prices occasionally exposes us to fluctuating costs. We attempt to recover the majority of Alteri’s commodity cost increases by increasing prices, moving towards a higher margin product mix or obtaining additional operating efficiencies. We are limited, however, in Alteri’s ability to take greater price increases than the bakery industry as a whole because demand for Alteri’s products has shown to be negatively affected by such price increases.

We employ approximately 50 people, of which 20 are full-time employees.

**Sackets Harbor Brewing Company, Inc.**

Sackets Harbor Brewing Company ("SHBC") develops, produces, and markets micro brewed beers such as the award winning "War of 1812 Amber Ale" and "Railroad Red Ale" as well as "Thousand Island Pale Ale", "1812 Amber Ale Light" and "Harbor Wheat" premium craft beers. Its "1812 Amber Ale" is the company's flagship brand and was the winner of a Silver Award at the 1998 World Beer Championship and has been aggressively marketed to command a significant retail presence in the regional market place. Management estimates 1812 Ale is distributed to over 3,000 retail locations in New York and Florida. The company has also developed complementary products such as Sackets Harbor Coffee and Sackets Harbor Brewing Co. Root Beer.

The U.S. domestic beer market falls into a number of market categories, some of which include low-priced, premium, super premium, lite, import, and specialty/craft beers. In the Domestic Territory, the Company competes in the specialty/craft category, the size of which is currently estimated by the Brewers Association to be approximately 8 million barrels produced per year. Craft beers are typically all malt, characterized by their full flavor, and are usually produced using methods similar to those of traditional European brews. The domestic beer market is dominated by large domestic and international brewers, and the craft brewing segment is growing, but is relatively small.

The Company's bottled products are sold through wholesale distributors to consumers at supermarkets, warehouse stores, liquor stores, taverns and bars, restaurants, and convenience stores. Currently two of the Company's brands are also available on draft. The Company's products are delivered to retail outlets by independent distributors whose principal business is the distribution of beer and in some cases other alcoholic beverages, and who typically also distribute one or more national beer brands. Together with its distributors, the Company markets its products to retail outlets and relies on its distributors to provide regular deliveries, to maintain retail shelf space, and to oversee timely rotation of inventory. The Company also offers a variety of ales and lagers directly to consumers at the tavern and merchandise store in Sackets Harbor, New York.

Production of the Company's beverages requires quantities of various agricultural products, including barley, hops, malt, and malted wheat for beer. The Company fulfills its commodities requirements through purchases from various sources, some through contractual arrangements and others on the open market. These purchases are made directly by High Falls Brewing Company, which brews the Company's products on a contract basis. The Company experienced substantial increases in the price of hops during 2008 due to low supply and high demand. The commodity markets have experienced, and the Company believes that the commodity markets will continue to experience, price, availability and demand fluctuations. The price and supply of raw materials will be determined by, among other factors, the level of crop production, weather conditions, export demand, and government regulations and legislation affecting agriculture.

The Company's product sales are seasonal, with the first and fourth quarters historically being the slowest and the rest of the year typically having stronger sales. The sales volume can be affected by weather. Accordingly, the Company's results for any individual quarter may not be indicative of the results that may be achieved for the full fiscal year.

The Company markets its products through various advertising programs with its distributors and wholesalers. The sales and marketing staff offer support to the wholesalers and retailers by educating them about the Company's products. The Company's products are promoted at local art music or food festivals, and restaurants and pubs. The Company has a brewpub in Sackets Harbor, NY. The Company also utilizes signs, tap handles, coasters, logo glassware and posters to promote its products in bars, pubs and restaurants. At times the Company has introduced various discounting programs, primarily 'post-offs' that are often done in conjunction with distributors and retailers. Additionally, the Company does advertise its products in print media and billboards.

In the United States, the federal excise tax rate is $7.00 per bbl. for up to 60,000 bbl. per year and $18.00 per bbl. for over 60,000 bbl. for brewers producing less than 2,000,000 barrels per year. The State of New York presently imposes on brewers an excise tax of $3.88 per bbl. for production in excess of 100,000 bbl. per year.

**Seaway Restaurant Group**

Seaway Restaurant Group ("SRG") is comprised of a dynamic and developing roster of upscale casual- and fine-dining restaurants. Each of the SRG restaurants is unique and memorable, which allows our guests to visit any among them multiple nights during the week to discover something new and exciting upon each visit. The common thread uniting all SRG restaurants is an emphasis on excellent food, superior service, and genuine value. We have been fortunate to receive acknowledgements for our restaurants from both our customers and within the industry.

Sackets Harbor Brew Pub (the "Brew Pub") is an operating restaurant and bar that produces its own premium craft beers on site while also offering fine dining. The Brew Pub offers a rotating selection of six of its own specialty craft beers on tap including its War of 1812 Amber Ale ("1812 Amber Ale"), Railroad Red, Harbor Wheat and Thousand Island Pale Ale as well as ever changing seasonal offerings. Good Fello's Brick Oven and Wine Bar ("Good Fello's") is featured in charming interior of brick and wood and specializes in excellent-yet-affordable Italian food. The focal point of the restaurant is its large brick oven for cooking its premium specialty pizzas, appetizers and unique pasta entrees along side a comfortable bar that offers a wide variety of wine and craft beers. Good Fello's warmth and intimate atmosphere offers a unique setting rarely found in the marketplace for neighborhood Italian eateries. Additionally, the Sackets Harbor-based Good Fello's has premium lodging facilities above the restaurant, which are booked through the Ontario Place Hotel, also in Sackets Harbor, NY. The 1812 Station House is a full services banquet and special function facility situated in a completely remodeled historic building in beautiful downtown Sackets Harbor, NY. The 1812 Station House offers fine entrees and various packages for group sizes from 10-200. This unique and inviting atmosphere and location has been proven ideal for corporate functions and meetings, wedding receptions, other special occasion functions which demand private facilities and attention to detail. The 1812 Station House is equipped with a full kitchen, comfortable bar, spacious and open dining area, and a stone patio ideal for cocktails and hour d'ouvres.

**NEED FOR ANY GOVERNMENT APPROVAL OR PRINCIPAL PRODUCTS**

Other than obtaining Sackets Harbor Brewing Company's licensing rights for individual micro-brewed beer products for distribution, the Company does need government approval for its products.

**GOVERNMENT AND INDUSTRY REGULATION**

We will be subject to federal laws and regulations that relate directly or indirectly to our operations- including securities laws. We will also be subject to common business and tax rules and regulations pertaining to the operation of our business.

Additionally, Sackets Harbor Brewing Company's brewing operations are subject to licensing by local, state and federal governments, as well as to regulation by a variety of state and local agencies. The Company is licensed to manufacture and sell beer by the Departments of Alcoholic Beverage Control in New York. A federal permit from the United States Treasury Department, Alcohol and Tobacco Tax and Trade Bureau (the "TTB") (formerly the Bureau of Alcohol, Tobacco, and Firearms) allows the Company to manufacture fermented malt beverages. To keep these licenses and permits in force the Company must pay annual fees and submit timely production reports and excise tax returns. Prompt notice of any changes in the operations, ownership, or company structure must also be made to these regulatory agencies. The TTB must also approve all product labels, which must include an alcohol use warning. The Company's production operations must also comply with the Occupational Safety and Health Administration's workplace safety and worker health regulations and comparable state laws. Management believes that the Company is presently in compliance with the aforementioned laws and regulations. In addition, the Company has implemented its own voluntary safety program.

Further, Alteri Bakery's operations are subject to regulation by various federal, state and local government entities and agencies. As a baker of fresh baked bread and sweet goods, Alteri's operations are subject to stringent quality, labeling and traceability standards, including the Federal Food and Drug Act of 1906 and Bioterrorism Act of 2002, and rules and regulations governing trade practices, including advertising. Alteri's bakery operations and Alteri's delivery fleet are subject to various federal, state and local environmental laws and workplace regulations, including the federal Occupational Safety and Health Act of 1970, the federal Fair Labor Standards Act of 1938, the federal Clean Air Act of 1990, the federal Clean Water Act of 1972 and the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA. Future compliance with or violation of such laws or regulations, and future regulation by various federal, state and local government entities and agencies, which could become more stringent, may have a material adverse effect on Alteri's financial condition and results of operations. We could also be subject to litigation arising out of such governmental regulations that could have a material adverse effect on Alteri's financial condition and results of operations. We believe that Alteri's current legal and environmental compliance programs adequately address such concerns and that we are in substantial compliance with such applicable laws and regulations. From time to time the Company receives notices of violation relating to environmental and other regulations. When such notices are received, the Company works with the appropriate authorities to seek a resolution to the violations, which may include payment of fines or penalties, adjustment to company operations or protocols, site remediation, or the acquisition or repair of equipment at the facility in question.

While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of Alteri's management, the ultimate liability arising from such environmental matters, taking into account established accruals for estimated liabilities, should not be material to Alteri's overall financial position, but could be material to results of operations or cash flows for a particular quarter or annual period.

**RESEARCH AND DEVELOPMENT ACTIVITIES**

NONE

**ENVIRONMENTAL LAWS**

Alteri's bakery operations are subject to compliance with the federal Clean Air Act of 1990, the federal Clean Water Act of 1972 and the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA. Future compliance with or violation of such laws or regulations, and future regulation by various federal, state and local government entities and agencies, which could become more stringent, may have a material adverse effect on Alteri's financial condition and results of operations. We could also be subject to litigation arising out of such governmental regulations that could have a material adverse effect on Alteri's financial condition and results of operations. We believe that Alteri's current legal and environmental compliance programs adequately address such concerns and that we are in substantial compliance with such applicable laws and regulations. From time to time the Company receives notices of violation relating to environmental and other regulations. When such notices are received, the Company works with the appropriate authorities to seek a resolution to the violations, which may include payment of fines or penalties, adjustment to company operations or protocols, site remediation, or the acquisition or repair of equipment at the facility in question.

## X. The nature and extent of the issuer's facilities:

The Company and/or its subsidiaries own or leases a number of properties. Below is a complete list of the Company's real estate properties – both leased and owned:

Alteri Bakery, Inc. (owned)
981 Waterman Drive
Watertown, NY 13601

Corporate Offices (owned)
213 West Main Street
Sackets Harbor, NY 13685

Good Fello's Brick Oven Pizza and Wine Bar (owned)
202 West Main Street
Sackets Harbor, NY 13685

Sackets Harbor Brew Pub (owned)
212 West Main Street
Sackets Harbor, NY 13685

Sackets Cantina (owned)
210 West Main Street
Sackets Harbor, NY 13685

## XI. Chief Executive Officer, member of the board of directors and control persons.

**A. Officer and Directors:** Thomas W. Scozzafava with a business address of 213 West Main Street, Sackets Harbor, NY 13685, is Chairman, President, CEO, CFO and control person. Mr. Scozzafava has over 17 years experience in venture capital and buyout investing and has extensive capital markets experience. Prior to forming his own company, Mr. Scozzafava was a Director of Prudential's Merchant Banking Group where he helped find, evaluate, negotiate, and structure leveraged buyouts and investments of companies in industries that included telecommunications, media, business services, and manufacturing industries. Mr. Scozzafava also held a senior management position at Prudential's employee limited partnerships where he completed numerous venture capital and LBO investments. Prior to joining Prudential, Mr. Scozzafava was member of Lehman Brothers' Merchant Banking Group, where he analyzed leveraged buyout and growth equity investments across various industries. Mr. Scozzafava began his career with GE Capital Corporation, where he completed the company's Financial Management Program.

In March 2006, New York State Governor George E. Pataki appointed Mr. Scozzafava to the Board of Trustees to the New York State Power Authority ("NYPA") where he served until August 2008. While a Trustee, Mr. Scozzafava also sat on the Governance and Audit Committees of NYPA, whose mission is to provide clean, economical and reliable energy while promoting energy efficiency and innovation. At the time of Mr. Scozzafava's service, NYPA had assets and revenues of over $7 billion and $2.9 billion, respectively. Mr. Scozzafava received a Bachelor of Arts cum laude with concentrations in economics and mathematics with Honors distinction from Hamilton College in 1992.

Mr. Scozzafava has not been the subject of a conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding, or has an order, judgment or decree entered by a court of competent jurisdiction that in any way enjoined, barred, suspended or otherwise limited his involvement in any business, securities, commodities, or banking activities; Mr. Scozzafava has not been the subject of any finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law; or been the subject of the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited any officer's or director's involvement in any type of business of securities activities.

Compensation has not been determined for the management or members of the board of directors. Currently the issuer does not compensate Mr. Scozzafava.

Through Seaway Capital, Inc., Mr. Scozzafava's wife beneficially holds 100% of the Series E Convertible Preferred shares of the issuer and 4 billion shares of common stock. Mr. Scozzafava holds no common or preferred shares directly or indirectly.

Pearl Han Productions, LLC ("PHP"), a limited liability company owned and operated by Mr. Scozzafava's wife, in 2010 repaid a mortgage note and other indebtedness totally approximately $260,000 and held by Watertown Savings Bank ("WSB"). PHP's loan is secured by the same real property as the former WSB mortgage note.

On December 11, 2009, Mr. Scozzafava acquired a convertible debenture that was issued by SVCC to Clark E. Collins on March 30, 2009 for $100,000. Mr. Scozzafava acquired the debenture for $110,630.83.

**B. Legal/Disciplinary History**: None.

**C. Disclosure of Family Relationships**: Mr. Scozzafava's wife beneficially owns Series E Preferred Shares through her control of Seaway Capital, Inc.

**D. Disclosure of Related Party Transactions:** Pearl Han Productions, LLC ("PHP"), a limited liability company owned and operated by Mr. Scozzafava's wife, in 2010 repaid a mortgage note and other indebtedness totally approximately $260,000 and held by Watertown Savings Bank ("WSB"). PHP's loan is secured by the same property as the former WSB mortgage note repaid by PHP.

On December 11, 2009, Thomas Scozzafava acquired a $100,000 convertible debenture plus interest previously issued by SVCC on March 30, 2009 and held by Clark E. Collins. The secured convertible debenture was secured by real property owned by Mr. Scozzafava and that he acquired in 2001. Mr. Scozzafava acquired the note for approximately $110,600.

Seaway Capital Partners, LLC, a fund with numerous members including non-affiliated but related parties to Mr. Scozzafava, holds a Secured Convertible Debenture in SVCC of approximately $4.1 million. The terms of this Secured Convertible Debenture are available per the Securities and Exchange Commission filing dated June 2, 2009.

**XII. Most recent financial information.** See XIII below.

**XIII. Preceding two years of financial information.** See attached Exhibit.

**XIV. Beneficial Owners.**

Seaway Capital, Inc. (80%)
PO Box 725
Sackets Harbor, NY 13685
Control Officer/Shareholder: Pearl H. Ashcraft, Owner, President (Resident agent?)

**XV. The name, address, telephone number, and e-mail address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:**

**COUNSEL**: Chris Davies, Esq.
2234 N. Federa Highway Suite 300
Boca Raton, FL 33431
Telephone (561) 289-9780
chris@atlascapitalpartners.org

**XVI. Management's Discussion and Analysis or Plan of Operations**

Seaway Valley Capital Corporation is a venture capital and investment company. Seaway Valley focuses on equity and equity-related investments in companies that require expansion capital and in companies pursuing acquisition strategies. Seaway Valley will consider investment opportunities in a number of different industries, including retail, consumer products, restaurants, media, business services, and manufacturing. The Company will also consider select technology investments. Returns are intended to be in the form of the eventual share appreciation and dispossession of those equity stakes and income from loans made to businesses.

The capital we have raised to date resulted from contributions from the founders, proceeds from profitable securities transactions and the issuance of debt or other securities, of which some have the right to acquire shares of our common stock. To meet our financial obligations it is likely that Seaway will issue similar securities in the future.

Additionally, Seaway is positioning its operating subsidiaries in stand alone public entities that will help enable the subsidiaries to raise capital directly from third parties. These capital raises may dilute Seaway's respective ownership interests in its holdings, but may also provide a means of monetizing these holding in the future.

Seaway Valley Capital Corporation, Harbor Brewing Company, Inc., and WiseBuys, Inc. have each received offers for financing from Tangiers Partners and affiliated entities. These offers are contingent upon each company achieving reporting status with the Securities and Exchange Commission and effectuating S-1 registrations. Management is working diligently to achieve reporting status for all three companies and is working with securities counsel on the respective S-1 registrations. It is likely that Seaway Valley's status as a reporting company will be subsequent to those of Harbor Brewing Company, Inc. and WiseBuys, Inc.

**Result of Operations**

Fiscal Year Ended December 31, 2010 Compared with Fiscal Year Ended December 31, 2009

The Company's net sales increased to $3,021,166 from $2,694,489 for the fiscal year ended December 31, 2010. The increase in sales was the result of the increase in business at the brewing and restaurant operations.

Cost of goods sold were $1,195,597 in 2010 versus $1,137,981 in 2009 generating a gross profit of $1,825,569 in 2010 versus $ 1,556,509 in 2009.

Selling, general and administrative expenses were $1,922,426 in 2010 versus $1,685,661 for the year ended December 31, 2009. The decrease was primarily due to the reduction of overhead and other expenses from the closing of Patrick Hackett stores.

As a result of the foregoing, we incurred a loss from continuing operations of $304,013 in 2010 versus $359,031 in 2009.

Net results for the fiscal years of 2010 and 2009 was a loss of $3,190,292 and a loss of $1,873,439, respectively. The primary drivers for the losses were expenses relating to the forced liquidation of numerous Hackett stores and increased accrued interest expenses.

**Liquidity and Capital Resources**

Our operations have been funded to date primarily by loans (both bank loans and convertible debentures), contributions by our founders and their associates. The Company's current assets are insufficient to service all of the Company's debts. As a result, we may not have the capital resources necessary to carry on operations for the next year with continuing losses. In order to implement our business plan we will need substantial additional capital, including the funds associated with any of the Company's notes receivable outstanding.

The Company expects to fund its operations and capital expenditures from internally generated funds as well as additional outside capital, which may come in the form of equity or debt. The Company requires additional funds for continuance of operations and may seek to raise such additional funds through public and private equity financings or from other sources. However, management cannot assure you that additional financing will be available at all or that, if available, such financing will be obtainable on terms favorable to us or that any additional financing will not be dilutive.

Going Concern

The Company's ability to continue as a going concern is dependent upon achieving sales growth, reduction of operation expenses and ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due, and upon profitable operations. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

The Company intends to overcome the circumstances that impact its ability to remain a going concern through an increase of revenues, with interim cash flow deficiencies being addressed through additional equity and debt financing. The Company's ability to obtain additional funding will determine its ability to continue as a going concern. There can be no assurances that these plans for additional financing will be successful. Failure to secure additional financing in a timely manner and on favorable terms if and when needed in the future could have a material adverse effect on the Company's financial performance, results of operations and stock price and require the Company to implement cost reduction initiatives and curtail operations. Furthermore, additional equity financing may be dilutive to the holders of the Company's common stock, and debt financing, if available, may involve restrictive covenants, and may require the Company to relinquish valuable rights.

Future maturities of long-term debt obligations are as follows:

| Year Ending December 31 | Total |
|---|---|
| 2011 | 402,925 |
| 2012 | 262,270 |
| 2013 | 648,280 |
| 2014 | 600,677 |
| Thereafter | 2,920,442 |

**XVII. List of the securities offerings and shares issued for services in the last two years:**

NONE

**XVIII. Material Contracts:**

The Company has no material contracts that will be required of or performed by them that are not in the normal course of business

**XIX. Articles of Incorporation and Bylaws:**

Posted on OTC Markets website on July 26, 2010.

**XX. Purchases of Equity Securities by the Issuer and Affiliated Purchasers:**

There are no purchase of equity securities by or on behalf of the Company or any “Affiliated Purchaser” of shares or other units of any class of the Company’s equity securities.

**XXI. Issuer’s Certifications:**

I, Thomas W. Scozzafava, President and Director, certify that:

1. I have reviewed this initial disclosure statement of Seaway Valley Capital Corporation.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations, and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 21, 2011
/s/ Thomas W. Scozzafava
Thomas W. Scozzafava, Chairman & CEO

**SEAWAY VALLEY CAPITAL CORPORATION AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED BALANCE SHEET**
**AS OF DEC 31, 2010 and DEC 31, 2009**

| ASSETS | | 31-Dec-10 | | 31-Dec-09 |
|---|---|---|---|---|
| **Current assets:** | | | | |
| **Cash** | $ | 22,034 | $ | 287,421 |
| **Accounts receivable** | | 191,249 | | 347,793 |
| **Inventories** | | 130,672 | | 1,779,555 |
| **Notes receivable** | | 4,000,000 | | 1,749,092 |
| **Prepaid expenses and other assets** | | - | | 18,307 |
| **Refundable income taxes** | | - | | 79,505 |
| **Total current assets** | | 4,343,955 | | 4,261,674 |
| | | | | |
| **Property and equipment, net** | | 3,496,787 | | 10,261,439 |
| | | | | |
| **Other Assets:** | | | | |
| **Deferred financing fees** | | - | | 190,597 |
| **Investments** | | 116,822 | | 465,973 |
| **Other assets** | | - | | 79,335 |
| **Intercompany Investment** | | - | | - |
| **Excess purchase price** | | - | | 1,100,193 |
| **Security deposits** | | - | | 32,300 |
| **Total other assets** | | 116,822 | | 1,868,398 |
| | | | | |
| **TOTAL ASSETS** | **$** | **7,957,564** | **$** | **16,391,512** |
| | | | | |
| **LIABILITIES AND STOCKHOLDER'S EQUITY** | | | | |
| **Current liabilities:** | | | | |
| **Line of credit** | $ | 72,126 | $ | - |
| **Accounts payable** | | 295,494 | | 10,999,367 |
| **Accrued expenses** | | 213,435 | | 4,383,296 |
| **Current portion of long term debt** | | - | | 250,525 |
| **Convertible debentures - Current** | | 3,456,700 | | 3,456,700 |
| **Total current liabilities** | | 4,037,755 | | 19,089,888 |
| | | | | |
| **Long term debt, net of current** | | 2,235,298 | | 2,884,927 |
| **Convertible debentures, SVCC** | | 8,976,968 | | 8,988,148 |
| **Other liabilities** | | - | | 114,982 |
| **Convertible debentures, Subsidiaries** | | 283,855 | | - |
| **Due to related party** | | 95,213 | | 17,943 |
| | | | | |
| **Total liabilities** | | 15,629,089 | | 31,095,888 |
| | | | | |
| **Minority interest** | | - | | 2,812 |
| | | | | |
| **Commitments and contingencies** | | - | | - |
| | | | | |
| **STOCKHOLDERS' EQUITY** | | | | |
| **Series C voting preferred stock, $.0001 par value** | | 141 | | 141 |
| **Series D voting preferred stock, $.0001 par value** | | 88 | | 88 |
| **Series E voting preferred stock, $.0001 par value** | | - | | - |
| **Common stock, $0.0001 par value** | | - | | - |
| **Additional paid-in capital** | | 6,329,734 | | 10,800,159 |
| **Accumulated deficit** | | (14,001,487) | | (25,507,576) |
| **Total stockholders' equity (deficit)** | | (7,671,525) | | (14,707,188) |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$** | **7,957,564** | **$** | **16,391,512** |

**SEAWAY VALLEY CAPITAL CORPORATION AND SUBSIDIARIES**
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE 12 MONTHS ENDED DECEMBER 31, 2010 AND 2009**

| | 12 Months Ended 31-Dec-10 | 12 Months Ended 31-Dec-09 |
|---|---|---|
| **Revenue and third party income** | $ 3,021,166 | $ 2,694,489 |
| **Cost of revenue** | 1,195,597 | 1,137,981 |
| **Gross profit** | 1,825,569 | 1,556,509 |
| **Gain (loss) on sale of securities, net** | - | - |
| **Operating expenses:** | | |
| **Selling, general and administrative expenses** | 1,922,426 | 1,685,661 |
| **Impairment of goodwill** | - | - |
| **Total operating expenses** | 1,922,426 | 1,685,661 |
| **Operating loss (income)** | (96,856) | (129,152) |
| **Other income (expense):** | | |
| **Unrealized gain on derivative instruments** | - | - |
| **Interest expense** | (330,507) | (428,762) |
| **Interest income** | 103,000 | 103,000 |
| **Other income** | 20,350 | 95,883 |
| **Total other income (expense)** | (207,157) | (229,879) |
| **Loss from continuing operations** | (304,013) | (359,031) |
| **Discontinued operations** | | |
| **Gain on disposal of discontinued operations (net of tax)** | 785,632 | 263,525 |
| **Loss from discontinued operations (net of tax)** | (3,367,897) | (1,418,902) |
| **Total discontinued operations** | (2,582,265) | (1,155,377) |
| **Loss before provision for income taxes** | (2,886,278) | (1,514,408) |
| **Provision for deferred income taxes** | - | - |
| **Net loss** | (3,190,292) | (1,873,439) |

**SEAWAY VALLEY CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE PERIOD ENDED DECEMBER 31, 2010**

| | | Period Ended |
|---|---|---|
| | | 31-Dec-10 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Continuing Operations | | |
| Net loss from continuing operations | | (304,013) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | | 137,257 |
| Accrued interest | | 214,303 |
| Non cash investment | | - |
| Provision for deferred income taxes | | - |
| Change in assets and liabilities: | | |
| Accounts receivable | | 35,765 |
| Inventories | | 15,328 |
| Prepaid expenses and other assets | | 10,218 |
| Refundable income taxes | | - |
| Related party | | - |
| Other assets | | |
| Accounts payable | | 20,437 |
| Accrued expenses | | 15,328 |
| Other liabilities | | 5,109 |
| **Cash Provided by (Used in) Operating Activities** | | **149,731** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Cash paid for acquisition | | - |
| Purchase of property and equipment | | (49,344) |
| Purchase of investments | | - |
| Proceeds from note receivable | | - |
| Issuance of note receivable | | - |
| **Cash Used in Investing Activities** | | **(49,344)** |
| **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Net borrowings on line of credit | | - |
| Deferred financing fees | | - |
| Discounts paid | | - |
| Repayments of long term debt | | (649,629) |
| Proceeds from convertible securities | | 283,855 |
| Payments on convertible debentures | | - |
| **Cash Provided by Financing Activities** | | **(365,774)** |
| Net Increase (Decrease) in Cash | $ | (265,387) |
| Cash at Beginning of Period | $ | 287,421 |
| Cash at End of Period | $ | 22,034 |

**SEAWAY VALLEY CAPITAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**
**FOR THE PERIOF ENDED DECEMBER 31, 2010**

| | Series A Voting | | Series B Voting | | Series C Voting | | Series D Voting | | Series E Voting | | Common Stock | | Additional Paid-in Capital | Acc. Deficit | Total Stkhldrs Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| **Balance, January 1, 2009** | **-** | **-** | **-** | **-** | **1,407,736** | **141** | **881,065** | **88** | **100,000** | **10** | **2,744,523** | **274** | **15,265,333** | **(17,034,508)** | **(1,768,662)** |
| Exchange of preferred stock | - | - | - | - | (1,028,410) | (1,028) | - | - | - | - | - | - | (5,163,756) | - | (6,193,194) |
| Conversion of preferred stock | - | - | - | - | (38,879) | (39) | - | - | - | - | 615,000 | 62 | (54,000) | - | 522,144 |
| Conversions of debt | - | - | - | - | - | - | - | - | - | - | 627,303 | 627 | 567,333 | - | 1,195,263 |
| Warrants issued with debt | - | - | - | - | - | - | - | - | - | - | 10,000 | 100 | - | - | 10,100 |
| Preferred stock dividends of subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stock issued for compensation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stock issued for investment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | - | - | - | - | - | - | - | - | (8,472,839) | (8,472,839) |
| **Balance, December 31, 2009** | **-** | **-** | **-** | **-** | **340,447** | **(926)** | **881,065** | **88** | **100,000** | **10** | **3,996,826** | **1,063** | **10,614,910** | **(25,507,576)** | **(14,707,188)** |
| Exchange of preferred stock | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of preferred stock | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversions of debt | - | - | - | - | - | - | - | - | - | - | 272,587 | 410 | 408,984 | - | 681,981 |
| Warrants issued with debt | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Preferred stock dividends of subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Stock issued for compensation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Adjustment for Discontinued Ops | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,696,381 | 14,696,381 |
| Net loss | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,190,292) | (3,190,292) |
| **Balance, December 31, 2010** | - | **-** | **-** | **-** | **340,447** | **(926)** | **881,065** | **88** | **100,000** | **10** | **4,269,413** | **1,473** | **11,023,894** | **(14,001,487)** | **(7,671,525)** |

## NOTE 1 - CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair statement of the results of operations have been included. The results of operations for the three months ended December 31, 2010 are not necessarily indicative of the results of operations for the full year.

## NOTE 2 - GOING CONCERN

The financial statements have been prepared using accounting principles generally accepted in the United States of America applicable for a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. For the three months ended December 31, 2010, the Company has generated revenues of approximately $3.0 million but has incurred a net loss of over $2 million The Company also has a working capital deficit and has, in the past, been in default on some of its debt. Its ability to continue as a going concern is dependent upon achieving sales growth, reduction of operation expenses and ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due, and upon profitable operations. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

The Company intends to overcome the circumstances that impact its ability to remain a going concern through an increase of revenues, with interim cash flow deficiencies being addressed through additional equity and debt financing. The Company's ability to obtain additional funding will determine its ability to continue as a going concern. There can be no assurances that these plans for additional financing will be successful. Failure to secure additional financing in a timely manner and on favorable terms if and when needed in the future could have a material adverse effect on the Company's financial performance, results of operations and stock price and require the Company to implement cost reduction initiatives and curtail operations. Furthermore, additional equity financing may be dilutive to the holders of the Company's common stock, and debt financing, if available, may involve restrictive covenants, and may require the Company to relinquish valuable rights.

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Income Taxes*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At September 30, 2010, the Company had a full valuation allowance against its deferred tax assets.

### *Estimated Fair Value of Financial Instruments*

The Company's financial instruments include cash, accounts payable, long term debt, line of credit, convertible debt and due to related parties. Management believes the estimated fair value of cash, accounts payable and debt instruments at December 31, 2010 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments or the use of market interest rates for debt instruments. Fair value of due to related parties cannot be determined due to lack of similar instruments available to the Company.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

***Subsequent events***

Subsequent events were evaluated by management through December 31, 2010 which is date the financial statements were released.

***Net Loss per Common Share***

In accordance with SFAS No. 128, "Earnings Per Share," Basic loss per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company had de minimus warrants outstanding at December 31, 2010. The inclusion of the warrants and potential common shares to be issued in connection with convertible debt have an anti-dilutive effect on diluted loss per share because under the treasury stock method the average market price of the Company's common stock was less than the exercise prices of the warrants, and therefore they are not included in the calculation.

***Recently Issued Accounting Pronouncements***

In January 2010, the FASB issued an update to previously issued accounting standards for fair value measurements and disclosures. This update enhances disclosures for recurring and nonrecurring fair value measurements. An entity will be required to disclose the amounts of significant transfers in and out of Levels 1 and 2 and a description of the reasons for the transfers. Additionally, within the reconciliation of assets and liabilities measured at fair value using Level 3 inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements at their gross amounts instead of net. This amendment also provided clarification on the level of disaggregation of each class of assets and liabilities measured at fair value and the level of disclosure required for inputs and valuation techniques used to measure fair value for both recurring and nonrecurring assets and liabilities that fall in either Level 2 or Level 3. This amendment is effective for interim and annual reporting periods beginning after December 31, 2009, except for the disclosures related to the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The effects of adopting this guidance were not significant to the financial statements. The effects of adopting the amended standards effective for fiscal years beginning after December 15, 2010 are not expected to be significant to the consolidated financial statements.

In July 2010, FASB issued an update to previously issued accounting standards with regard to disclosures about the credit quality of financing receivables and the allowance for credit losses. This update is intended to provide additional information to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of its allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendments in this update encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. However, an entity should provide comparative disclosures for those reporting periods ending after initial adoption. The Company has evaluated the impact of the adoption of this guidance and intends to comply with the new disclosure requirements, beginning with the interim reporting period ending December 31, 2010.

## NOTE 4 – Property and Equipment, net

| | |
|---|---|
| Real Property - Good Fellos | $650,000 |
| Real Property - Cantina | 450,000 |
| Real Property – Corporate Offices | 550,000 |
| Real Property - Alteri Bakery | 587,500 |
| Real Property - Brew Pub | 559,475 |
| Equipment - Brew Pub | 394,160 |
| Equipment – Alteri Bakery | 275,578 |
| Equipment – Good Fellos | 100,000 |
| Equipment –Cantina | 75,000 |
| Equipment – Kegs | 75,750 |
| Other | 125,335 |
| Accumulated Depreciation | (335,105) |
| **Property and equipment, net** | **$3,507,693** |

## NOTE 5 – ACCRUED LIABILITIES

| | |
|---|---|
| Federal payroll deposits | 199,451 |
| Officer Loans | 57,341 |
| Blacktip | 37,152 |
| Seaway Valley Corp. | 22,000 |
| Spring Garden Foods | 14,686 |
| Accrued Interest Payable | 11,357 |
| Other | 21,406 |
| **Total accrued liabilities** | **$363,393** |

## NOTE 6 – DEBT

| | |
|---|---|
| Term loan bearing interest at 2.9% with monthly payments of $265 due 2013 secured by vehicle | 15,871 |
| Mortgage Loan with an interest rate of 5.00% with monthly payments of $748 issued on July 29, 2005 and due November 1, 2012. Mortgage secured by the assets of Harbor Acquisition, LLC and guaranteed by Christopher Swartz. | 29,762 |
| Mortgage Loan with an interest rate of 6.75% with monthly payments of $2,429 issued on November 24, 2004 and due December 1, 2024. Mortgage secured by the real property and permanently affixed assets of 212 W. Main St., Sackets Harbor, New York and guaranteed by Christopher Swartz. | 180,408 |
| Term Loan with an interest rate of 4.50% with monthly payments of $1,692 issued on October 21, 2005 and due November 1, 2012. Term Loan secured by the assets of 212 W. Main Street, Sackets Harbor, New York and guaranteed by Christopher Swartz, Stephen S. Flynn, Errol S. Flynn, Harbor Acquisition, LLC, Jreck Subs, Inc. | 67,937 |

| | |
|---|---|
| Term Loan with an interest rate of 4.50% with monthly payments of $3,036 issued on May 31, 2001 and due August 1, 2012. Term Loan secured by the real property of 202 West Main Street, Sackets Harbor, New York and guaranteed by Christopher Swartz, Stephen S. Flynn, Errol S. Flynn, Roseanne Flynn, ERS Group, Inc. | 56,711 |
| Mortgage Loan with an interest rate of 8.125% with monthly payments of $3,948 issued on December 16, 1998 and due August 1, 2027. Mortgage secured by the real property of 212 W. Main Street, Sackets Harbor, New York and guaranteed by Christopher Swartz, Stephen S. Flynn, Errol S. Flynn, Roseanne Flynn, Sackets Harbor Brewing Company, Inc. | 196,399 |
| Mortgage Loan with an interest rate of 7.75% with monthly payments of $3,276 issued on December 29, 1998 and due December 1, 2019. Mortgage secured by the real property of 981 Waterman Drive, Watertown, New York and guaranteed by Christopher Swartz, Stephen S. Flynn, Errol S. Flynn, Roseanne Flynn, Sackets Harbor Brewing Company, Inc. | 269,792 |
| Term Loan with an interest rate of 8.50% with monthly payments of $739 issued on July 27, 2007 and due July 1, 2012. Term Loan secured by the real property of 981 Waterman Drive, Watertown, New York and guaranteed by Christopher Swartz. | 26,935 |
| Mortgage Loan with an interest rate of 9.00% with monthly payments of $3,379 issued on February 24, 2005 and due January 1, 2035. Mortgage secured by the real property of 202 West Main Street, Sackets Harbor, New York. | 406,584 |
| Mortgage Loan with an interest rate of 8.00% with monthly payments of $3,669 issued on February 1, 2007 and due January 1, 2037. Mortgage secured by the real property of 213 West Main Street, Sackets Harbor, New York. | 497,253 |
| Alteri Family Promissory Notes with an interest rate of 8.25% with bi-monthly interest-only payments for three years and interest and principal thereafter; issued on July 16, 2007 and due July 16, 2012. | 212,376 |
| Mortgage Loan bearing interest at 5% with monthly payments of $790 due December 2019, secured by 981 Waterman Drive, Watertown, New York and guaranteed by Alteri Bakery, Inc., members of the Alteri family, North Country Hospitality, Inc. and Christopher Swartz. | 80,173 |
| Mortgage Loan bearing interest at 7% payable monthly in monthly installments of $1,284 due December 2019, secured by 981 Waterman Drive, Watertown, New York and guaranteed by Alteri Bakery, Inc., members of the Alteri family, North Country Hospitality, Inc. and Christopher Swartz. | 77,552 |
| Mortgage Loan bearing interest at 7% payable monthly in monthly installments of $1,282 due December 2019, secured by 981 Waterman Drive, Watertown, New York and guaranteed by Alteri Bakery, Inc., members of the Alteri family, North Country Hospitality, Inc. and Christopher Swartz. | 80,595 |
| Secured Promissory Note with an accrued interest rate of 10% issued on February 27, 2007 and due November 30, 2007. Note guaranteed by North Country Hospitality, Inc. | 75,000 |
| Secured Promissory Note with an interest rate of 10% payable monthly and issued on March 5, 2007 and due March 12, 2008. Note guaranteed by North Country Hospitality, Inc. | 200,000 |
| Promissory Note with an interest rate of 12% payable monthly and issued on April 1, 2005 and due April 1, 2007. Note guaranteed by North Country Hospitality, Inc. | 250,000 |

| | |
|---|---|
| Secured Promissory Note with an interest rate of 12% payable monthly and issued on April 21, 2005 and due April 21, 2007. Note guaranteed by North Country Hospitality, Inc. | 250,000 |
| Short Term Promissory Note with an accrued interest rate of 15% and issued on September 25, 2006 and due January 23, 2007. Note guaranteed by North Country Hospitality, Inc. | 200,000 |
| Note with an interest rate of 14% payable monthly and issued on June 1, 2006 and due June 1, 2008. Note guaranteed by North Country Hospitality, Inc., Ultimate Franchise Systems, and Christopher Swartz. | 125,000 |
| Secured Promissory Note with an interest rate of 14% payable monthly and issued on March 5, 2007 and due March 12, 2008. Note guaranteed by North Country Hospitality, Inc. | 150,000 |
| Secured Promissory Note with an interest rate of 12% payable monthly and issued on April 18, 2005 and due April 18, 2007. Note guaranteed by North Country Hospitality, Inc. | 125,000 |
| Term loan with an interest rate of 8.00% with monthly installments of $1,509 issued February 1, 2010 and due February 1, 2030. Term loan is secured by the real property and assets of 212 W. Main Street, Sackets Harbor, New York. | 258,000 |
| Notes payable non-interest bearing due July 31, 2009 | 215,000 |
| Term loan bearing interest at 2.9% with monthly payments of $358 due 2012 secured by vehicle | 16,863 |

**NOTE 7 - CONVERTIBLE DEBENTURES**

| | |
|---|---|
| Convertible debentures due on December 12, 2010 provide for interest at 7% per annum and are convertible at the lesser of (a) $0.10 per share or (b) 85% of the average 3 lowest Volume Weighted Average Prices ("VWAP") during the 20 trading days prior to the holder's election to convert. If the holder elects to convert a portion of the debenture and the VWAP is below $0.005, the Company shall have the right to prepay that portion of the debenture that the holder elected to convert, plus any accrued interest at 150% of such amount. | 1,132,000 |
| Convertible debentures due on May 1, 2011 provide for interest at 12% per annum and are convertible at the lesser of (a) $0.01 per share or (b) 50% of the average 3 lowest Volume Weighted Average Prices ("VWAP") during the 20 trading days prior to the holder's election to convert. | 4,113,640 |
| Convertible debenture for $500,000 due on September 18, 2012 provide for interest at 8% per annum and is convertible at the lesser of (a) $0.024 per share or (b) 90% of the closing market price for the day prior to the date of the holder's election to convert. | 415,000 |
| Convertible debentures due on demand provide for interest at 12% per annum and are convertible at the lesser of (a) $0.02 per share or (b) 90% of the closing market price for the day prior to the date of the holders' election to convert. | 880,181 |
| Convertible debenture due on December 10, 2010 provide for interest at 12% per annum and is convertible at the lesser of (a) $0.011 per share or (b) 75% of the lowest trade price on the 20 trading days previous to the conversion. | 229,000 |
| Convertible debentures due on November 30, 2010 provide for interest at 10% per annum | 450,000 |

| | |
|---|---|
| and are convertible at the lesser of (a) $0.01 per share or (b) 90% of the average 3 lowest Volume Weighted Average Prices ("VWAP") during the 20 trading days prior to the holder's election to convert. | |
| Convertible debenture of $600,00 due on December 30, 2008 provide for interest at 8% per annum and is convertible at 85% of the average closing market price for the 5 days prior to the date of the holder's election to convert. | 600,000 |
| Convertible debenture of $600,00 due on December 10, 2009 provide for interest at 8% per annum and is convertible at 85% of the closing market price for the 5 days prior to the date of the holder's election to convert. | 600,000 |
| Convertible debenture of $800,00 due on December 10, 2010 provide for interest at 8% per annum and is convertible at 85% of the closing market price for the 5 days prior to the date of the holder's election to convert. | 800,000 |
| Convertible debenture due on February 28, 2010 provide for interest at 12% per annum and is convertible at the lesser of (a) $0.01 per share or (b) 75% of the of the lowest volume weighted average prices during the 5 days immediately preceding the conversion date. | 1,909,259 |
| Convertible debenture due on September 30, 2010 provide for interest at 12% per annum and is convertible at the lesser of (a) $0.0007 per share or (b) 65% of the lowest closing market price for 5 days prior to the date of the holder's election to convert. | 65,000 |
| Convertible debenture of $100,000 due on August 31, 2011 provide for interest at 10% per annum and is convertible at the lesser of (a) $0.001 per share or (b) 65% of the lowest volume weighted average prices (“VWAP”) during the 5 trading days prior to the date of the holder's election to convert. | 100,000 |
| Convertible debenture due on August 31, 2011 provide for interest at 10% per annum and is convertible at the lesser of (a) $0.001 per share or (b) 65% of the lowest volume weighted average prices (“VWAP”) during the 5 trading days prior to the date of the holder's election to convert. | 100,000 |
| Convertible debenture of $75,000 due on October 9, 2011 provide for interest at 8% per annum and is convertible at the lesser of (a) $0.02 per share or (b) 90% of the closing market price for the day prior to the date of the holder's election to convert. | 75,000 |
| Convertible debenture due on September 15, 2011 provide for interest at 10% per annum and is convertible at the lesser of (a) $0.001 per share or (b) 65% of the closing market price for the day prior to the date of the holder's election to convert. | 100,000 |
| Convertible debenture due on July 31, 2013 provide for interest at 8% per annum and is convertible at the lesser of (a) $0.005 per share or (b) 75% of the closing market price for the day prior to the date of the holder's election to convert. | 423,174 |
| Convertible debenture due on July 31, 2013 provide for interest at 8% per annum and is convertible at the lesser of (a) $0.005 per share or (b) 75% of the closing market price for the day prior to the date of the holder's election to convert. | 34,000 |
| Convertible debenture of $100,000 due on July 10, 2013 provide for interest at 8% per annum and is convertible at the lesser of (a) $0.0008 per share or (b) 75% of the closing market price for the day prior to the date of the holder's election to convert. | 100,000 |
| Convertible debenture due on December 10, 2011 provide for interest at 10% the principal | 1,200,000 |

| | |
|---|---|
| sum at the effective date and is convertible at the lesser of (a) $0.01 per share or (b) 75% of the lowest market price in the 20 days prior to the date of the holder's election to convert. | |
| Convertible debenture of $205,668 due on June 1, 2010 provide for interest at 8% per annum and is convertible at the lesser of 65% of the average closing market prices for the 5 days prior to the date of the holder's election to convert. | 205,668 |
| Convertible debenture of $50,000 due on May 14, 2013 provide for interest at 8% per annum and is convertible at (a) 0.004 per share or (b) 75% of the closing market price for the day prior to conversion. | 50,000 |
| Convertible Promissory Note - On April 1, 2009, the Company issued Clark E. Collins a $100,000 13 1/3% Convertible Promissory Note for proceeds of $100,000. The Note, which is due January 1, 2010, is convertible into shares of the Company at a 15% discount to the market price of the share price at the time of conversion and is personally guaranteed by Thomas W. Scozzafava and secured with real property owned by Mr. Scozzafava. Mr. Scozzafava acquired this Note, plus accrued interest, in December 2009. | 100,000 |

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Thomas W. Scozzafava is Chairman, President, CEO, CFO and control person of the Company. Mr. Scozzafava has over 17 years experience in venture capital and buyout investing and has extensive capital markets experience.

Compensation has not been determined for the management or members of the board of directors. Currently the Company does not compensate Mr. Scozzafava.

During 2010, a company owned and operated by Mr. Scozzafava's wife, repaid a mortgage note and other indebtedness totally approximately $260,000 and held by Watertown Savings Bank ("WSB"). The loan is secured by the same property as the former WSB mortgage note repaid by her company and the shares of SHBC and Sackets Harbor Brew Pub, LLC.

On August 13, 2010, Mr. Scozzafava's wife acquired a convertible debentured originally issued to Business Development Consultants and issued on August 17, 2009 with a principal balance of $60,000 and secured by the Series A Preferred and Series B Preferred stock of the Company.

Seaway Capital Partners, LLC, a fund with certain members including non-affiliated but related parties to the Company's CEO, holds a Secured Convertible Debentures in HBWO of over $200,000 and secured by a stock pledge of the Series A and Series B Preferred shares held by North Country Operating Corp.

On December 17, 2010, Mr. Scozzafava's wife acquired 100% or $43,896 of an existing Promissory Note originally issued by Alteri Bakery, Inc. and Christopher M. Swartz to Ida Alteri on July 16, 2007, and $6,104 or 8% of an additional Promissory Note originally issued by Alteri Bakery, Inc. and Christopher M. Swartz to Ida Alteri on July 16, 2007 with a total principal balance of $78,867.

On October 1, 2010, Seaway Capital Partners, LLC and the Company exchanged debentures it acquired from a third party on March 3, 2010, April 21, 2010, May 14, 2010 and June 19, 2010 in aggregate amount of $25,000 for a new Convertible Debenture with a face amount of $25,000 with a warrant for the purchase of 6,000,000 shares of common stock on October 1, 2010 with strike price of $0.001 expiring on September 30, 2015.

On November 20, 2010, the Company issued a $15,000 convertible debenture in exchange for $15,000 of cash proceeds. The company utilizes such financings for working capital.

On December 17, 2010, Mr. Scozzafava's wife acquired 100% or $43,896 of an existing Promissory Note originally issued by Alteri Bakery, Inc. and Christopher M. Swartz to Ida Alteri on July 16, 2007, and $6,104 or 8% of an additional Promissory Note originally issued by Alteri Bakery, Inc. and Christopher M. Swartz to Ida Alteri on July 16, 2007 with a total principal balance of $78,867.

On December 20, 2010, Alteri Bakery, Inc. together with the affiliated companies North Country Operating Corp. and Seaway Valley Capital Corporation filed a complaint in New York State Supreme Court against Christopher M. Swartz, JRECK Subs, Inc., New York Bakery, Inc., Dan Patterson and Gary Baker (the "Alteri Lawsuit"). The Alteri Lawsuit was filed seeking damages from Mssrs. Swartz, Patterson and Baker and JRECK Subs, Inc. and New York Bakery for, among other things, breach of contract and fraud.

On December 31, 2010, the Company issued 800,000 of Series C Preferred Stock to Seaway Capital Partners, LLC for $30,000 and a Promissory Note of $3,970,000. The Promissory Note bears an interest rate of 8% and is payable in full by January 1, 2016. The Series C Preferred Stock has a face value of $5.00 per share.

**NOTE 9 - SUBSEQUENT EVENTS**

In February 2011 the Company's real estate subsidiary filed a complaint in State Supreme Court against JRECK Subs, Inc. for non-payment of rent totaling $36,000.

In February 2011, the Company entered into a Release and Settlement Agreement (the "Release") with Phoenix Capital Opportunity Fund, LP, Stephen Guarino and Thomas Guarino (the "North Country Creditors"). The North Country Creditors has previously filed a complaint in New York State Supreme Court against the Company, most of its subsidiaries and Thomas Scozzafava and Christopher Swartz.