

SYNDICATION, INC. AND SUBSIDIARY
(formerly SYNDICATION NET.COM, INC.)
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

CONTENTS

Balance Sheet.....	3
Statements of Operations	5
Statements of Stockholders' Equity (Deficit)	6
Statements of Cash Flows	9
Notes to the Financial Statements	11

SYNDICATION, INC. AND SUBSIDIARY
(formerly SYNDICATION NET.COM, INC.)
Balance Sheet

ASSETS

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
CURRENT ASSETS		
Cash	\$ 891,215	\$ 4,904
Prepaid expenses	4,165	175
Trust Activity	<u>680</u>	<u>-</u>
Total Current Assets	<u>896,060</u>	<u>5,079</u>
FIXED ASSETS		
Property, Plant and Equipment, net of acciumbled Depreciation of \$59,605 and \$36,902 respectively	85,894	108,597
OTHER ASSETS		
Capitalized Financing costs, net of accumulated Amortization of \$158,541 and \$103,369	-	6,980
Deposits	<u>2,260</u>	<u>2,260</u>
TOTAL ASSETS	<u>\$ 984,214</u>	<u>\$ 122,916</u>

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

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Balance Sheet

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,152,218	\$ 820,660
Obligations under capital lease – current portion	18,033	20,720
Note payable – related party	622,467	824,655
Note payable	108,611	108,611
Convertible debentures – current portion	609,800	611,041
Payroll liabilities	<u>13,059</u>	<u>12,838</u>
Total Current Liabilities	<u>2,524,188</u>	<u>2,398,525</u>
LONG TERM LIABILITIES		
Obligations under capital lease	33,343	44,123
Note payable, long term	-	-
Derivative and warranty liability relating to convertible debentures	<u>747,058</u>	<u>228,373</u>
Total Long Term Liabilities	<u>780,401</u>	<u>272,496</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock: 20,000,000 shares authorized of \$0.0001 par value, 2 billion shares issued and outstanding	200	200
Common stock: 6,000,000,000 shares authorized of \$0.0001 par value, There were 181,392,665 at Dec 31 st 2008 (after reverse split 1:200, Nov 06, 2008), June 30, 2010 there were 5,970,738,824 shares issued and outstanding	597,074	18,139
Additional paid-in capital	6,521,056	5,243,005
Deficit accumulated prior to the development stage	(2,231,519)	(2,231,519)
Deficit accumulated during the development stage	<u>(7,207,165)</u>	<u>(5,577,930)</u>
Total Stockholders' Equity (Deficit)	<u>(2,320,375)</u>	<u>(2,548,105)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 984,214</u>	<u>\$ 122,916</u>

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

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Statements of Operations

	For the Twelve Months Ended December 31,	
	<u>2009</u>	<u>2008</u>
Sales revenue	\$ 35,162	\$ 62,813
OPERATING EXPENSES		
Selling, general and administrative	622,509	705,985
Depreciation	<u>22,703</u>	<u>22,046</u>
Total Operating Expenses	<u>645,212</u>	<u>728,031</u>
OPERATING LOSS	<u>(610,050)</u>	<u>(665,218)</u>
OTHER INCOME (EXPENSES)		
Other Income (expenses)	(291,745)	(62,882)
Gain (Loss) on investments	-	-
Loss on change in fair value of debt derivative and warrant liabilities	(518,685)	2,881,672
Interest expenses, net	<u>(208,755)</u>	<u>(279,056)</u>
Total Other Income (Expenses) (Net)	<u>(1,019,185)</u>	<u>2,539,734</u>
LOSS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	<u>(1,629,235)</u>	<u>1,874,516</u>
INCOME TAX EXPENSE	-	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>(1,629,235)</u>	<u>1,874,516</u>
GAIN (LOSS) FROM DISCONTINUED OPERATIONS	-	-
NET INCOME (LOSS)	<u>\$ (1,629,235)</u>	<u>\$ 1,874,516</u>
BASIC INCOME AND LOSS PER SHARE		
Income (loss) Per Share	<u>\$ (0.00)</u>	<u>\$ 0.05</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>4,734,419,172</u>	<u>35,468,725</u>

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

SYNDICATION, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders' Equity (Deficit)

	<u>Common Stock</u>		<u>Additional</u>	<u>Deferred</u>	<u>Stock</u>	<u>Stock</u>	<u>Accumulated</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Fees</u>	<u>Subscriptions</u>	<u>Warrants</u>	<u>Deficit</u>
			<u>Capital</u>		<u>Payable</u>	<u>Payable</u>	
Net Income (loss) for the year ended Dec 31,2009		-	-	-	-	-	(1,629,236)
Balance on June 30, 2010	<u>5,970,738,824</u>	<u>597,074</u>	<u>6,537,556</u>	-	-	-	<u>(9,438,684)</u>

The accompanying notes are an integral part of these consolidated financial statements

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)

Statements of Cash Flows

	For the Twelve Months Ended	
	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Net Income (Loss)	\$ (1,629,235)	\$ 1,874,516
CASH FLOWS FROM OPERATING ACTIVITIES		
Adjustments to reconcile net loss to net cash provided (used) in operating activities:		
Amortization of debt discount	-	360,547
Amortization of debt offering costs	6,980	55,172
Amortization of leased equipment	13,606	13,607
Depreciation Expense	9,097	8,439
Loss (Gain) on derivative liability	518,685	(2,881,672)
Shares issued for services and cash	1,856,986	408,700
Preferred stock issued	(22)	200
(Increase) decrease in operating assets:		
Prepaid expenses	2,504	255
Deposits	(2,260)	(2,260)
Employee advances	(1,486)	-
Trust activity	(680)	-
Increase (decrease) in operating liabilities:		
Accounts payable	3,800	7,278
Accounts payable – related party	290,137	244,590
Payroll liabilities	221	12,838
Interest payable – convertible debentures	(30,483)	111,307
Interest payable - convertible debt	-	3,708
Interest payable – related party	58,671	27,426
Interest payable – others	9,433	9,459
Current portion of LT debt	(1,241)	493,480
Current portion of LT debt – Obligations under Capital lease	(2,687)	5,794
Rounding adjustments	1	(2)
Net Cash Provided (Used) in Operating Activities	<u>2,728,514</u>	<u>(1,121,134)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	(44,661)
Incorporation expenses	-	-
Net Cash Used in Investing Activities	<u>-</u>	<u>(44,661)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible debenture	-	(1,026,100)
Proceeds from convertible debt	-	(60,000)
Notes payable – related party	(202,188)	58,868
Notes payable – long term	-	144,320
Lease payments under Capital Lease	<u>(10,780)</u>	<u>(16,819)</u>

The accompanying notes are an integral part of these consolidated financial statements

Net Cash Provided by (Used in) Financing Activities	<u>(212,968)</u>	<u>(899,731)</u>
NET INCREASE (DECREASE) IN CASH	886,311	(191,010)
CASH, BEGINNING OF PERIOD	<u>4,904</u>	<u>195,914</u>
CASH, END OF PERIOD	<u>\$ 891,215</u>	<u>\$ 4,904</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Payments For:

Income taxes	\$	-	\$	-
Interest	\$	-	\$	-

Non-Cash Financing Activities

Common stock issued for deferred fees	\$	-	\$	-
Common stock issued for converting N/P	\$	-	\$	133,700
Common stock issued for converting debt	\$	213,683	\$	275,000
Common stock issued as stock dividend	\$	7,771	\$	-
Common stock rescission	\$	(52,518)	\$	-
Common stock converted from preferred stock	\$	4,000	\$	-
Preferred stock issued for fee	\$	(22)	\$	200

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

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The financial statements presented are those of Syndication, Inc. (formerly Syndication Net.com, Inc.) (Syndication). Syndication was incorporated under the name of Generation Acquisition Corporation (Generation) on March 25, 1999 under the laws of the State of Delaware to engage in any lawful act or activity. Effective August 16, 1999, Life2K.com, Inc. (Life2K) issued 16,200,000 shares of its common stock and 60,000 shares of its preferred stock in exchange for the issued and outstanding stock of Kemper. Effective October 13, 2000, pursuant to an Agreement and Plan of Organization between Generation Acquisition Corporation and Life2K, Generation Acquisition Corporation issued 10,387,750 shares of its outstanding common stock for 100% of the outstanding shares of Life2K. As part of the transaction, Life2K was merged with and into Generation Acquisition Corporation, Life2K was dissolved and Generation Acquisition Corporation changed its name to Syndication Net.com, Inc. and then to Syndication, Inc.

Kemper was incorporated on December 28, 1987 under the State laws of Mississippi. Kemper was organized to procure, buy, sell and harvest forest products for treating poles, conventional lumber and wood products, as well as preserve and treat wood and forest products for sale in wholesale and retail markets.

On October 9, 1997, Kemper entered into an asset purchase agreement and lease assignment under which it conditionally sold all of its assets as well as reassigned its lease related to its manufacturing enterprise. From that time, Kemper has acted as a retail broker, having eliminated virtually all of its manufacturing capacity.

At the time of the acquisition of Kemper, Life2K was essentially inactive, with no operations and minimal assets. Additionally, the exchange of Life2K's common stock for the common stock of Kemper resulted in the former stockholders of Kemper obtaining control of Life2K. Accordingly, Kemper became the continuing entity for accounting purposes, and the transaction was accounted for as a recapitalization of Kemper with no adjustment to the basis of Kemper's assets acquired or liabilities assumed. For legal purposes, Life2K was the surviving entity.

At the time of the acquisition of Life2K, Syndication was essentially inactive, with no operations and minimal assets. Additionally, the exchange of Syndication's common stock for the common stock of Life2K resulted in the former stockholders of Life2K obtaining control of Syndication. Accordingly, Life2K became the continuing entity for accounting purposes, and the transaction was accounted for as a recapitalization of Life2K with no adjustment to the basis of Life2K's assets acquired or liabilities assumed. For legal purposes, Syndication was the surviving entity.

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Notes to the Financial Statements
December 31, 2009 and December 31, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 year end.

c. Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Accounts Receivable

The Company has no accounts receivable as of December 31, 2009.

e. Basic Income (Loss) Per Share

The computations of basic loss per share of common stock are based on the weighted average number of common shares outstanding during the period of the financial statements as follows:

	For the Years Ended December 31,	
	<u>2009</u>	<u>2008</u>
Income (loss) from operations	<u>\$ 0.00</u>	<u>\$ 0.05</u>
Total Income (Loss) Per Share	<u>\$ 0.00</u>	<u>\$ 0.05</u>
Weighted Average Number of Shares Outstanding	<u>4,734,419,172</u>	<u>35,468,725</u>

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Notes to the Financial Statements
December 31, 2009 and December 31, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151 "Inventory Costs, an amendment of ARB No. 43, Chapter 4. The amendments made by Statement 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company has evaluated the impact of the adoption of SFAS 151, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions--an amendment of FASB Statements No. 66 and 67" ("SFAS 152") The amendments made by Statement 152 This Statement amends FASB Statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions." The amendments made by Statement 153 are based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for non-monetary exchanges of similar productive assets and replace it with a broader exception for exchanges of non-monetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. Opinion 29 provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. The Board believes that exception required that some non-monetary exchanges, although commercially substantive, be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the Board believes this Statement produces financial reporting that more faithfully represents the economics of the transactions. The Statement is effective for

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Notes to the Financial Statements
December 31, 2009 and December 31, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of this Statement shall be applied prospectively. The Company has evaluated the impact of the adoption of SFAS 153, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No.123 (revised 2004), "Share-Based Payment". Statement 123(R) will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Public entities (other than those filing as small business issuers) will be required to apply Statement 123(R) as of the first interim or annual reporting period that begins after June 15, 2005. The Company adopted Statement 123(R) in December of 2005.

In December 2004, the Financial Accounting Standards Board issued two FASB Staff Positions - FSP FAS 109-1, Application of FASB Statement 109 "Accounting for Income Taxes" to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004, and FSP FAS 109-2 Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004. Neither of these affected the Company as it does not participate in the related activities.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff's views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Management is currently evaluating the

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

impact SAB 107 will have on our consolidated financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 provides guidance relating to the identification of and financial reporting for legal obligations to perform an asset retirement activity. The Interpretation requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The provision is effective no later than the end of fiscal years ending after December 15, 2005. The Company will adopt FIN 47 beginning the first quarter of fiscal year 2006 and does not believe the adoption will have a material impact on its consolidated financial position or results of operations or cash flows.

In May 2005, the FASB issued FASB Statement No. 154, "Accounting Changes and Error Corrections." This new standard replaces APB Opinion No. 20, "Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements," and represents another step in the FASB's goal to converge its standards with those issued by the IASB. Among other changes, Statement 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. Statement 154 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and correction of errors made in fiscal years beginning after June 1, 2005. The Company has evaluated the impact of the adoption of Statement 154 and does not believe the impact will be significant to the Company's overall results of operations or financial position.

10

In February of 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments", which is intended to simplify the accounting and improve the financial reporting of certain hybrid financial instruments (i.e., derivatives embedded in other financial instruments). The statement amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of FASB Statement No. 125." SFAS No. 155 is effective for all financial instruments issued or acquired after the beginning of an entity's first fiscal year that begins after September 15, 2006.. The Company is currently evaluating the impact SFAS No. 155 will have on its consolidated financial statements, if any.

The implementation of the provisions of these pronouncements is not expected to have

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Notes to the Financial Statements
December 31, 2009 and December 31, 2008

a significant effect on the Company's financial statement presentation.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 *"Accounting Changes and Error Corrections, an amendment of APB Opinion 20 and FASB Statement No. 3,"* which changes the requirements for accounting for and reporting on a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We believe that the adoption of SFAS No. 154 will not have a material impact on our results of operations.

In March 2006, the FASB issued SFAS No. 156 *"Accounting for Servicing of Financial Assets, an amendment of FASB No. 140,"* which modifies the accounting for and reporting of servicing asset and servicing liabilities. This statement is effective as of the beginning of our first fiscal year that begins after September 15, 2006. SFAS No. 156 is not currently applicable to the company and, we believe that the adoption of SFAS No. 156 will not have a material impact on our results of operations.

In June 2006, the FASB issued Financial Interpretation No. (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 a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of applying the various provisions of FIN 48.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements,"* that provides guidance for using fair value to measure assets and liabilities. Under SFAS 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop the assumptions that market participants would use when pricing the asset or liability. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In addition, SFAS 157 requires that fair value measurements be separately disclosed by level within the fair value hierarchy. This standard will be effective for financial statements issued for fiscal periods beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the impact of applying the various provisions of SFAS 157.

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

(Continued)

g. Property and Equipment

Property and equipment is recorded at cost. Major additions and improvements are capitalized. The cost and related accumulated depreciation of equipment retired or sold are removed from the accounts and any differences between the undepreciated amount and the proceeds from the sale are recorded as gain or loss on sale of equipment. Depreciation is computed using the straight-line method over a period of five years. As of December 31, 2007 & December 31, 2006, all equipment has been fully depreciated, except for the equipment acquired in 2007.

h. Provision for Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of December 31, 2007 and 2006:

	<u>2009</u>	<u>2008</u>
Deferred tax assets		
NOL Carryover	\$ 9,438,684	\$ 7,809,449
Accrued expenses	-	-
Deferred tax liabilities:	-	-
Valuation allowance	<u>(9,438,684)</u>	<u>(7,809,449)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate of 39% to pretax income from continuing operations for the years ended December 31, 2009 and 2008 due to the following:

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Notes to the Financial Statements
December 31, 2009 and December 31, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>2009</u>	<u>2008</u>
Book income	\$ (1,629,235)	\$ 1,874,516
Valuation allowance	<u>1,629,235</u>	<u>(1,874,516)</u>
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2009, the Company had net operating loss carry forwards of approximately \$9,438,684 that may be offset against future taxable income from the year 2004 through 2024. No tax benefit has been reported in the December 31, 2009 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in the future.

j. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13

k. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2009 and 2008 was \$14,871 and \$13,302 respectively.

l. Revenue Recognition Policy

Syndication has not instituted a policy for dealing or recording revenue recognition at this time. The company believes that as the business grows, we will have more frequent occasions to deal with this type of issue and will be in a position to better structure an effective policy.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2009:

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)

Notes to the Financial Statements

December 31, 2009 and December 31, 2008

Office equipment	\$	7,965
Computer		1,042
Equipment		41,246
Equipment leased (capital lease)		95,246
Accumulated depreciation		<u>(59,605)</u>
Net property and equipment	\$	<u>85,894</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$22,703 and \$22,046, respectively.

NOTE 3 - PREFERRED STOCK

The shareholders of the Company have authorized 20,000,000 shares of preferred stock with a par value of \$0.0001. The terms of the preferred stock are to be determined when issued by the board of directors of the Company. 2 Billion Preferred shares are issued and outstanding.

NOTE 4 - CONVERTIBLE DEBENTURE

On December 30th 2005, Syndication, Inc. (the "Company"), in order to obtain alternative funding for its ongoing operations of the Company, entered into a Termination Agreement with Cornell Capital Partners, LP (the "Investor") pursuant to which the Standby Equity Distribution Agreement entered between the Company and the Investor dated June 2004 was terminated. To that end, on December 30th 2005, the company then executed a Securities Purchase Agreement (the "Agreement") for the sale of (i) \$1,150,000 in secured convertible debentures (the "Debentures") and (ii) stock purchase warrants (the "Warrants") to buy 120,000,000 shares of our common stock. In accordance with EITF-00-19 and SFAS 150, since there is no explicit limit on the number of shares that are to be delivered upon

14

exercise of the conversion feature, the Company is not able to assert that it will have sufficient authorized and un-issued shares to settle the conversion option. As a result, the conversion feature should be accounted for as a derivative liability, with the fair value recorded in earnings each period. On February 6th 2006 the company issued an additional \$700,000 of the \$1,150,000 debenture and on June 8th 2006 issued the final \$150,000 of the \$1,150,000 debenture. As of December 31st, 2009, the Company converted \$540,200 of its debenture to equity reducing the outstanding debenture balance from \$1,150,000 to \$609,800.

NOTE 5 - NOTES PAYABLE - RELATED PARTY

Notes payable to related parties consisted of the following at December 31, 2009:

Note payable to a related party, due on demand, plus interest at 12% per annum, unsecured.	\$	723,094
Less: Current Portion		<u>(723,094)</u>

SYNDICATION, INC. AND SUBSIDIARY

(formerly SYNDICATION NET.COM, INC.)
Notes to the Financial Statements
December 31, 2009 and December 31, 2008

Long-Term Notes Payable to Related Parties \$ -

The aggregate principal maturities of notes payable to related parties are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2009	\$ 622,467
2010	-
2010	-
2011 and thereafter	<u>-</u>
Total	<u><u>\$ 622,487</u></u>

Interest expense for the year ended December 31, 2009 and 2008 was \$93,671 and \$71,282 respectively. The total interest payable on this note as of December 31, 2009 is \$100,626.

NOTE 6 - NOTE PAYABLE

At December 31, 2009, the Company had three notes payable totaling \$108,611. These notes are unsecured and due on demand. Interest is accrued at varied rates. Interest expense for the years ended December 31, 2009 & 2008 was \$9,433 and \$9,459 respectively.