

ADVANCED CLEAN TECHNOLOGIES, INC.
(formerly TURNAROUND PARTNERS, INC.)

CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2009

The consolidated financial statements included herein have not been prepared in accordance with Generally Accepted Accounting Principles due to the fact that an evaluation of derivatives has not been performed as of December 31, 2008 or June 30, 2009 in accordance with SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."

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ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(Formerly TURNAROUND PARTNERS, INC.)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	June 30, 2009	December 31, 2008
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,011	\$ 72,105
Notes and accounts receivable	67,328	373,388
Investment in marketable securities	182	-
Prepaid expense and deferred financing costs	5,288	29,273
Total current assets	<u>73,809</u>	<u>474,766</u>
NONCURRENT ASSETS		
Investment in real estate partnership and other investments, at cost	-	3,427,865
Deferred debenture costs	-	-
Total noncurrent assets	<u>-</u>	<u>3,427,865</u>
TOTAL ASSETS	<u>\$ 73,809</u>	<u>\$ 3,902,631</u>
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 277,858	\$ 729,441
Convertible debentures	326,855	1,874,056
Notes payable	98,123	82,961
Unearned income	-	-
Series C Preferred stock including associated paid in capital; redeemable at \$1,500 per share at Company option, cumulative dividends of \$120 per share per year, non-voting, par value \$.01, 1,000 shares authorized, -0- and 225 shares issued and outstanding	-	-
Derivative liabilities	-	325,976
Total current liabilities	<u>702,836</u>	<u>3,012,434</u>
Convertible debentures--net of \$950,790 and \$1,136,193 discount	-	5,274,210
Notes payable	32,924	71,041
Accrued interest payable	-	1,338,290
Total liabilities	<u>735,760</u>	<u>9,695,975</u>
COMMITMENTS AND CONTINGENCIES	-	-

ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(Formerly TURNAROUND PARTNERS, INC.)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	June 30, 2009	December 31, 2008
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
SHAREHOLDERS' DEFICIT		
Preferred Stock, par value \$.01, 2,000,000 shares authorized:		
Series A Convertible Preferred Stock, noncumulative, \$.01 par value; 400,000 shares authorized; none issued	-	-
Series B Convertible Preferred Stock, \$.01 par value; 100,000 shares authorized; 6,666 shares issued and outstanding; no liquidation or redemption value	67	67
Series D Convertible Preferred Stock, 100,000 shares authorized; 700 shares issued and outstanding; no liquidation or redemption value	7	7
Series F Convertible Preferred Stock, \$.01 par value; 60 shares authorized; 60 and -0- shares issued and outstanding; no liquidation or redemption value	1	-
Common stock, \$.0001 par value; 5,000,000,000 shares authorized; 664,663 and 664,663 shares issued and outstanding	66	499,336
Additional paid-in capital	1,249,265	749,995
Retained deficit	<u>(1,911,357)</u>	<u>(7,042,749)</u>
Total shareholders' deficit	<u>(661,951)</u>	<u>(5,793,344)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	<u>\$ 73,809</u>	<u>\$ 3,902,631</u>

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(Formerly TURNAROUND PARTNERS, INC.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six months ended June 30,	
	2009	2008
REVENUE		
Consulting revenue	\$ -	\$ 9,167
Marketable securities gain (loss)	52,611	(65,725)
Factoring revenue	-	27,102
Fee income	<u>6,750</u>	<u>-</u>
Total revenue	59,361	(29,456)
General and administrative expenses	<u>387,491</u>	<u>411,451</u>
OPERATING LOSS	<u>(328,130)</u>	<u>(440,907)</u>
Other (income) expense:		
Net change in derivative liability	(10,141)	43,796
Interest expense	266,768	269,855
Interest expense-derivatives	372,513	274,075
Other expense - net	<u>(31,313)</u>	<u>(111,594)</u>
Total other expenses	<u>597,827</u>	<u>476,132</u>
Loss before income tax and extraordinary item	(925,957)	(917,039)
INCOME TAX PROVISION	-	-
EXTRAORDINARY ITEM - Extinguishment of debt	<u>6,057,349</u>	<u>-</u>
NET INCOME (LOSS)	5,131,392	(917,039)
Preferred dividends paid	<u>-</u>	<u>-</u>
INCOME (LOSS) AVAILABLE TO COMMON SHARES	<u>\$ 5,131,392</u>	<u>\$ (917,039)</u>
Basic income (loss) per share:	<u>\$ 7.72</u>	<u>\$ (0.66)</u>
Diluted income (loss) per share:	<u>\$ 2.58</u>	<u>\$ (0.66)</u>
Basic average shares outstanding	<u>664,663</u>	<u>1,379,021</u>
Diluted average shares outstanding	<u>2,233,431</u>	<u>1,379,021</u>

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(Formerly TURNAROUND PARTNERS, INC.)
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2009	2008
REVENUE		
Marketable securities gain (loss)	41,688	(52,249)
Total revenue	<u>41,688</u>	<u>(52,249)</u>
General and administrative expenses	29,470	213,809
OPERATING INCOME (LOSS)	<u>12,218</u>	<u>(266,058)</u>
Other (income) expense:		
Net change in derivative liability	(10,141)	302
Interest expense	133,889	129,698
Interest expense-derivatives	93,129	51,292
Other income - net	(45,658)	80,107
Total other expense	<u>171,219</u>	<u>261,399</u>
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	(159,001)	(527,457)
INCOME TAX PROVISION	-	-
EXTRAORDINARY ITEM - Extinguishment of debt	6,057,349	-
NET INCOME (LOSS) AVAILABLE TO COMMON SHARES	<u>\$ 5,898,348</u>	<u>\$ (527,457)</u>
Basic income (loss) per share:	<u>\$ 8.87</u>	<u>\$ (0.32)</u>
Diluted income (loss) per share:	<u>\$ 2.74</u>	<u>\$ (0.32)</u>
Basic average shares outstanding	<u>664,663</u>	<u>1,660,344</u>
Diluted average shares outstanding	<u>2,233,431</u>	<u>1,660,344</u>

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES

(Formerly TURNAROUND PARTNERS, INC.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT

For the Period Ended June 30, 2009

	<u>Series B Preferred</u>		<u>Series D Preferred</u>		<u>Series F Preferred</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2006	6,666	67	700	7	-	-	29,447,504	29,447	742,855	(3,083,345)	(2,310,969)
Issuance of common stock:											
For services	-	-	-	-	-	-	1,192,307	1,192	14,308	-	15,500
Conversion of debentures	-	-	-	-	-	-	104,596,247	104,596	285,673	-	390,269
Proceeds for sale of stock received for Series E preferred stock									7,158		7,158
Net loss	-	-	-	-	-	-	-	-	-	(2,604,975)	(2,604,975)
Balance, December 31, 2007	6,666	67	700	7	-	-	135,236,058	135,235	1,049,994	(5,688,320)	(4,503,017)
Issuance of common stock:											
For services	-	-	-	-	-	-	-	-	-	-	-
Conversion of debentures	-	-	-	-	-	-	64,099,996	64,100	-	-	64,100
Conversion of Series E preferred stock							300,000,000	300,001	(299,999)	(3)	(1)
Net loss	-	-	-	-	-	-	-	-	-	(1,354,426)	(1,354,426)
Balance, December 31, 2008	<u>6,666</u>	<u>\$ 67</u>	<u>700</u>	<u>\$ 7</u>	<u>-</u>	<u>\$ -</u>	<u>499,336,054</u>	<u>\$ 499,336</u>	<u>\$ 749,995</u>	<u>\$ (7,042,749)</u>	<u>\$ (5,793,344)</u>
Issuance of Series F preferred stock					60	1	(300,000,000)				1
Reverse stock split - 1 for 300	-	-	-	-			(198,671,391)	(499,270)	499,270	-	-
Net loss	-	-	-	-	-	-	-	-	-	5,131,392	5,131,392
Balance, June 30, 2009	<u>6,666</u>	<u>\$ 67</u>	<u>700</u>	<u>\$ 7</u>	<u>60</u>	<u>\$ 1</u>	<u>664,663</u>	<u>\$ 66</u>	<u>\$ 1,249,265</u>	<u>\$ (1,911,357)</u>	<u>\$ (661,951)</u>

ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(Formerly TURNAROUND PARTNERS, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before extrardinary items	\$ (925,957)	\$ (917,039)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities	<u>877,818</u>	<u>570,514</u>
Net cash used in operating activities	<u>(48,139)</u>	<u>(346,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	-
Proceeds from sale of investments	-	-
Preferential return from partnership	<u>-</u>	<u>220,150</u>
Net cash provided by investing activities	<u>-</u>	<u>220,150</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	<u>(22,955)</u>	<u>(39,843)</u>
Net cash used in financing activities	<u>(22,955)</u>	<u>(39,843)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(71,094)	(166,218)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>72,105</u>	<u>255,961</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 1,011</u></u>	<u><u>\$ 89,743</u></u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Conversion of debentures to common stock:		
Increase in par value	<u>\$ -</u>	<u>\$ 59,000</u>
Common stock split:		
Decrease in par value	<u>\$ (499,270)</u>	<u>\$ -</u>
Increase in paid in capital	<u>\$ 499,270</u>	<u>\$ -</u>
Redemption and purchase of preferred stock:		
Decrease in paid-in capital	<u>\$ -</u>	<u>\$ 299,999</u>

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited)

ADVANCED CLEAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(FORMERLY TURNAROUND PARTNERS, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements of Advanced Clean Technologies, Inc. and subsidiaries have been prepared in accordance with generally accepted accounting principles **except that an evaluation of derivatives has not been performed as of June 30, 2009 or December 31, 2008 in accordance with SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."** In the opinion of the Company's management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position and cash flows except as described above. All such adjustments are of a normal, recurring nature.

The unaudited Consolidated Financial Statements and the notes thereto in this report should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007 (the "10-KSB").

As used herein, the "Company", "management", "we" and "our" refers to Advanced Clean Technologies, Inc. or Advanced Clean Technologies, Inc. together with its subsidiaries. The Company's fiscal year ends on December 31st.

In light of the Company's change in control of ownership as of December 5, 2007 discussed below, the Company is contemplating a new business model. Currently, the Company believes that the new business plan going forward will be to focus on alternative and clean technologies. As a result, on January 15, 2009, the Company changed its name to Advanced Clean Technologies, Inc.

Through June 30, 2009, we had primarily provided business restructuring, turnaround execution and business development advisory services for emerging and re-emerging public and private companies. The Company also actively trades securities and options with available cash. Many of these transactions contain a considerable amount of risk. Under our consulting agreements, we did not take positions in securities of our clients that at any one time would cause us to have an ownership interest in them of over 4.99%. We also have a limited partnership interest in a hotel in West Palm Beach, Florida.

On July 10, 2009, with an effective date of June 30, 2009, the Company entered into an agreement with Cornell Capital, NKA Yorkville Advisors (YA) to convey all of the assets relating to the hotel in West Palm Beach, Florida in return for a complete release of all indebtedness owed by the Company to YA. The total indebtedness released was \$7,772,200 plus accrued interest of \$1,949,893. Both parties to the transaction executed mutual releases as part of the settlement. The transaction is recorded as an extraordinary item in these consolidated financial statements. As of August 31, 2009, there is an unsatisfied contingency relating to this transaction that management and its attorneys believe will be satisfied soon, but has not been completed as of the date of these financial statements. If the contingency is not satisfied, the Company has the right to retain the ownership rights in the hotel in West Palm Beach, Florida that have been conveyed to YA in consideration of the restructuring and settlement discussed above.

On December 5, 2007 (the "Closing Date"), the Company filed on Form 8-K a Current Report, as amended on December 14, 2007 and February 20, 2008, disclosing that the Company entered into a Stock Purchase Agreement with Mr. Timothy J. Connolly, an individual and Viewpoint Capital, LLC, a Nevada limited liability company (the "Investor") pursuant to which the Company issued to the Investor one (1) share of the Company's Series E convertible preferred stock, par value \$0.001 per share, which such Series E Preferred is convertible into Three Hundred Million Shares (300,000,000) of common stock of the Company, par value \$0.001 per share in exchange for the transfer by the Investor to the Company of Four Million (4,000,000) unrestricted, free-trading shares of common stock of Asset Capital Group, Inc. ("ACGU"), a Nevada corporation having a value of Three Million Four Hundred Thousand Dollars (\$3,400,000) based on the closing price of ACGU common stock as of the Closing Date as reported on the Pink Sheets, LLC. ACGU common stock trades under the symbol "ACGU.PK". As a result of this transaction, the Investor acquired a 63.66% controlling interest in the Company's Common Stock ("Common Stock") by virtue of the Investor's ownership of the Series E Preferred.

On February 13, 2008, the Investor delivered to the Company a notice to convert the one (1) shares of Series E Preferred to Three Hundred Million (300,000,000) shares of Common Stock. On February 14, 2008, the Company issued to the Investor Three Hundred Million (300,000,000) shares of Common Stock, all of which are restricted, and canceled the One (1) share of Series E Preferred. As a result of this transaction, the Investor acquired a 63.66% controlling interest in the Common Stock. In January 2009, the 300,000,000 shares of common stock were cancelled and 60 shares of Series F Preferred Stock as described in Note 6 below were issued to the Investor.

During the month of March 2008, we sold our investment in stock of ACGU for approximately \$7,700.

As filed on a Current Report on Form 8-K with the Securities Exchange Commission on January 3, 2008, the Company disclosed that effective as of December 31, 2007, Corporate Strategies, Inc. (“CSI”), a Texas corporation and wholly-owned subsidiary of the Company entered into a Purchase Agreement with Natural Nutrition, Inc., a Nevada corporation (“NN”) and CSI Business Finance, Inc., a Texas corporation and wholly-owned subsidiary of NN (together with NN, the “Buyer”) pursuant to which CSI conveyed, transferred and assigned to the Buyer all of its title to and rights in CSI’s ten percent (10%) interest in the total issued and outstanding capital stock of Interactive Nutrition International, Inc. (“INII”), a company organized under the laws of Canada in exchange for the conveyance, transfer and assignment to CSI by the Buyer of certain Notes held by the Buyer (as such term is defined in the Agreement) plus a cash payment equal to One Hundred Ninety-Eight Thousand Eight Hundred Ninety-Nine Dollars and Ten Cents (\$198,899.10). In addition, NN assumed payment for all of CSI’s office lease, equipment payments and any other payments related to the office space in Houston, Texas for the remainder of the lease term and any renewals.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated.

Change in Accounting Principle for Registration Payment Arrangements.

In December 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position on No. EITF 00-19-2, Accounting for Registration Payment Arrangements (“FSP EITF 00-19-2”). FSP EITF 00-19-2 provides that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement should be separately recognized and measured in accordance with Statement of Financial Accounting Standards (“FAS”) No. 5, Accounting for Contingencies, which provides that loss contingencies should be recognized as liabilities if they are probable and can be reasonably estimated. Subsequent to the adoption of FSP EITF 00-19-2, any changes in the carrying amount of the contingent liability will result in a gain or loss that will be recognized in the consolidated statement of operations in the period the changes occur. The guidance in FSP EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of FSP EITF 00-19-2. For registration payment arrangements and financial instruments subject to those arrangement that were entered into prior to the issuance of FSP EITF 00-19-2, this guidance is effective for our consolidated financial statements issued for the year beginning January 1, 2007, and interim periods within that year.

On January 1, 2007, we adopted the provisions of FSP EITF 00-19-2 to account for our registration payment arrangements. As of January 1, 2007 and March 31, 2007, management determined that it was not probable that we would have any payment obligation under our registration payment arrangements; therefore, no accrual for contingent obligation is required under the provisions of FSP EITF 00-19-2. According to the provisions of FSP EITF 00-19-2, the effect of this new method of accounting for registration payment arrangements is accounted for prospectively.

Recently Issued Accounting Pronouncements.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161). This statement requires enhanced disclosures about an entity’s derivative and hedging activities and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with earlier application encouraged. **The Company will not adopt SFAS 161 as an evaluation of derivatives will not be performed for periods subsequent to June 30, 2008 as required by SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."**

Note 2 - Income (Loss) Per Common Share

In accordance with FASB Statement of Financial Accounting Standards No. 128 (“SFAS 128”), “Earnings per Share”, basic earnings per share are computed based on the weighted average shares of common stock outstanding during the periods. Diluted earnings per share are computed based on the weighted average shares of common stock plus the assumed issuance of common stock for all potentially dilutive securities.

The computations for basic and diluted net income (loss) per share consist of the following:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Income (loss) from continuing operations	\$ 5,898,348	\$ (527,457)	\$ 5,131,392	\$ (917,039)
Less effect of derivatives and convertible debenture	<u>225,129</u>	<u>-</u>	<u>635,063</u>	<u>-</u>
Adjusted net income (loss)	<u>\$ 6,123,477</u>	<u>\$ (527,457)</u>	<u>\$ 5,766,455</u>	<u>\$ (917,039)</u>
Basic weighted average shares	664,663	1,660,344	664,663	1,379,021
Effect of dilutive securities:				
Series B and D preferred stock	479,249	-	479,249	-
Convertible debenture	<u>1,089,519</u>	<u>-</u>	<u>1,089,519</u>	<u>-</u>
Diluted weighted average	<u>2,233,431</u>	<u>1,660,344</u>	<u>2,233,431</u>	<u>1,379,021</u>
Income (loss) per share:				
Basic net income (loss)	<u>\$ 8.87</u>	<u>\$ (0.32)</u>	<u>\$ 7.72</u>	<u>\$ (0.66)</u>
Diluted net income (loss)	<u>\$ 2.74</u>	<u>\$ (0.32)</u>	<u>\$ 2.58</u>	<u>\$ (0.66)</u>

A weighted average year-to-date number of Convertible Debentures, Series B and Series D preferred stock to convert into 7,425,954 shares of common stock were outstanding during the three and six months ended June 30, 2008 but were not included in the computation of diluted per share net loss for the three and six months ended June 30, 2008 because they were anti-dilutive.

Note 3 - Convertible Debentures - Derivative Financial Instruments

An evaluation of derivatives has not been performed as of June 30, 2009 or December 31, 2008 in accordance with SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The discussion below is relevant to derivative financial instruments held as of June 30, 2008.

The Convertible Debentures issued from 2003 through 2007 have been accounted for in accordance with SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" as of June 30, 2008.

The Company identified the following instruments have derivatives requiring evaluation and accounting under the relevant guidance applicable to financial derivatives:

YA Global Debenture issued 5/6/04 in the face amount of \$400,000
YA Global Debenture issued 6/24/04 in the face amount of \$500,000
YA Global Debenture issued 9/28/04 in the face amount of \$400,000
YA Global Debenture issued 4/6/05 in the face amount of \$400,000
Holland et. al. Debentures issued 12/22/03 in the face amount of \$250,000
Saporito Debenture issued 1/29/04 in the face amount of \$100,000
Viola Debenture issued 10/12/04 in the face amount of \$100,000
Highgate House issued 12/02/05 in the face amount of \$6,225,000

These embedded derivatives have been bifurcated from their respective host debt contracts and accounted for as derivative liabilities in accordance with EITF 00-19 and SFAS No. 133 through the period ended June 30, 2008.

The embedded derivatives are marked-to-market each reporting period with changes in fair value recorded to the Company's income statement as "Net change in derivative liability". The Company has utilized a third party to fair value the embedded derivatives using a layered discounted probability-weighted cash flow approach. This valuation was prepared by the third party valuation firm that developed the original model that the Company used to value its derivatives.

The fair value of the derivative liabilities are subject to the changes in the trading value of the Company's common stock, as well as other factors. As a result, our financial statements may fluctuate from quarter-to-quarter based on factors, such as the price of our stock at the balance sheet date and the amount of shares converted by debenture holders. Consequently, our financial position and results of operations may vary from quarter-to-quarter based on conditions other than our operating revenues and expenses.

During the first quarter of 2007, certain individuals converted debentures into our Common Stock. As a result, we recorded a gain on extinguishment of debt in the amount of \$450,000 for the quarter ended March 31, 2007.

Note 4 - Segment Reporting

Our Company had two business segments prior to the conveyance of the hotel investment at June 30, 2009 described in Note 1 above: business services (which consists of turnaround execution services, management restructuring services, and business development services) and a hotel investment through our wholly-owned subsidiary, Kipling Holdings, Inc.

We primarily provide business restructuring, turnaround execution and business development advisory services for emerging and re-emerging public companies.

The Company's operations are conducted in the United States.

	<u>Business Services</u>	<u>Hotel Investment</u>
Six months ended June 30, 2009		
Revenue	\$ 59,361	\$ -
Income (loss) before income tax and extraordinary item	(886,567)	(39,390)
Segment assets	73,809	-
Six months ended June 30, 2008		
Revenue	\$ (29,456)	\$ -
Income before income tax	(1,003,386)	86,347
Segment assets	517,596	3,586,204

Note 5 – Investment in Unconsolidated Entities

Through our wholly-owned subsidiary, Kipling Holdings, Inc., we own a 35% limited partnership interest in a partnership that owns a Hilton hotel in West Palm Beach, Florida. Because we do not control the partnership entity, we carry our investment in unconsolidated entities at cost, plus our equity in net earnings or losses, less distributions received since the date of acquisition and any adjustment for impairment. Our equity in net earnings or losses is adjusted for the straight-line depreciation, over the lower of 25 years or the remaining life of the venture, of the difference between our cost and our proportionate share of the underlying net assets at the date of acquisition. We periodically review our investment in unconsolidated entities for other than temporary declines in fair value. Any decline that is not expected to be recovered in the next 12 months is considered other than temporary and an impairment is recorded as a reduction in the carrying value of the investment. For the year ended December 31, 2007, we recorded an impairment on our investment in real estate partnership in the amount of \$ 540,000. Estimated fair values are based on our projections of cash flows. Since we are a limited partner, we do not make management decisions in this partnership and are subject to the decisions made by the general partner of this unconsolidated entity. This could include a sale of the property at a time and price that may not be in our best interest. While we expect the general partner will act in good faith at all times, we could incur a loss on this investment if a sale or foreclosure of the real estate occurs at a price that does not fully recover our equity investment.

Note 6 – Preferred and Common Stock

We had 225 shares of Series C preferred stock outstanding at December 31, 2007. The stock had a liquidation preference of \$337,380 and was redeemable at \$1,500 per share at the Company's option. Dividends were cumulative and accrued at the rate of \$120 per share per year. Under the Stock Purchase Agreement dated December 5, 2007, the Series C preferred stock was to have been paid off by December 31, 2007. The full liquidation value of \$337,380 was recorded as a current liability at December 31, 2007 and was paid in full as of June 30, 2008.

The Company authorized and issued 60 shares of Series F Preferred Stock, par value \$.01 in January 2009. Each share of Series F Preferred Stock shall be entitled to receive dividends or distributions on his share of Series F Preferred Stock on an “as converted” basis. Each share of Series F Preferred Stock shall be convertible at the option of the holder thereof at any time into Sixteen Thousand Six Hundred Sixty-Seven (16,667) shares of the Company’s Common Stock.

On January 12, 2009, the Company effectuated a 1-for-300 reverse stock split of its common stock and changed the par value of the common stock from \$0.001 to \$0.0001.