(AMENDED)

SGD HOLDINGS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2011
&
DECEMBER 31, 2010

-Financial Principal's Letter Regarding Financial Statements

-2011 and 2010 Year-End Financial Statements and Accompanying Notes

CERTIFICATION

The financial information contained in this report is unaudited and is based upon present knowledge and belief. This information is believed to be correct and does not contain untrue statement of material fact and is in accordance with generally accepted accounting principles, consistently applied.

These financial statements and the notes hereto, fairly present in all material respects the financial condition, results of operations and cash flows for the two years ended December 31, 2011, and December 31, 2010, in conformity with generally accepted accounting principles in the United States, consistently applied.

The Issuer has duly caused this report to be signed and certified on its behalf by the undersigned, duly authorized, on this 18 Day of April, 2012.

/s/ Harry Johansing

Harry Johansing
President and Principal
Financial Officer

CROUCH & ASSOCIATES
1453 SOUTH MAJOR STREET
SALT LAKE CITY, UTAH 84115

April 18, 2012

Harry Johansing
President
SGD Holdings, Ltd.
1860 Eastman Ave.
Ventura, CA 93003

Dear Mr. Johansing,

I have compiled the accompanying consolidated balance sheets of SGD Holdings, Ltd. and its wholly-owned subsidiary (the "Company") as of December 31, 2010, and December 31, 2009, and the related consolidated statements of loss, changes in stockholders' deficit and cash flows for the years then ended in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

These financial statements have been prepared in accordance with United States generally accepted accounting principles.

I have participated in the decision making process regarding certain financial transactions and am therefore not independent.

/s/ Brent Crouch

Brent Crouch
April 18, 2012
Salt Lake City, Utah

SGD Holdings, Ltd.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

		December 31, 2011 (unaudited)		December 31, 2010 (unaudited)
ASSETS:				
Current Assets:				
Cash	$	6,408	$	23,238
Inventory (Note D)		101,012		166,452
Accounts receivable		5,476		5,040
Note receivable (Note H)		-		235,453
Total Current Assets		112,896		430,183
Plant, Property and Equipment (net)		27,049		37,599
Intangible assets (net)		2,222,245		2,281,505
Total Assets	$	2,362,190	$	2,749,287
LIABLIITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities:				
Accounts payable and accrued expenses	$	143,995	$	56,165
Note Payable - related party (Note F)		447,622		327,622
Note Payable, short-term (Note G)		489,000		310,000
Total Current Liabilities		1,080,617		693,787
Notes Payable, long-term		85,000		190,000
Contingencies and commitments (Note J)				
Total Liabilities	$	1,165,617	$	883,787
STOCKHOLDERS' DEFICIT				
Preferred stock, $.001 par value; 50,000 shares authorized 0 shares issued and outstanding,				
Common stock, $.0001 par value; 250,000,000 shares authorized; 86,523,044 and 88,856,377 issued and outstanding at December 31, 2011 and December 31, 2010		8,653		8,886
Additional paid-in Capital		3,140,910		3,091,510
Retained deficit		(1,952,990)		(1,234,896)
Total Stockholders' Deficit		1,196,573		1,865,500
Total Liabilities and Stockholders' Deficit	$	2,362,190	$	2,749,287

(The accompanying notes are an integral part of these financial statements.)

SGD Holdings, Ltd.
CONSOLIDATED STATEMENT OF LOSS
(unaudited)

	Year Ended			
	December 31, 2011		December 31, 2010	
Revenues	$	100,512	$	3,494,883
Cost of Goods Sold		99,159		3,228,139
Gross profit		1,353		266,744
Operating expenses:				
Selling, general and administrative expenses		327,242		351,322
Depreciation and amortization		70,312		70,072
Total operating expenses		397,554		421,394
Other income and expenses:				
Interest expense		86,440		57,300
Loss before tax and extraordinary items		(482,641)		(211,950)
Loss on write-off of Note Receivable		(235,453)		
Income tax expenses		-		-
Net loss	$	(718,094)	$	(211,950)
Net loss per common share	$	(0.01)	$	(0.00)
Weighted average common shares outstanding		97,189,710		76,538,277

(The accompanying notes are an integral part of these financial statements.)

SGD HOLDINGS, LTD.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

From July 1, 2009 to December 31, 2011

(unaudited)

	Preferred stoc		Common Stock				Additional		Deferred		
	Shares	Amount	Shares		Amount		Paid-in Capital		Consulting Contract		Retained Deficit
Balance at July 1, 2009	-	$ -	58,750,176	$	5,875	$	4,082,639	$	(1,575,000)	$	(571,231)
Consulting services									262,500		
Net loss for the six months ended December 31, 2009											(451,715)
Balance at December 31, 2009	-	$ -	58,950,176	$	5,895	$	4,082,639	$	(1,312,500)	$	(1,022,946)
Stock issued for services			5,808,333		581		115,586				
Conversion of note for common stock			7,000,000		700		6,300				
Stock issued for cash in a private placement			4,097,868		410		199,485				
Stock issued in good faith for the purchase of subsidiary			13,000,000		1,300						
Rescind consulting contract							(1,312,500)		1,312,500		
Net loss for the year ended December 31, 2010											(211,950)
Balance at December 31, 2010	-	$ -	88,856,377	$	8,886	$	3,091,510		-	$	(1,234,896)
Stock issued for services			2,000,000		200		39,800				
Conversion of note for common stock			11,000,000		1,100		9,900				
Recession of common stock upon termination of contracts			(15,333,333)		(1,533)		(300)				
Net loss for the year ended December 31, 2011											(718,094)
Balance December 31, 2011	-	$ -	86,523,044	$	8,653	$	3,140,910			$	(1,952,990)

(The accompanying notes are an integral part of these financial statements.)

SGD Holdings, LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Year ended December 31, 2011	Year ended December 31, 2010
Cash flows from operating activities:		
Net Income (Loss)	$ (718,094)	$ (211,950)
Adjustment to reconcile net loss to cash used in operations:		
Stock issued to pay expenses (company and affiliates)	42,165	116,167
Depreciation	70,312	70,072
Write-off Note Receivable	235,453	
Change in operation accounts:		
Accounts payable and accrued expenses	87,830	(86,037)
Notes payable - related party	120,000	120,000
Inventory	65,440	(84,241)
Accounts and Interest receivable	(436)	(4,597)
	(97,330)	(80,586)
Cash flows from investing activities:		
Purchase of assets	(500)	(700)
Eco Friends		(235,453)
	(500)	(236,153)
Cash flows from financing activities:		
Proceeds from the sale of common stock		199,895
Proceeds (payments) from loans - affiliates		
Proceeds from loans (net)	81,000	115,000
Payments on loans		
	81,000	314,895
Increase (decrease) in cash	(16,830)	(1,844)
Cash - Beginning of the year	23,238	25,082
Cash - End of the year	$ 6,408	$ 23,238

(The accompanying notes are an integral part of these financial statements.)

SGD HOLDINGS, LTD.
(Unaudited)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statement follows.

The consolidated financial statements include a company which is effectively controlled directly by the Parent Company, where control is defined as the power to govern the financial operation policies. This control is generally evidenced when the company directly or indirectly owns more than 50% of the voting rights of the company's share capital. Significant intercompany transactions have been eliminated in consolidation.

Inventory is valued at the lower of cost or market as of the respective balance sheet dates.

Business and Basis of Presentation

SGD Holdings, Ltd. was formed as a Delaware corporation on May 22, 1996 as Transun International Airways, Inc. Since the inception of the Company there have been two subsequent name changes to its current name, SGD Holdings, Ltd.

SGD Holdings was a development stage company with plans to establish itself as an air transport company providing nonscheduled air service or charter flights and then changed its business plan to a Holding company whereby acquired and operated several subsidiaries in the wholesale jewelry business, specifically in retail gold and silver.

The Company filed for Chapter 11 Reorganization under the United States Bankruptcy Code in the District of Delaware, Case No., 05-10182. The Company continued to manage its properties as "debtor-in-possession" under the jurisdiction of the Bankruptcy Court until June 2, 2005 when a Chapter 11 Trustee was appointed. In February of 2005, a motion was filed to transfer venue of the case from Delaware to the Northern District of Texas, Fort Worth Division. A new case number no. 05-42392-rfn-11) was assigned on March 4, 2005. All claims or liabilities of the company were settled with the creditors with a Motion for a Final Decree was filed on April 8, 2010.

On July 1, 2010, the Company acquired Eco Paper, a California corporation, for the issuance of Thirty-eight Million Five Hundred Thousand (38,500,000) shares of common stock. The transaction was valued at $1,942,283, at the time of the acquisition.

The Company operates as a holding company with its wholly-owned subsidiary; Eco Paper, Inc. Eco Paper has created proprietary techniques for producing paper by utilizing products that are considered waste by-products from natural fibers, such as banana and coffee trees. This process eliminates the need to cut down or destroy trees all round the world in order to produce paper products of all types.

The Company is in the processing of identify various industries that utilize paper products for their daily operations whether that is for copy paper, envelopes, napkins and even business cards to begin establishing accounts with the businesses.

NOTE A – SUMMARY OF ACCOUNTING POLICIES–(CONTINUED)

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the company considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Income Taxes

The Company has adopted Financial Accounting Standard No. 109 (SFAS 109) which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

Net Loss Per Common Share

The Company computes earnings per share under Financial Accounting Standard No. 128, "Earnings Per Share" (SFAS 128). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the year. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible preferred shares. During the years ended December 31, 2011, and December 31, 2010, common stock equivalents are not considered in the calculation of the weighted average number of common shares outstanding because they would be anti-dilutive, thereby decreasing the net loss per common share.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Revenue Recognition

Revenue for product sales is recognized at the time the product is shipped to or picked up by the customer.

Advertising

The Company follows the policy of charging the costs of advertising to expenses as incurred. For the years ended December 31, 2011, and December 31, 2010, advertising costs were not material to the statement of loss.

Liquidity

As shown in the accompanying financial statements, the Company has incurred a net loss of $(718,094) and $(211,950) during the years ended December 31, 2011, and December 31, 2010, respectively. As of December 31, 2011, the Company had working capital deficit of $(967,721).

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents and related party receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Stock Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and related interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the fair market value of the Company's stock at the date of the grant over the exercise price of the related option. The Company has adopted the annual disclosure provisions of SFAS No. 148 in its financial reports for the years ended December 31, 2011, and December 31, 2010.

Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130), establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, SFAS 130 requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company adopted SFAS 130 during the periods ended December 31, 2011, and December 31, 2010, and has no items of comprehensive income to report.

Segment Information

Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS 131) establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS 131 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions to allocate resources and assess performance. The information disclosed herein, materially represents all of the financial information related to the Company's principal operating segment.

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

SFAS No. 168. In June of 2009, the Financial Accounting Standards Board, ("FASB"), issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles-replacement of SFAS No. 162. No 168 established the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. No.168 explicitly recognizes rule and interpretive releases of the Securities and Exchange Commission (SEC) under federal securities laws issued for fiscal years and interim periods ending after September 15, 2009. The Company has adopted SFAS No. 168 and there was no impact on the Company's consolidated financial statements or results of operations.

SFAS No. 165. In May of 2009, the Financial Accounting Standards Board, ("FASB), issued SFAS No. 165, Subsequent Events No. 165 establishes general standards of accounting for, and requires disclosures of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009, and should be applied prospectively. The Company has adopted SFAS 165 and there was no impact on the Company's consolidated financial statements or results of operations.

NOTE B – ACQUISITION

On January 1, 2008, the Company entered into a purchase agreement ("Agreement") with Harry Johansing to acquire a 100% interest in Eco Paper, Inc., and issued 38,500,000 shares of common stock, par value of $0.0001, per share. The value of the transaction at the time was $1,942,283.

NOTE C - INVENTORY

Inventory consists of unsold merchandise purchased from retailers for re-sale on internet outlets. Inventory is valued at the lower of cost or market.

NOTE D – NOTES PAYABLE RELATED PARTY

At December 31, 2011, the Company had amounts payable to officers in the amount of $447,623. The notes are payable on demand and are non-interest bearing and is convertible into common stock, at the option of the note holder.

NOTE E – RELATED PARTY TRANSACTIONS

The Company has an agreement to purchase paper products from Costa Rica Natural Paper from time to time that is controlled by an officer of the Company.

NOTE F – NOTE PAYABLE

The Company entered into a Note with an accredited investor on October 30, 2007 and in the amount of $250,000. The note is due on September 30, 2010 with an interest rate of 6%, per annum with interest payments to begin on December 1, 2012.

NOTE F – NOTE PAYABLE-(CONTINUED)

The Company entered into a Convertible Note with an accredited investor on June 8, 2008 and in the amount of $25,000. The note was due on June 8, 2010 with an interest rate of 12%. Interest is due at the time of maturity of the note with the note balance at September 30, 2011, of $21,000.

The Company entered into a Note with an accredited investor on October 1, 2009 and in the amount of $35,000. The note is due on March 1, 2011 with an interest rate of 8%. Interest payments are to begin on November 1, 2011.

The Company entered into a Note with an accredited investor on March 9, 2010 and in the amount of $25,000. The note is due on March 9, 2012 with an interest rate of 20%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on May 18, 2010 and in the amount of $50,000. The note is due on May 18, 2012 with an interest rate of 20%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on June 15, 2010 and in the amount of $25,000. The note is due on June 15, 2012 with an interest rate of 20%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on July 15, 2010 and in the amount of $15,000. The note is due on July 15, 2012 with an interest rate of 20%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on February 17, 2011 and in the amount of $10,000. The note is due on February 17, 2013 with an interest rate of 20%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on March 14, 2011 and in the amount of $7,500. The note is due on March 14, 2013 with an interest rate of 18%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on April 26, 2011 and in the amount of $5,000. The note is due on April 26, 2013 with an interest rate of 18%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on June 2, 2011 and in the amount of $20,000. The note is due on June 2, 2013 with an interest rate of 18%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on July 11, 2011 and in the amount of $5,000. The note is due on July 11, 2013 with an interest rate of 18%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on September 7, 2011 and in the amount of $20,000. The note is due on September 7, 2013 with an interest rate of 15%. Interest is due at the time of maturity of the note.

NOTE F – NOTE PAYABLE-(CONTINUED)

The Company entered into a Note with an accredited investor on September 15, 2011 and in the amount of $10,000. The note is due on September 15, 2013 with an interest rate of 18%. Interest is due at the time of maturity of the note.

The Company entered into a Note with an accredited investor on October 18, 2011 and in the amount of $7,500. The note is due on October 18, 2013 with an interest rate of 15%. Interest is due at the time of maturity of the note.

NOTE G – NOTE PAYABLE-RELATED PARTY

At December 31, 2011 and December 31, 2010 the company had notes payable to officers/directors in the amount of $447,622, and $327,623. The note is due on demand with an interest rate of 8% and can be converted into common stock upon the note holder's option.

The Company entered into a Note with an accredited investor and affiliate of the Company in June 15, 2009 and in the amount of $75,000. The note is due on June 15, 2012 with an interest rate of 8% and can be converted into common stock upon the note holder's option.

NOTE H – NOTE RECEIVABLE

The Company made a loan in 2010 in the amount of $235,453 to EcoFriends. The company determined the note was uncollectible, and accordingly wrote-off the entire note as of December 31, 2011.

NOTE I – SHAREHOLDERS' DEFICIT

Common Stock:

The Company is authorized to issue 250,000,000 shares of common stock with a par value of $.0001 per share. As of December 31, 2011, and December 31, 2010, the Company has issued and has outstanding 86,523,044, and 88,856,377 shares of common stock.

Issuances of common stock during the quarter ended December 31, 2011:

The Company issued in November of 2011, 7,000,000 shares of common stock at $0.001, per share, for a partial conversion of notes payable.

Issuances of common stock during the 1st, 2nd, and 3rd qtrs. of calendar year, 2011:

The Company issued in March of 2011, 2,000,000 shares of common stock at $0.02 per share, to a consultant for services rendered.

The Company issued in January of 2011, 4,000,000 shares of common stock at $0.001, per share, for a partial conversion of a note payable.

Issuances of common stock during the calendar year, 2010:

The Company issued in October of 2010, 500,000 shares of restricted common at $0.02 per share, to a consultant for services rendered.

The Company sold in October of 2010, 400,000 shares of restricted common stock at $0.025, per share, to an accredited investor through a subscription agreement.

The Company issued in September of 2010, 10,000,000 shares of restricted common stock at, $0.001, per share to Ever Thrive for the purchase of Aclor, Inc.

The Company issued in September of 2010, 4,000,000 shares of common stock at $0.001, per share, for the partial conversation of notes payable.

The Company issued in September of 2010, 2,000,000 shares of restricted common stock at $0.001, per share, to a consultant for services rendered in the purchase of Aclor, Inc.

The Company issued in September of 2010, 1,000,000 shares of restricted common stock at $0.001, per share, to a consultant for services rendered in the purchase of Aclor, Inc.

The Company sold in September of 2010, 167,868 shares of restricted common stock at $0.059, per share, to an accredited investor through a subscription agreement.

The Company issued in August of 2010, 2,208,333 shares of restricted common stock at $0.02, per share, to a consultant for services rendered.

The Company issued in August of 2010, 1,000,000 shares of restricted common stock at $0.02, per share, to a consultant for services rendered.

The Company issued in August of 2010, 60,000 shares of restricted common stock at $0.0217, per share, to an accredited investor through a subscription agreement.

The Company sold in July of 2010, 3,300,000 shares of restricted common stock at $0.053 per share, to an accredited investor through a subscription agreement.

The Company sold in June of 2010, 170,000 shares of restricted common stock, at $0.0217, per share, to an accredited investor through a subscription agreement.

The Company issued in April of 2010, 2,000,000 shares of restricted common stock, at $0.01, per share, to a consultant for services rendered.

The Company issued in April of 2010, 100,000 shares of restricted common stock, at $0.001, per share, to a consultant for services rendered.

The Company issued in March of 2010, 3,000,000 shares of common stock at $0.001, per share, for the partial conversation of notes payable.

For additional information of Stockholder's Deficit, please see Note L-Other Matters of this report.

NOTE J–COMMITMENTS AND CONTINGENCIES

The Company entered into a Lease Agreement ("Lease") with Hammer-Hewson ("Landlord") on October 1, 2011, for the premises located at 1884 Eastman Ave., Ventura, CA, 93003. The premise governed by the lease is a free-standing retail space consisting of approximately 2,900 square feet. The Lease term is for two (2) years, with an Option for an additional two (2) year period and at the following monthly rate:

Base Years:
1884 Eastman Ave., from October 1, 2011 through October 1, 2013, $2,117.

The Lease was guaranteed by Harry Johansing.

Minimum future lease payments for the remainder of this calendar year 2011, is $6,352.

Rent expense totaled $9,480 and $10,351, respectively during the periods ended December 31, 2011, and December 31, 2010.

NOTE K-LEGAL

Since the filing of the Company's year-end statement for the period ended December 31, 2010, and its year-end statement for the period ended December 31, 2011, no material changes have occurred to the legal proceedings reported therein.

NOTE L – OTHER MATTERS

The Company rescinded the Purchase Agreement that was entered into with Aclor, Inc. on September 14, 2010, and canceled Thirteen Million, (13,000,000), shares of common stock that were issued in the Aclor, Inc. transaction due to non-performance by the Sellers. All shares were returned to Company treasurer.

The Company rescinded a partial conversation of notes payable and cancelled Three Hundred Thirty-three Thousand (333,333) shares of common stock at the request of the note holder. All shares were returned to the Company treasurer.

The Company rescinded a Consultant Agreement due to non-performance and cancelled Two Million, (2,000,000) shares of common stock. All shares were returned to the Company treasurer.

The Company changed transfer agents during the 4th Qtr. of calendar year 2011. The new Transfer Agent is Interwest Transfer Co., Inc. and they are located in Salt Lake City, Utah.

NOTE N - INCOME TAXES

The Company has adopted Financial Accounting Standard No. 109 which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Temporary differences between taxable income reported for financial reporting purposes and income tax purposes are insignificant.

At December 31, 2011, the Company has available for federal income tax purposes a net operating loss carry-forward of approximately $1,900,000, beginning to expire in the year 2024, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the profit status of the Company, the tax benefits will not be recognized until income is realized. Due to any significant changes in the Company's ownership, the future use of its existing net operating losses may be limited.

Components of deferred tax assets as of December 31, 2011, are as follows:

Non Current:	
Net operating loss carry forward	$1,900,000
Valuation allowance	(1,900,000)
Net deferred tax asset	$ --

NOTE O-GOING CONCERN

The accompanying consolidated statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements during the periods ended December 31, 2011, and December 31, 2010, the Company incurred losses from operations of ($718,094) and ($211,950), and has not obtained profitable operation under its current operating plan. This may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company's existence is dependent upon advances from its parent and affiliates, and the sale of additional investment stock, and management's ability to develop profitable operations. Management anticipates the Company will attain profitable status and improve its liquidity through the continued developing, marketing, and selling of its products, and additional equity investments in the Company. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern. In order to improve the Company's liquidity, the Company is actively pursuing additional equity financing through discussions with investment bankers and private investors. There can be no assurance the Company will be successful in its effort to secure additional equity financing. If operations and cash flows continue to improve through these efforts, management believes that the Company can continue to operate and achieve profitability. However, no assurance can be given that management's actions will result in profitable operations or the resolution of its liquidity problems.