

FIRST QUARTER 2013

OTC MARKETS GROUP
COREwafer Industries, Inc.
(Formerly Action Products International, Inc.)
(A Nevada Company)

QUARTERLY REPORT
As of March 31, 2013

All information in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of rule 15c2-11 (a) promulgated under the Securities and Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format set forth in the rule.

No Dealer, salesman or any other person has been authorized to give any information, or to make any representations, not contained herein in connection with the issuer. Such information or representations, if made, must not be relied upon as having been authorized by the issuer, and:

Delivery of this information file does not any time imply that the information contained herein is correct as of any time subsequent to the date first written above.

The undersigned hereby certifies that the information herein is true and correct to the best of their knowledge and belief.

Date: May 10, 2013

COREWAFER INDUSTRIES, INC.

By: /s/ Mr. Gary Polistena

Name: Mr. Gary Polistena

Position: CEO

Phone: (866) 793-1110

E-mail: gary.polistena@corewaferindustries.com

Web-Page: under construction

Item 1. The exact name of the issuer:

The exact name of the Issuer is COREwafer Industries, Inc. (formerly Action Products International, Inc.)

Item 2. Address of its principal executive offices:

Company Headquarters

419 Lafayette Street
Second Floor
New York, NY 10003
Phone: (866) 793-1110
Fax: (646) 861-6572
<http://www.corewaferindustries.com/>

IR Contact

Gary Polistena, CEO
419 Lafayette Street
Second Floor
New York, NY 10003
Phone: (866) 793-1110
Fax: (646) 861-6572
investor@corewaferindustries.com

Item 3. Security Information

Trading Symbol: WAFR
CUSIP: 21871B107
Par Value: \$.001

Exact Class and Title of Securities Outstanding:

	<u>12/31/2012</u>	<u>03/31/2012</u>	<u>03/31/2013</u>
Number of Shares Authorized – Common	150,000,000	150,000,000	150,000,000
Number of Shares Authorized –	25,000,000	25,000,000	25,000,000
Number of Shares Outstanding – Common	76,696,390	28,855,045	76,696,390
Number of Shares Outstanding – Pref. Ser. A	175,000	175,000	175,000
Number of Shares Outstanding – Pref. Ser. B	14,274,411	-0-	14,274,411
Freely Tradable Shares – Common	17,628,341	16,191,417	17,828,761
Total Number of Shareholders of Record	178	178	179

Transfer Agent

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016
Phone: (908)497-2300

The transfer agent is registered under the Exchange Act.

Certain common shares have been issued with restrictive legend.

There have been no trading suspension orders issued by the SEC in the past 12 months.

Item 4. Issuance History

A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);

On September 17, 2011 the issuer filed a Form D Notice of Exempt Offering of Securities for the sales of its common stock under Rule 504 (b)(1)(ii) and Rule 504 (b)(1)(iii).

During the year ended December 31, 2011, the Company received \$241,530 from the sale of 2,066,661 shares of common stock.

On January 5, 2012, the Company issued 150,000 shares of common stock at \$0.07 per share for total proceeds of \$10,500.

On January 5, 2012, the Company issued 357,000 shares of common stock at \$0.06 per share for total proceeds of \$20,000.

On January 24, 2012, the Company issued 1,000,000 shares of common stock at \$0.05 per share for total proceeds of \$50,000.

On February 9, 2012, the Company issued 56,000 shares of common stock at \$0.089 per share for total proceeds of \$5,000.

On February 15, 2012, the Company issued 62,500 shares of common stock at \$0.08 per share for total proceeds of \$5,000.

On February 17, 2012, the Company issued 300,000 shares of common stock at \$0.067 per share for total proceeds of \$20,000.

On March 19, 2012, the Company issued 1,000,000 shares of common stock at \$0.06 per share for total proceeds of \$60,000.

On March 26, 2012, the Company issued 400,000 shares of common stock at \$0.075 per share for total proceeds of \$26,350.

On April 10, 2012, the Company issued 400,000 shares of common stock at \$0.05 per share for total proceeds of \$20,000.

On June 11, 2012, the Company issued 300,000 shares of common stock at \$0.066 per share for total proceeds of \$20,000.

On September 7, 2012, the Company issued 1,500,000 shares of common stock at \$0.01 per share for total proceeds of \$15,000.

On October 14, 2012, the Company issued 663,716 shares of common stock at \$0.01 per share for total proceeds of \$15,000.

B. Any jurisdictions where the offering was registered or qualified;

C. NEW YORK

D. The number of shares offered; N/A

E. The number of shares sold; 8,255,877

F. The shares were offered at a discount off market; total proceeds paid to the issuer/company was \$508,380; no

commissions were paid for the sale of these shares

- G. The shares were offered at a discount off market; total proceeds paid to the issuer/company was \$508,380; no commissions were paid for the sale of these shares
- H. The trading status of the shares; and the shares are free trading
- I. The Rule 504 shares were issued without restrictive legend

Authorized

The Company is authorized to issue 150,000,000 shares of \$0.001 par value common stock and 50,000,000 shares of \$0.001 par value preferred stock. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The preferred shares may be issued in series, with the powers, rights and limitations of the preferred shares to be determined by the Board.

On January 3, 2012 the Florida Secretary of State accepted for filing a Certificate of Amendment increasing the Company's authorized common stock from 25,000,000 with a par value of \$0.001 to 150,000,000 with a par value of \$0.001, and to increase the Company's authorized preferred stock from 10,000,000 to 50,000,000 with a par value of \$0.001. The amendment was approved by the shareholders and directors on December 28, 2011.

On April 19, 2012, the Board of Directors adopted and approved a resolution to amend the Articles of Incorporation of the Company to establish the designations, powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions of the shares of Series B Convertible Preferred Stock of the Company. Twenty Million (20,000,000) shares of the authorized shares of preferred stock were thereby designated "Series B Convertible Preferred Stock" (Series B Stock) at a par value of \$0.001 per share.

Stock-Based Compensation – Common Stock

In July 2011, the Company issued 650,000 shares of common stock valued at \$39,000 as compensation to a financial advisor for services rendered in connection with the sale of the Company's common stock. The shares were valued at the closing bid price for the Company's common stock on July 5, 2011, the date of issuance of the shares sold and the incurrence of the liability to the financial advisor per agreement. This amount was recorded as an offset to additional paid in capital.

Common stock issued for services to directors and an independent consultants.

The Company issued an aggregate 4.6 million restricted shares of common stock to four board members and an independent consultant during 2010. The fair value of equity instruments exchanged for services rendered was taken at the date of issuance. Shares were unvested and issued upon the signing of the individual agreement and were therefore expensed in the period incurred. The shares were valued at \$278,000 based on the date of issue and recorded as operating, sales and administrative expenses in the consolidated statement of operations for the year ended December 31, 2010.

On January 5, 2012, the Company issued 200,000 shares of restricted common stock valued at \$28,000 to two consultants for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On January 12, 2012, the Company issued 500,000 shares of restricted common stock valued at \$65,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On January 24, 2012, the Company issued 200,000 shares of restricted common stock valued at \$28,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On January 26, 2012, the Company issued 333,333 shares of restricted common stock valued at \$30,000 to a consultant for financing services. The stock is being expensed over the terms of the consulting agreements.

On January 30, 2012, the Company issued 650,000 shares of restricted common stock valued at \$28,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On February 12, 2012, the Company issued 50,000 shares of restricted common stock valued at \$7,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On February 12, 2012, the Company issued 766,900 shares of restricted common stock valued at \$37,866 to two Board Members as Board Compensation. The stock is being expensed as incurred.

On March 15, 2012, the Company issued 200,000 shares of restricted common stock valued at \$38,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On April 30, 2012, the Company issued 1,886,792 shares of restricted common stock valued at \$207,547 to a company for financing fees in connection with a financing arrangement. The stock is being expensed over the terms of the agreement.

On September 24, 2012, the Company issued 643,100 shares of restricted common stock valued at \$50,601 to three Board Members as Board Compensation. The stock is being expensed as incurred.

On September 24, 2012, the Company issued 250,000 shares of restricted common stock valued at \$35,000 to an employee as compensation. The stock is being expensed over the term of the employment agreement.

On September 24, 2012, the Company issued 675,000 shares of restricted common stock valued at \$48,500 to consultants for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On October 10, 2012, the Company issued 1,000,000 shares of restricted common stock at \$0.021 per share for the reduction of debt.

On October 25, 2012, the Company issued 38,948,345 shares of restricted common stock valued at \$1,975,695 for the acquisition of Core Wafer Systems, Inc., a wholly owned subsidiary.

On October 26, 2012, the Company issued 1,444,444 shares of restricted common stock valued at \$250,000 to a company for financing fees in connection with a financing arrangement. The stock is being expensed over the terms of the agreement.

On November 27, 2012, the Company issued 200,000 shares of restricted common stock valued at \$6,000 to a consultant for management and marketing services. The stock is being expensed over the term of the consulting agreement.

On December 31, 2012, the Company issued 666,667 shares of restricted common stock valued at \$20,000 to a Board Member as Board Compensation. The stock is being expensed as incurred.

On December 31, 2012, the Company issued 200,000 shares of restricted common stock valued at \$6,000 to a consultant for management and marketing services. The stock is being expensed over the term of the consulting agreement.

Stock-Based Compensation – Preferred Stock

On May 30, 2012, the Company issued 654,429 shares of Series B preferred stock valued at \$91,620 to its board members as compensation for service to the Board of Directors.

On May 30, 2012, the Company issued 1,500,000 shares of Series B preferred stock valued at \$210,000 to its employees as a part of their compensation package.

On May 30, 2012, the Company issued 518,889 shares of Series B preferred stock valued at \$72,644 to consultants for legal, marketing and management services.

On May 30, 2012, the Company issued 515,000 shares of Series B preferred stock in connection with the acquisition of Northeast Expedite Logistics, LLC (NEEL).

On June 30, 2012, the Company issued 100,000 shares of Series B preferred stock to its board chairman as compensation for service to the Board of Directors.

On June 30, 2012, the Company issued 100,000 shares of Series B preferred stock valued at \$12,000 to a consultant for marketing and management services.

On October 25, 2012, the Company issued 10,486,093 shares of Series B preferred stock valued at 524,305 for the acquisition of Core Wafer Systems, Inc., a wholly owned subsidiary.

On December 31, 2012, the Company issued 200,000 share of Series B preferred stock valued at \$12,000 to consultants for marketing and management services.

On December 31, 2012, the Company issued 100,000 shares of Series B preferred stock to its board chairman as compensation for service to the Board of Directors.

On December 31, 2012, the Company issued 100,000 shares of Series B preferred stock valued at \$14,000 to a consultant for marketing and management services.

Item 5. Interim Financial Statements

The Company's interim financial statements are attached at the end of this Quarterly filing as Exhibit A.

CONSOLIDATED FINANCIAL INFORMATION

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Consolidated Balance Sheets as of March 31, 2013 and March 31, 2012 (unaudited)	12
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Consolidated Statements of Cash Flows as of March 31, 2013 and March 31, 2012 (unaudited)	14
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Item 6. Management's discussion and analysis or plan of operation

Originally incorporated in New York in 1977, the company relocated its operations and state of incorporation to Florida in 1980. In 1984 the company went public on the NASDAQ stock market. The company began as a distributor of education-oriented toys, children's books, stationery and souvenirs, supplying to museum gift shops exclusively.

In 1997, the company shifted focus from being a distributor of other manufacturers' toys, gifts, souvenirs, promotional premiums and published products towards the development, establishment and distribution of our own proprietary brands and products. In 2001, the company shifted to a manufacturer model and licensed products to other entities as a principal source of income. Historically, the principal source of revenues had been the sale of products to retailers.

In 2008, the company began restructuring and in 2009 exited the toy business.

In 2010, the company temporarily relocated the corporate office to New York and changed its focus from toy manufacturer/distributor to a holding company whose focus is to acquire and manage business with strong growth potential across various industries.

In 2011 the company completed its first acquisition. Northeast Expedite Logistics, LLC, was completed December 29, 2011. The Company completed its acquisition of Core Wafer Systems, Inc. October 25, 2012.

The Issuer's primary and secondary SIC codes are:

551114 – Holding companies that manage
541511 – Software development and sales
484120 – Trucking

Products and Services:

COREWAFER INDUSTRIES, INC. (WAFR) is a holding company headquartered in New York, NY, that currently oversees and manages two subsidiary companies across various industries. The goal of WAFR is to strategically acquire businesses with strong growth potential and a solid business plan in various industries including consumer goods, software and technology, and telecom.

CORE WAFER SYSTEMS, INC. (CWS), the wholly owned subsidiary of CoreW afer Industries, Inc. (WAFR), Core Wafer Systems, Inc. creates proprietary software, software algorithms, and hardware that is used in the testing and data mining of the most commonly used computer hard drives, memory, and magnetics; as well as other advanced magnetic, semiconductor and nanotechnology-based device components. Core Wafer technology is capable of performing in-parallel measurements allowing customers to test components many times faster than a non-parallel process. Core Wafer ensures these components, created by leading semiconductor manufacturers, leave the factory in a working state after having been tested and proven. Core Wafer helps ensure that products are manufactured within specification and won't suddenly fail for the end consumer.

CWS is a technology leader in the semiconductor testing vertical with software that allows measurement and reporting of characteristics of the quality of how semiconductors have been manufactured. Advanced semiconductor testing is a critical part of the manufacturing lifecycle because manufacturers wish to ensure that they have a low failure rate of the components they create. CWS builds advanced test solutions for engineering and manufacturing to verify devices are being made correctly, Reliability tests to predict when the device will fail during usage, and Characterization tests to verify the manufacturing operation is building the device according to the engineered specification. We do these tests with our intellectual property called WLR – W afer Level Reliability.

WLR is a form of testing beyond DC (electrical) parametric testing that allows semiconductor test engineers to determine process integrity and quality. WLR testing can, in many instances, replace packaged-component tests to predict semiconductor reliability. We have developed a unique WLR technology that is Predictive, Demonstrated, and Quantitative (PDQ). Our complete solution has been applied to PDQ tests with superior results and dramatic cost savings.

CWS has an install base of over 800 clients and 1,500 installed systems on HP, Keithley, and Agilent Test hardware. With new versions of critical software near completion in our PDQ product line, customers are expected to need to upgrade over the next 12 months due to End-Of-Life support and desire to utilized advanced features. CWS expects revenue growth matching our customer upgrade cycle and will be funding additional R&D efforts to deliver semiconductor testing features requested by some of our large manufacturing clients. Our goal is to supply the industry leading semiconductor testing software solutions to the semiconductor fabrication facilities across the world.

The targeted industry is the traditional semiconductor manufacturers of computer chip and circuits. Historically, these manufacturers test their post-manufactured components with either Hewlett Packard or Agilent high volume manufacturing testers, mixed-instrumentation, or custom hardware. Our software solution utilizes the hardware created by HP or Agilent, and we deliver test harnesses and characterization tests not supplied by the hardware vendors.

Core Wafer Systems has three main product lines:

PDQ-WLR – Wafer Level Reliability

Over the last several years, Wafer Level Reliability (WLR) has become the method of choice to reduce the high costs and lengthy test times of traditional reliability testing. WLR can give quick and accurate feedback on any reliability degradation created through process modifications, equipment changes, or production variations. Thus, WLR reduces reliance on traditional burn-in and life test. WLR achieves this by applying stresses greater than normal operating conditions to special structures on the wafer (as The Reliability Challenge opposed to packaged parts). WLR has the advantage of providing reliability information in minutes (or even seconds) that previously took months to obtain. WLR provides a solution to reduce integrated circuit development, qualification, and production cycles without sacrificing quality and reliability. This

package consists of a complete set of Joint Electron Device Engineering Council (JEDEC) and American Society for Testing Methods (ASTM) compliant test algorithms PDQ-WLR is a sophisticated wafer level reliability test software package. When used in conjunction with our fast and accurate 40 structure FAB test structures, it yields the most repeatable and interpretable wafer-level reliability data anywhere. PDQ-WLR software contains more than 30 algorithms and tests for complete reliability failure mechanisms coverage including electromigration (including contacts, vias & stress voids), oxide breakdown, hot carrier degradation, plasma damage, self-heating mobile ions as well as characterization of interface states and trapped charge. These techniques are being used for fast Cu/low-k characterization at Applied Materials, for low-k modeling at IBM and have been purchased by the top semiconductor companies worldwide. Support is provided for the Agilent 4070 series and 4062UX testers under Agilent SPECS or a standalone RMB environment.

ASUR SDR – Single Device Reliability

This product provides a PC and instruments-based solution for single device-at-a-time reliability testing with modest equipment investment using proven reliability test algorithms. SDR is a high-performance, low-cost, accelerated reliability and parametric solution for single-site testing that incorporates the proven accelerated techniques of Core Wafer Systems PDQ-WLR using instruments-based solutions. This software was previously packaged as part of an offering from Agilent Technologies sold under the name ASUR SDR, which is part of the ASUR scalable set of solutions: one hardware, one software, from instruments to system testers. The solution is now sourced solely from CoreWafer Systems.

The ASUR SDR software suite provides an environment in which users can test semiconductor wafers by using the JEDEC compliant PDQ-WLR algorithm library. PDQ-WLR, now in its sixth generation, is a Predictive, Demonstrated and Quantitative methodology used in Production, Development and Qualification testing of semiconductor manufacturing processes. The easy-to-use ASUR SDR software suite comes equipped with PDQ-WLR and added features necessary for the reliability assessment of advanced technological nodes.

Logistics & Transportation: Northeast Expedite Logistics, LLC (“NEEL”) a provider of global logistics services utilizes the services of non-exclusive agents for the delivery of goods. We provide foundational shipping and coordination services between suppliers and destination businesses and warehouses, and we operate efficiently through cloud based tracking and E-logistics. With industrial production increasing year-over-year, the shortage of qualified drivers and trusted shipping partners has affected the mid-markets for local deliveries. As the economy improves, orders for delivery and logistics will increase.

Item 7. Facilities

The organization does not currently maintain a “brick and mortar” presence. Virtual offices are being maintained on a month to month rental basis for both the CEO in New York, and the CFO in Florida. The subsidiary CWS operates out of shared office space located in Waseca, MN which is owned, in part, by a related party. CWS does not currently pay rent for the space. Employees and consultants work from home-based offices.

Item 8. Officers, Directors, and Control Persons

A.

Name	Position with Company
Gary Polistena	Chief Executive Officer
Teresa McWilliams	Chief Financial Officer
Lt. General Thomas Stafford	Chairman
Yonghun Kim	Director
Donald Bennett	Board Advisor
Roger Goetz	Beneficial Owner

B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

- a. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

NONE

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

NONE

- c. A 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, which finding or judgment has not been reversed, suspended, or vacated; or

NONE

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

NONE

C. Beneficial shareholders:

Roger Goetz
212 15th Avenue NE
Waseca, MN 56093

(Beneficially owns 53.79% of combined total of outstanding common and Series B Preferred shares)

Item 9. Third Party Providers

Legal Counsel:

Matthew McMurdo, Esc.

Attorney at Law

140 W 57th Street, Suite 6D

New York, NY 10019

Phone: (917) 318-2865

Email: matt@nannaronelaw.com

Accountant/Auditor:

Ferey Kian

Kian Finance Authority

2012 Hollywood Blvd, Ste B

Hollywood, FL 33020

Phone: (954) 399-8980

Email: info@fkianfa.com

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Item 10. Issuer Certifications

I, GARY POLISTENA, certify that:

1. I have reviewed this Quarterly Disclosure Statement of COREWAFER INDUSTRIES, INC.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 10, 2013

/s/ Gary Polistena

[Signature]

Chief Executive Officer

[Title]

I, TERESA McWilliams, certify that:

1. I have reviewed this Quarterly Disclosure Statement of COREWAFER INDUSTRIES, INC.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 10, 2013

/s/ Teresa McWilliams

[Signature]

Chief Financial Officer

[Title]

Exhibit A

SUPPLEMENTAL INFORMATION

CONSOLIDATED FINANCIAL INFORMATION

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Condensed Consolidated Balance Sheets as of March 31, 2013 and 2012 (unaudited)	12
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COREWAFER INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
	(Unaudited)	(Unaudited)
Current Assets		
Cash	\$ 4,066	\$54,305
Accounts receivable	93,504	5,000
Prepaid expenses and other current assets	<u>727,337</u>	<u>450,546</u>
Total current assets	824,910	509,852
Other Assets	13,451,778	138,536
Fixed Assets, net	<u>62,382</u>	<u>429,452</u>
Total assets	<u>\$ 14,339,066</u>	<u>\$ 1,077,839</u>
Current Liabilities		
Accounts payable and accrued expenses	\$1,164,893	\$ 297,283
Short-term loans and notes payable	<u>738,158</u>	<u>13,500</u>
Total current liabilities	1,903,051	310,783
Long Term Notes Payable	4,421,146	728,342
Commitments and Contingencies	<u>574,741</u>	<u>547,741</u>
Total Liabilities	6,898,938	1,613,866
Shareholders' Deficit		
Preferred stock, \$.001 par value; 25,000,000 shares authorized; 175,000 shares issued and outstanding at March 31, 2013 and March 31, 2012	175	175
Common stock, \$.001 par value; 175,000,000 shares authorized; 76,969,390 and 28,855,045 issued and outstanding March 31, 2013 and March 31, 2012	76,969	28,855
Treasury stock, \$.001 par value; 141,000 and 241,000 shares authorized at March 31, 2013 and March 31, 2012	(241)	(141)
Additional paid-in-capital	6,918,142	12,912,818
Unearned compensation costs	(49,246)	(49,246)
Stock Dividend	(92,685)	(92,685)
Accumulated deficit	<u>(15,670,592)</u>	<u>(13,335,803)</u>
Total shareholders' equity/deficit	<u>7,440,129</u>	<u>(536,027)</u>
Total liabilities and shareholders' equity	<u>\$ 14,339,066</u>	<u>\$ 1,077,839</u>

See accompanying notes to condensed consolidated financial statements

COREWAFER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended	
	March 31,	
	2013	2012
Gross Sales	\$ 135,450	\$ 118,544
Cost of Sales	47,400	20,964
Net Sales	\$ 88,050	\$ 97,580
Operating expenses		
Marketing and advertising	-	19,744
General and administrative	92,505	622,523
Total operating expenses	92,505	642,267
Loss from operations	(4,455)	(544,686)
Net Loss	\$ (4,455)	\$ (544,686)

See accompanying notes to condensed consolidated financial statements

COREWAFER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	March 31, 2013	March 31, 2012
Cash flows from operating activities:		
Net income	(4,455)	(544,686)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Depreciation	-	24,626
Amortization	-	-
Cash provided by (used for):		
(Increase) decrease in assets		
Accounts receivable	(90,450)	8,171
Prepaid expenses	9,202	(17,187)
Other assets	47,400	(76,147)
Increase (Decrease) in liabilities		
Accounts payable	319,344	678
Accrued expenses	<u>60,000</u>	<u>60,678</u>
Net cash provided by (used in) for operating activities	341,042	(544,367)
Cash flows from investing activities:		
CWS development costs	<u>(13,500)</u>	-
Net cash used in investing activities	(13,500)	
Cash flows from financing activities:		
Decrease in Notes Payable	<u>(326,297)</u>	<u>(12,500)</u>
Net cash provided by (used in) financing activities	(326,297)	581,687
Net increase in cash	1,245	37,320
Cash, beginning of year	<u>2,821</u>	<u>16,985</u>
Cash, end of year	<u>\$ 4,066</u>	<u>\$ 54,305</u>
Non-cash activities		
Share based compensation	\$69,270	\$287,710

See accompanying notes to condensed consolidated financial statements

COREWAFER INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended March 31, 2012
(unaudited)

	Preferred Stock		Common Stock		Treasury Stock		Unearned		Additional		Total
	\$.001 Par Value		\$.001 Par Value		\$.001 Par Value		Comp	Stock	Paid-In	Retained	Shareholders'
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Cost</u>	<u>Dividend</u>	Capital	Earnings	Equity
Balance @ December 31, 2012	14,530,523	\$ 14,530	76,969,396	\$ 76,969	-	\$ (241)	\$ (49,246)	\$ (92,685)	\$22,634,952	\$ (15,666,137)	\$ 6,918,142
Net Loss										\$ (4,455)	
Balance @ March 31, 2013	14,530,523	\$ 14,530	76,969,396	\$ 76,969	-	\$ (241.00)	\$ (49,246)	\$ (92,685)	\$22,634,952	\$ (15,670,592)	\$ 6,918,142

See accompanying notes to condensed consolidated financial statements

COREWAFER INDUSTRIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL ORGANIZATION AND BUSINESS

COREWAFER INDUSTRIES, INC. (WAFR) is a holding company headquartered in New York, NY, that currently oversees and manages two subsidiary companies across various industries. The goal of WAFR is to strategically acquire businesses with strong growth potential and a solid business plan in various industries including consumer goods, software and technology, and telecom.

Originally incorporated in New York in 1977, the company relocated its operations and state of incorporation to Florida in 1980. In 1984 the company went public on the NASDAQ stock market. The company began as a distributor of education-oriented toys, children's books, stationery and souvenirs, supplying to museum gift shops exclusively.

In 1997, the company shifted focus from being a distributor of other manufacturers' toys, gifts, souvenirs, promotional premiums and published products towards the development, establishment and distribution of our own proprietary brands and products. In 2001, the company shifted to a manufacturer model and licensed products to other entities as a principal source of income. Historically, the principal source of revenues had been the sale of products to retailers.

In 2008, the company began restructuring and in 2009 exited the toy business.

In 2010, the company temporarily relocated the corporate office to New York and changed its focus from toy manufacturer/distributor to a holding company whose focus is to acquire and manage business with strong growth potential across various industries.

In 2011 the company completed its first acquisition. Northeast Expedite Logistics, LLC, was completed December 29, 2011. The Company completed its acquisition of Core Wafer Systems, Inc. October 25, 2012.

CORE WAFER SYSTEMS, INC. (CWS), the wholly owned subsidiary of CoreWafer Industries, Inc. (WAFR), Core Wafer Systems, Inc. creates proprietary software, software algorithms, and hardware that is used in the testing and data mining of the most commonly used computer hard drives, memory, and magnetics; as well as other advanced magnetic, semiconductor and nanotechnology-based device components. Core Wafer technology is capable of performing in-parallel measurements allowing customers to test components many times faster than a non-parallel process. Core Wafer ensures these components, created by leading semiconductor manufacturers, leave the factory in a working state after having been tested and proven. Core Wafer helps ensure that products are manufactured within specification and won't suddenly fail for the end consumer.

CWS is a technology leader in the semiconductor testing vertical with software that allows measurement and reporting of characteristics of the quality of how semiconductors have been manufactured. Advanced semiconductor testing is a critical part of the manufacturing lifecycle because manufacturers wish to ensure that they have a low failure rate of the components they create. CWS builds advanced test solutions for engineering and manufacturing to verify devices are being made correctly, Reliability tests to predict when the device will fail during usage, and Characterization tests to verify the manufacturing operation is building the device according to the engineered specification. We do these tests with our intellectual property called WLR – Wafer Level Reliability.

WLR is a form of testing beyond DC (electrical) parametric testing that allows semiconductor test engineers to determine process integrity and quality. WLR testing can, in many instances, replace packaged-component tests to predict semiconductor reliability. We have developed a unique WLR technology that is Predictive, Demonstrated, and Quantitative (PDQ). Our complete solution has been applied to PDQ tests with superior results and dramatic cost savings.

CWS has an install base of over 800 clients and 1,500 installed systems on HP, Keithley, and Agilent Test hardware. With new versions of critical software near completion in our PDQ product line, customers are expected to need to upgrade over the next 12 months due to End-Of-Life support and desire to utilize advanced features. CWS expects revenue growth matching our customer upgrade cycle and will be funding additional R&D efforts to deliver semiconductor testing features

requested by some of our large manufacturing clients. Our goal is to supply the industry leading semiconductor testing software solutions to the semiconductor fabrication facilities across the world.

The targeted industry is the traditional semiconductor manufacturers of computer chip and circuits. Historically, these manufacturers test their post-manufactured components with either Hewlett Packard or Agilent high volume manufacturing testers, mixed-instrumentation, or custom hardware. Our software solution utilizes the hardware created by HP or Agilent, and we deliver test harnesses and characterization tests not supplied by the hardware vendors.

Core Wafer Systems has three main product lines:

PDQ-WLR – Wafer Level Reliability

Over the last several years, Wafer Level Reliability (WLR) has become the method of choice to reduce the high costs and lengthy test times of traditional reliability testing. WLR can give quick and accurate feedback on any reliability degradation created through process modifications, equipment changes, or production variations. Thus, WLR reduces reliance on traditional burn-in and life test. WLR achieves this by applying stresses greater than normal operating conditions to special structures on the wafer (as The Reliability Challenge opposed to packaged parts). WLR has the advantage of providing reliability information in minutes (or even seconds) that previously took months to obtain. WLR provides a solution to reduce integrated circuit development, qualification, and production cycles without sacrificing quality and reliability. This package consists of a complete set of Joint Electron Device Engineering Council (JEDEC) and American Society for Testing Methods (ASTM) compliant test algorithms PDQ-WLR is a sophisticated wafer level reliability test software package. When used in conjunction with our fast and accurate 40 structure FAB test structures, it yields the most repeatable and interpretable wafer-level reliability data anywhere. PDQ-WLR software contains more than 30 algorithms and tests for complete reliability failure mechanisms coverage including electromigration (including contacts, vias & stress voids), oxide breakdown, hot carrier degradation, plasma damage, self-heating mobile ions as well as characterization of interface states and trapped charge. These techniques are being used for fast Cu/low-k characterization at Applied Materials, for low-k modeling at IBM and have been purchased by the top semiconductor companies worldwide. Support is provided for the Agilent 4070 series and 4062UX testers under Agilent SPECS or a standalone RMB environment.

ASUR SDR – Single Device Reliability

This product provides a PC and instruments-based solution for single device-at-a-time reliability testing with modest equipment investment using proven reliability test algorithms. SDR is a high-performance, low-cost, accelerated reliability and parametric solution for single-site testing that incorporates the proven accelerated techniques of Core Wafer Systems PDQ-WLR using instruments-based solutions. This software was previously packaged as part of an offering from Agilent Technologies sold under the name ASUR SDR, which is part of the ASUR scalable set of solutions: one hardware, one software, from instruments to system testers. The solution is now sourced solely from CoreWafer Systems.

The ASUR SDR software suite provides an environment in which users can test semiconductor wafers by using the JEDEC compliant PDQ-WLR algorithm library. PDQ-WLR, now in its sixth generation, is a Predictive, Demonstrated and Quantitative methodology used in Production, Development and Qualification testing of semiconductor manufacturing processes. The easy-to-use ASUR SDR software suite comes equipped with PDQ-WLR and added features necessary for the reliability assessment of advanced technological nodes.

Northeast Expedite Logistics, LLC (“NEEL”) a provider of global logistics services utilizes the services of non-exclusive agents for the delivery of goods. We provide foundational shipping and coordination services between suppliers and destination businesses and warehouses, and we operate efficiently through cloud based tracking and E-logistics. With industrial production increasing year-over-year, the shortage of qualified drivers and trusted shipping partners has affected the mid-markets for local deliveries. As the economy improves, orders for delivery and logistics will increase.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Basis of Presentation

Our condensed consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our Annual Report for the year ended December 31, 2012.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring items which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods. The accompanying consolidated financial statements include the accounts of COREwafer Industries, Inc. All inter-company transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Property and Equipment

Fixed assets are comprised of furniture and fixtures, computer equipment, purchased software and major categories of property and equipment and are stated at cost and depreciated using the straight-line method, over the estimated useful lives of the various classes of assets, as follows:

Furniture, fixtures and equipment	3 – 10 years
Computers and purchased software	3 – 5 years

Intangible Assets

The Company adopted Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144” or “ASC 360”), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,” and the accounting and reporting provisions of APB Opinion No. 30, “Reporting the Results of Operations for a Disposal of a Segment of a Business.” The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

Fair Value of Financial Instruments

The Company's financial instrument consists of prepaid expenses, deposits, investments, customer deposits, accounts payable and accrued expenses, accrued interest, loans payable and loans payable to a related party. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its other financial instruments and that their fair values approximate their carrying values except where separately disclosed.

Revenue Recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the Securities and Exchange Commission’s Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104 or ASC 605-10), which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has occurred or services have been

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

rendered. Revenue from the sale of products is generally recognized after both the goods are shipped to the customer and acceptance has been received, if required. Our products are custom made for our customers, who primarily consist of original engineer manufacturers (OEMs), and we do not accept returns. Our products are shipped complete and ready to be incorporated into higher level assemblies by our customers. The terms of the customer arrangements generally pass title and risk of ownership to the customer at the time of shipment.

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment" (ASC 718). SFAS No. 123R establishes the accounting for grants of stock options and other transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS No. 123R (1) revises SFAS No. 123, "Accounting for Stock-Based Compensation," (2) supersedes Accounting Principles Bulletin ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and (3) establishes fair value as the measurement objective for share-based payment transactions. The Company is following the provisions of SFAS No. 123R and has recorded compensation expenses related to the granting of stock options to employees.

Income Taxes

The Company provides for income taxes using an asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. No provision for income taxes is included in the statement due to its immaterial amount, net of the allowance account, based on the likelihood of the Company to utilize the loss carry-forward.

Basic and Diluted Earnings (Loss) Per Share

Earnings/(Loss) per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128 or ASC 260), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net income (loss) per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Basic and diluted loss per share was \$0.00 and \$0.00 for the three months ended March 31, 2013 and 2012 respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, accounts receivable and other receivables arising from its normal business activities. The Company places its cash in what it believes to be credit-worthy financial institutions. The Company has a diversified customer base. The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. The Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk, establishes an allowance, if required, for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is limited.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued updated guidance related to the presentation of offsetting (netting) assets and liabilities in the financial statements. The guidance requires the disclosure of both gross information and net information on instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The updated guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Management does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)

In September 2011, the FASB issued updated guidance related to the testing of goodwill for impairment. The guidance provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The updated guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued updated guidance related to the presentation of comprehensive income. The guidance provides that an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is effective for annual financial reporting periods beginning after December 15, 2011 and for interim periods within the fiscal year. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued updated guidance related to fair value measurements and disclosures. The update provides amendments to achieve common fair value measurements and disclosure requirements in GAAP and International Financial Reporting Standards. The amendments in this update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The updated guidance is effective during interim and annual financial reporting periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2009, the FASB issued SFAS 165 (ASC 855-10) entitled “Subsequent Events”. Companies are now required to disclose the date through which subsequent events have been evaluated by management. Public entities (as defined) must conduct the evaluation as of the date the financial statements are issued, and provide disclosure that such date was used for this evaluation. SFAS 165 (ASC 855-10) provides that financial statements are considered “issued” when they are widely distributed for general use and reliance in a form and format that complies with GAAP. SFAS 165 (ASC 855-10) is effective for interim and annual periods ending after June 15, 2009 and must be applied prospectively. The adoption of SFAS 165 (ASC 855-10) during the year ended November 30, 2009 did not have a significant effect on the Company’s financial statements as of that date. In connection with the preparation of the accompanying financial statements as of March 31, 2012, management evaluated subsequent events through the date that such financial statements were issued.

NOTE 3 – PROPERTY AND EQUIPMENT

Fixed assets and accumulated depreciation consist of the following at March 31, 2013 and March 31, 2012:

	2013	2012
Land	\$ -	\$ 67,400
Buildings and improvements	-	1,058,034
Transportation Equipment	-	384,566
Furniture, Fixtures, Computer equipment and purchased software	392,508	2,591,242
Less: accumulated depreciation	(330,127)	(3,629,290)
	<u>\$ 62,382</u>	<u>\$ 429,452</u>

Depreciation expense was \$00 and \$24,626 during the three months ended March 31, 2013 and 2012.

NOTE 4 – NOTES PAYABLE

On November 30, 2011 the Company entered into an Installment Promissory Note with Magsamen Consulting, LLC in the principal sum of \$195,000 without interest, as settlement of a default judgment. The initial payment of \$20,000 was also paid on November 30, 2011, with an additional payment of \$25,000 due on or before March 3, 2012 then quarterly payments of \$18,750 thereafter, beginning June 15, 2012. On March 5, 2012 the company made a partial payment in the amount of \$12,500 toward the first installment. As of March 31, 2013, no other payments have been made.

On February 20, 2011 the Company entered into a Promissory Note as settlement of an old accounts payable amount incurred prior to 2008. The principal amount of the note is \$487,773 with interest at 8% per annum. As of March 31, 2013 the Company had not made any payments.

On March 26, 2010 the Company's wholly owned subsidiary, Northeast Expedite Logistics, LLC (NEEL) entered into a Promissory Note for various cash advances received from a related party totaling \$114,200 with interest at the rate of 20%. The Company is in dispute of the validity of the amounts claimed and therefore; as of March 31, 2013 the Company had not made any payments.

On October 31, 2011 the Company's wholly owned subsidiary, Core Wafer Systems, Inc. (CWS) entered into a Promissory Note for the acquisition of certain intellectual property in the principal amount of \$2,866,981 with interest at the rate of 4% annually. Payment is due upon demand at such time CWS retains adequate capital to sustain normal operations.

On January 22, 2013, the Company's wholly owned subsidiary, Core Wafer Systems, Inc. (CWS) entered into a Promissory Note in the principal amount of \$50,000 with interest at a rate of 12% per year for cash payments received by the company for working capital. The Note is payable on or about April 22, 2013 or may be converted into the company's common stock.

On January 23, 2013, the Company's wholly owned subsidiary, Core Wafer Systems, Inc. (CWS) entered into a Promissory Note in the principal amount of \$100,000 with interest at a rate of 12% per year for cash payments received by the company for working capital. The Note is payable on or about March 31, 2013 or may be converted into the company's common stock.

On January 29, 2013, the Company's wholly owned subsidiary, Core Wafer Systems, Inc. (CWS) entered into a Promissory Note in the principal amount of \$85,000 with interest at a rate of 8% per year for cash payments received by the company for working capital. The Note is payable on or about April 22, 2013 or may be converted into the company's common stock.

NOTE 5 – GOING CONCERN

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company has operating and liquidity concerns, current liabilities exceeded current assets by \$1,078,141 at March 31, 2013, and has reported a net loss of \$4,455 during the period ending March 31, 2013. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of these uncertainties.

NOTE 6 – STOCKHOLDERS' EQUITY

Authorized

The Company is authorized to issue 150,000,000 shares of \$0.001 par value common stock and 50,000,000 shares of \$0.001 par value preferred stock. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The preferred shares may be issued in series, with the powers, rights and limitations of the preferred shares to be determined by the Board.

NOTE 6 – STOCKHOLDERS' EQUITY (CONTINUED)

On March 27, 2013, the Company declared a special common stock dividend equal to 1 share for every 20 share block of its outstanding shares of common stock. The dividend will be payable on or about May 13, 2013 to shareholders of record as of May 3, 2013.

NOTE 7 – RELATED PARTY TRANSACTIONS

On March 26, 2010 the Company's wholly owned subsidiary, Northeast Expedite Logistics, LLC (NEEL) entered into a Promissory Note (Note 3) for various cash advances received from a related party totaling \$114,200 with interest at the rate of 20%. The Company is in dispute of the validity of the amounts claimed and therefore; as of March 31, 2012 the Company had not made any payments.

On October 31, 2011 the Company's wholly owned subsidiary, Core Wafer Systems, Inc. (CWS) entered into a Promissory Note with a related party for the acquisition of certain intellectual property in the principal amount of \$2,866,981 with interest at the rate of 4% annually. Payment is due upon demand at such time CWS retains adequate capital to sustain normal operations.

On January 22, 2013, the Company's wholly owned subsidiary, Core Wafer Systems, Inc. (CWS) entered into a Promissory Note with a related party in the principal amount of \$50,000 with interest at a rate of 12% per year for cash payments received by the company for working capital. The Note is payable on or about April 22, 2013 or may be converted into the company's common stock.

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NOTE 8 – COMMITMENTS AND CONTINGENCIES

Employment agreements

Effective January 1, 2011, the Company entered into an employment agreement with our chief executive officer. This agreement continues until another chief executive officer is appointed by a majority of our Board of Directors, either party terminates in accordance with the provisions of the Agreement, or his death or permanent disability. The agreement calls for a minimum salary of \$10,000 per month plus additional cash and stock compensation upon the achievement for various milestones. The Company has not made certain cash payments due under the agreement. As of March 31, 2013, \$260,000 has been accrued as compensation payable. This agreement also called for the issuance of 2,000,000 fully-vested, restricted shares of the Company's common stock and 1,000,000 shares of the Company's Series B Preferred stock upon execution.

Legal Proceedings

The company is engaged in various legal proceedings incidental to its normal business activities, none of which, individually or in the aggregate, are deemed by management to be a material risk to the company's financial condition. The company has recorded a contingent liability for the value of the claims and judgments which are believed to be without merit and intends to defend vigorously against each of them.

During 2009, Ronald Kaplan, a former officer and employee of the company filed a complaint in the Circuit Court for the 9th Judicial Circuit in and for Orange County, Florida against the Company claiming damages exclusive of attorneys' fees and costs, for unpaid wages and personal expenses aggregating \$75,479.63. On November 9, 2009 the court granted a default judgment on behalf of Ronald Kaplan. The company believes this claim is without merit and has retained legal counsel to move to have the default judgment vacated.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

On September 28, 2009, Baker, Govern & Baker PA filed a complaint in the Circuit Court for the 9th Judicial Circuit in and for Orange County, Florida against the Company claiming damages, exclusive of attorneys' fees and costs, for breach of contract aggregating \$28,562.70. On September 17, 2010 the court granted a default judgment on behalf of Baker,

Govern & Baker PA. The company believes this claim is without merit and has retained legal counsel to move to have the default judgment vacated.

In April 2009, we received a demand letter from our former CFO, Robert Burrows, alleging cash and stock compensation due in the amount of approximately \$250,000. On July 27, 2010, the court granted a default judgment in the amount of \$431,530.39 on behalf of Robert Burrows. The company believes this claim is without merit and has retained legal counsel to move to have the default judgment vacated.

On December 11, 2008, the Company entered into a Settlement Agreement with Magsamen Consulting, LLC a consultant of the Company. Upon execution of the Settlement Agreement the Development Agreement terminated. Pursuant to the Settlement Agreement, the Company agreed to pay \$100,000 to Magsamen and upon full payment; the Company and Magsamen will executive general releases. All amounts owed under the Settlement Agreement have been recorded as liabilities and charged to expense as of December 31, 2008. In a bench trial on April, 19, 2010, a judgment was ordered in the Circuit Court for Baltimore County in and for the State of Maryland against the Company for non-payment of the cash payment and certain expenses as provided for in the Settlement Agreement of December 11, 2008 in the amount of \$194,903.31. The Company retained legal counsel to resolve the matter and on November 30, 2011 entered in to an Installment Promissory Note and Confession of Judgment (Note) with Magsamen. As of March 31, 2013 the Company has made only one of the required payments under the terms of the Note.

In June 2008, Debra Rutledge, Eric Rutledge & Jeanne Moore v. Action Products International, Inc., Action Toys, Inc., Action Healthcare Products, Inc., Curiosity Kits, Inc., Warren Kaplan and Judith Kaplan, Case No. 6:09-cv-1245-Orl-35GJK in the United States Middle District Court, District of Florida, Orlando Division. This is a default judgment in the amount of approximately \$30,000. Plaintiffs allege a breach by the company of an oral contract and claim damages for failure to pay minimum wages, breach of contract, back pay with benefits and penalties for COBRA and ARRA violations. On June 28, 2008, the Company obtained legal counsel and filed its answer to the complaint; however, counsel for the Company was later allowed to withdraw and a default judgment was entered on October 7, 2010. In 2011, under the direction of the Company's CEO, the Company retained legal counsel to defend the Company against the claim and to have the judgment vacated. On November 17, 2011 the Company presented an offer of settlement to the Plaintiffs in the approximate amount of \$30,000 plus attorney's fees. The Company's management is confident that the Plaintiffs will accept the offer.

On November 15, 2012, the Issuer received a letter from the attorneys representing Sandia Technologies, et. al., with regard to the Settlement Agreement entered into with CWS on July 25, 2012. In the original Settlement Agreement, Management of CWS agreed to pay to Sandia Technologies the sum of \$500,000 for all rights and licenses of IP, copyrights, trademarks, etc. for the PDQ Suite purchased from ST in December, 2005. Payment was to be made by CWS within 90 days of the settlement date. CWS failed to make the payment as agreed and as a result, Sandia Technologies has requested payment be made in full by 5:00 p.m. on Tuesday, November 20, 2012 or, in the alternative, that the terms of the settlement be modified. The Issuer is contemplating a proposed settlement offer whereby WAFR will pay \$20,000.00 per month for twenty-five months. Under this modification the present action will be dismissed with prejudice as to CWS's claims and without prejudice as to Sandia Technologies' and Donald G. Pierce's claims. The issuer has yet to make a counter offer. The Settlement Agreement stems from a lawsuit that was filed in the State of New Mexico, County of Bernalillo, Second Judicial District Court, No. CV 2010-10561 by CWS against ST for their release of IP, copyrights, trademarks, etc. for the PDQ Suite purchased from ST in December, 2005. Sandia claims the agreement was verbally modified in 2006 to increase the payment another \$400,000. Although verbal changes are prohibited in the agreement, CWS believed it was necessary to litigate and seek a pre-emptive judgment for total and absolute ownership as well as damages due to ST using this IP for their enrichment. Additionally, Mr. Pierce asserted a 15.8% ownership in CWS.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The organization does not currently maintain a “brick and mortar” presence. Virtual offices are being maintained on a month to month rental basis for both the CEO in New York, and the CFO in Florida. The subsidiary CWS operates out of shared office space located in Waseca, MN which is owned, in part, by a related party. CWS does not currently pay rent for the space. Employees and consultants work from home-based offices.

NOTE 9 – INCOME TAXES

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in its financial statements or tax returns. Deferred income tax liabilities and assets are determined based on the difference between the financial statement and tax bases of liabilities and assets using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company applies the provisions of FASB, Interpretation No. 48, or FIN 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109.” FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. When applicable, the Company will include interest and penalties related to uncertain tax positions in income tax expense.

At March 31, 2013, the Company had federal net operating loss carry-forwards totaling approximately 15,000,000 which expire in various years through 2028.

NOTE 10 – SUBSEQUENT EVENTS

On March 27, 2013, the Company declared a special common stock dividend equal to 1 share for every 20 share block of its outstanding shares of common stock. The dividend will be payable on or about April 26, 2013 to shareholders of record as of April 12, 2013. On or about April 22, 2013, the Company changed the dividend payable date from April 26, 2013 to May 13, 2013 for shareholders of record as of May 3, 2013.

On May 1, 2013 a settlement hearing was held in the Bernalillo County Courthouse in Albuquerque, New Mexico to hear an Amended Opposed Motion To Enforce Settlement Agreement in regard to the Sandia lawsuit. The Company is awaiting a ruling from the court.