

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from      to

Commission File Number:



**ZUMA BEACH ENTERTAINMENT, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**16-1675853**

(I.R.S. Employer Identification No.)

**3420 N. San Fernando Blvd.**

**Burbank, CA**

(Address of principal executive offices)

**91504**

(Zip Code)

**(818)- 841-9862**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.  
Common Stock \$0.001 Par Value --- 399,825,243 shares outstanding as of September 30, 2010.

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**ZUMA BEACH ENTERTAINMENT, INC.**

**FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

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**PART I – FINANCIAL INFORMATION**

**Item 1. CONSOLIDATED FINANCIAL STATEMENTS**

**Zuma Beach Entertainment, Inc. and Subsidiaries**  
**(A Development Stage Company)**  
**Consolidated Balance Sheets**  
**Unaudited, Prepared by Management**

	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,599	\$ 35,214
Other current assets	699,418	410,333
Total current assets	<u>706,017</u>	<u>445,547</u>
<b>Property and equipment (net of accumulated depreciation)</b>	12,790	15,151
<b>Goodwill and intangible assets</b>	10,227,192	10,227,192
<b>Long term investments</b>	972,667	303,375
<b>Other Assets</b>	180,066	174,780
<b>TOTAL ASSETS</b>	<b><u>12,098,732</u></b>	<b><u>11,166,045</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)</b>		
<b>Current liabilities</b>		
Current portion of convertible notes payable of \$5,000 (Note 1)	5,000	5,000
Accounts payable	788,955	990,315
Accrued expenses (Note 1)	1,460,939	5,577
Total current liabilities	<u>2,254,894</u>	<u>1,000,892</u>
<b>Long Term Liabilities</b>		
Loan payable	378,568	1,136,525
Due to related party	384,122	284,531
Other long-term liabilities	77,598	-
Total long-term liabilities	<u>840,288</u>	<u>1,421,056</u>
<b>Total Liabilities</b>	3,095,182	2,421,948
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$ 0.001 par value, 750,000,000 shares authorized, issued and outstanding - 399,825,243 and 379,044,803 at Sept 30/10 and Dec 31/09 respectively	401,511	372,571
Additional paid-in capital	17,464,990	16,154,208
Deficit accumulated during development stage	(8,861,461)	(7,781,192)
	<u>9,005,041</u>	<u>8,745,587</u>
Cost of 1,395,281 shares of common stock held by the Company	(1,490)	(1,490)
<b>Total Equity</b>	<u>9,003,550</u>	<u>8,744,097</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b><u>\$ 12,098,732</u></b>	<b><u>\$ 11,166,045</u></b>

See accountant's report on financial statements

**ZUMA BEACH ENTERTAINMENT, INC.**  
(A Development Stage Company)  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the quarter ended September 30**  
**(Unaudited, Prepared by Management)**

	Cumulative from the beginning of development state (January 1, 2003)	Three-Month Period ended September 30, 2010	Three-Month Period ended September 30, 2009	Nine-Month Period ended September 30, 2010	Nine-Month Period ended September 30, 2009
<b>REVENUE</b>	\$ 1,422,427	\$ 123,059	\$ 352,880	\$ 611,322	\$ 514,091
<b>COST OF GOODS SOLD</b>	245,524	0	142,753	8,949	213,164
<b>GROSS PROFIT</b>	1,176,903	123,059	210,127	602,373	300,927
<b>EXPENSES</b>					
General and Administrative	677,995	97,516	159,915	206,548	342,724
Advertising/Promotion Expense	489,398	-	571	2,168	886
Interest Expense	179,959	-	14,180	1,898	15,033
Professional Fees	2,609,206	-	58,443	199,326	138,710
Management Fee	250,000	-	-	-	-
Syndication Cost	1,006,195	-	500	3,750	10,960
Rent	176,372	27,967	9,790	95,041	13,360
Telephone	82,929	4,391	11,188	14,986	31,390
Travel & Entertainment	157,289	318	7,567	8,600	5,839
Salaries & Wages	4,542,979	135,267	212,649	987,601	345,048
<b>Total Expenses</b>	10,172,322	265,459	474,803	1,519,918	903,950
Loss before income taxes	(8,995,419)	(142,400)	(264,676)	(917,545)	(603,023)
<b>OTHER INCOME AND EXPENSES</b>					
Other income and expenses	134,981	908	-	1,069	9,106
Gain or loss on foreign exchange	(223)	-	-	(223)	
Provision for income taxes	(800)	-	-	-	
<b>NET LOSS</b>	\$ (8,861,461)	\$ (141,492)	\$ (264,676)	\$ (916,699)	\$ (593,917)
<b>Basic and diluted loss per common share</b>		\$ (0.000)	\$ (0.001)	\$ (0.002)	\$ (0.003)
<b>Basic and diluted weighted average number of common shares outstanding</b>		391,465,221	221,363,952	386,168,728	184,982,074
<b>See accountants' report on financial statements</b>					

**Zuma Beach Entertainment, Inc. and Subsidiaries**  
(A Development Stage Company)  
**Consolidated Statements of Stockholders' Equity (Capital Deficit)**  
**Period from April 10, 2003 (Inception) to September 30, 2010**  
(Unaudited, Prepared by Management)

	<u>Common Stock</u>		Deficit	Total
	Number of Shares	Amount		
<b>Balance at April 10, 2003</b>	172,422	\$ -	\$ -	\$ -
Net loss			(2,512,353)	(2,512,353)
Shares issued pursuant to 504 offering	3,002,000	-	-	-
Shares issued pursuant to allotment	32,394,500	-	-	-
Shares issued for debt	1,500,000	-	-	-
Shares issued for treasury	(1,395,181)	-	-	-
Shares issued for services	2,783,000	1,959,400	-	1,959,400
Shares issued for cash	982,062	491,031	-	491,031
<b>Balance at December 31, 2003</b>	39,438,803	\$ 2,450,431	\$ (2,512,353)	\$ (61,922)
Net loss			(1,295,710)	(1,295,710)
Shares issued for debt	1,000,000	-	-	-
Shares issued for services	830,200	593,465	-	593,465
Shares issued for cash	536,150	268,075	-	268,075
Shares issued for cash	2,750,000	110,000	-	110,000
<b>Balance at December 31, 2004</b>	44,555,153	\$ 3,421,971	\$ (3,808,063)	\$ (386,092)
Net loss			(1,994,169)	(1,994,169)
Shares issued for debt	3,500,000	315,000	-	315,000
Shares issued for services	9,962,000	860,580	-	860,580
Shares issued for salaries	21,385,586	809,267	-	809,267
Shares issued for cash	8,622,744	344,910	-	344,910
<b>Balance at December 31, 2005</b>	88,025,483	\$ 5,751,728	\$ (5,802,231)	\$ (50,504)
Net loss			(661,838)	(661,838)
Shares issued for treasury	(100)			
Shares issued for cash	125,000	5,000	-	5,000
<b>Balance at December 31, 2006</b>	88,150,383	\$ 5,756,728	\$ (6,464,069)	\$ (707,341)
Net loss			(485,660)	(485,660)
Shares issued for services	90,200	45,100	-	45,100
<b>Balance at December 31, 2007</b>	88,240,583	\$ 5,801,828	\$ (6,949,729)	\$ (1,147,901)
Net loss			(237,546)	(237,546)
Shares investment/acquisition	56,750,171	624,551		624,551

Shares issued for services	3,300,000	99,000		99,000
Shares issued for services	(90,200)	(45,100)		(45,100)
Shares issued for treasury	(4,601)	-		-
<b>Balance at December 31, 2008</b>	148,195,953	\$ 6,480,279	\$ (7,187,275)	\$ (706,996)
Net loss			(757,486)	(757,486)
Shares issued for cash	10,506,000	520,300		520,300
Shares issued for investment	170,000,000	8,500,000		8,500,000
Shares issued for debt	180,000	9,000		9,000
Shares issued for services	50,162,850	1,325,411		1,325,411
<b>Balance at December 31, 2009</b>	379,044,803	\$ 16,834,989	\$ (7,944,762)	\$ 8,890,229
Net loss			(295,325)	(295,325)
Shares issued for cash	3,540,000	177,000		177,000
Shares issued for investment	11,712,440	581,622		581,622
<b>Balance at March 31, 2010</b>	394,297,243	\$ 17,593,611	\$ (8,240,087)	\$ 9,353,524
Net loss			(474,372)	(474,372)
Adjustment to Net loss			(5,510)	(5,510)
Shares issued for cash	3,578,000	173,900		173,900
Shares issued for services	100,000	5,000		5,000
<b>Balance at June 30, 2010</b>	397,975,243	\$ 17,772,511	\$ (8,719,969)	\$ 9,052,542
Net loss			(141,492)	(141,492)
Shares issued for cash	1,850,000	92,500		92,500
<b>Balance at September 30, 2010</b>	399,825,243	17,865,011	(8,861,461)	9,003,550

**ZUMA BEACH ENTERTAINMENT, INC.**  
(A Development Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the nine months ending September 30  
(Unaudited)

	Cumulative from the beginning of development stage (January 1, 2003)	Nine-Month Period ended September 30, 2010	Nine-Month Period ended September 30, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss from operations	\$ (8,861,460)	\$ (916,699)	\$ (593,917)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	6,290	2,784	1,403
(Increase) decrease in:			
Employee advances	(221,091)	(606)	(46,217)
Other current assets	(308,451)	(25,744)	(125,165)
Other assets	(8,251)		(5,000)
Due from related party	(169,878)	(147,295)	4,116
Increase (decrease) in:			
Bank overdraft	(1)	-	-
Accounts payable	788,955	(18,671)	672,330
Accrued expenses	1,460,939	481,672	2,618
Due to related party	(887,051)	86,899	(1,101,365)
Loan payable	378,568	112,543	1,111,025
Other long-term liabilities	77,598	77,598	-
Net cash used by operating activities	(7,743,833)	(347,519)	(80,172)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of asset net of liabilities	(19,080)		(10,813)
Trademarks	(490,156)	(180,065)	-
Long-term investments	174,655	178,030	(3,375)
Other investments	(552,450)	(82,670)	-
Net cash used in investing activities	(887,031)	(84,705)	(14,188)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of debt note	5,000	-	-
Proceeds from issuance of common stock	7,443,979	443,400	210,600
Advances from related parties	1,188,484	-	(82,692)
Net cash provided in financing activities	8,637,463	443,400	127,908
<b>Net decrease in cash</b>	<b>6,599</b>	<b>11,176</b>	<b>33,548</b>
<b>Cash at the beginning of the year</b>	<b>-</b>	<b>(4,577)</b>	<b>1,665</b>
<b>Cash at the end of the period</b>	<b>\$ 6,599</b>	<b>\$ 6,599</b>	<b>\$ 35,213</b>

**SUPPLEMENTAL DISCLOSURES**

Schedule of Non-cash Investing and Financing Transactions

Common stock issued for services	\$ 3,463,545	\$ 5,000	\$ -
Common stock issued for debt	324,000	-	9,000
Common stock issued for salaries	809,267	-	1,325,411
Common stock issued for FNIN	170,000	-	170,000
Interest paid	\$ 179,959	\$ 1,898	\$ 15,033

**ZUMA BEACH ENTERTAINMENT, INC.**  
**(A Development Stage Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2010**  
**(Unaudited)**

**1. Basis of Presentation**

Unless the context otherwise requires, the use of the terms “Zuma”, “We”, “Us” and “Our” in these Notes to Condensed Consolidated Financial Statements refers to Zuma Beach Entertainment, Inc. and its consolidated subsidiaries. We are a diversified company operating in the entertainment and information industries.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States. All adjustments comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

Since inception of the business, the company generated consolidated revenue of \$811,105 in 2009 and \$611,322 in 2010. With respect to our 2010 consolidated revenue, 28% represents revenue from business services and 72% represents revenue from leads generation. Since we created a revenue stream for the company, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes in the Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

**Going-concern**

Our consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, as shown in the accompanying consolidated financial statements, we have sustained substantial losses from operations since inception, and as of September 30, 2010, had an accumulated deficit of \$8,861,461 and a working capital deficit of \$1,548,877. A number of risk factors and uncertainties affect our results and financial position. In particular, the current economic climate creates uncertainties over the level of demand for our products and services. Notwithstanding the current economic climate, we continue to actively pursue the purchase of assets for the purpose of developing these assets to produce income. The ‘going concern’ concept assumes that our business will remain in existence for an indefinite period of time, or at least long enough to fully utilize these assets and so get the complete benefit that is potentially contained within. Although revenues for the third quarter ended September 30, 2010 are below initial forecasts, management has reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future; such adequate resources include revenue generation from existing and new product lines and the continuation of our private offering for additional and supplemental working capital. Accordingly, we continue to adopt the ‘going concern’ basis in preparing the annual and quarterly reports and financial statements.

**New Accounting Standards**

*Consolidation of Variable Interest Entities* — In June 2009, the Financial Accounting Standards Board (“FASB”) issued new guidance on the treatment of a consolidation of variable interest entities (“VIE”) in response to concerns about the application of certain key provisions of pre-existing guidance, including those regarding the transparency of an involvement with a VIE. Specifically, this new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, this new guidance requires additional disclosures about an involvement with a VIE and any significant changes in risk exposure due to that involvement. This new guidance was effective for fiscal years beginning after November 15, 2009. As such, we adopted the new guidance on March 31, 2010, and determined that it did not have an impact on our consolidated financial position or results of operations.

*Transfers of Financial Assets* — In June 2009, the FASB issued new guidance on the treatment of transfers of financial assets which eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing

financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. This new guidance was effective for fiscal years beginning after November 15, 2009. As such, we adopted the new guidance on March 31, 2010, and determined that it did not have an impact on our consolidated financial position or results of operations.

### **Principles of Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, First National Information Network, Inc., a company incorporated in the State of California. Significant inter-company balances and transactions were eliminated upon consolidation.

### **Use of Estimates**

The preparation of our financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

### **Unaudited Cumulative Financial Statements**

The financial information included on the accompanying consolidated statements of operations and comprehensive loss, consolidated statements of changes in stockholders' equity (capital deficit) and consolidated statements of cash flows for the cumulative period from the beginning of the development stage (April 10, 2003) to September 30, 2010 is considered unaudited. The financial information included in this cumulative period for the years ended September 30, 2010 was never audited by an independent auditor.

### **Fair Value of Financial Instruments**

Cash, receivables, accounts payable, accrued liabilities, and due to related parties are carried at amounts which reasonably approximate the fair value due to the short-term nature of these amounts or due to variable rates of interest which are consistent with current market rates.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents consist of time deposits and all liquid instruments with original maturities of three months.

### **Property and Equipment**

Property and equipment are recorded at costs and consists of furniture and fixtures, computers and office equipments. We compute depreciation using the straight-line method over the estimated useful lives of the assets. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are charged to expense.

### **Goodwill and Intangible Assets**

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for under the purchase method. We do not amortize goodwill but test it for impairment annually or when indications of potential impairment exist. These indicators would include a significant change in operating performance, the business climate, legal factors, competition or a planned sale or disposition of a significant portion of the business, among other factors.

As of September 30, 2010, we posted goodwill and intangible assets of \$10,227,192 in the balance sheet as a result of an equity purchase of First National Information Network on May 27, 2009 and an asset purchase of World Arena Rugby Union, LLC. We will complete our impairment evaluation by performing internal valuation analyses, considering other publicly available market information and using an independent valuation firm, as appropriate by the year end December 31, 2010.

## Long-term Investments

Our long-term investments are comprised of a 5% participating ownership interest in a slate of films from Deco Entertainment, LLC (“Deco) and C. Julian Productions, Inc. (“Julian”).

1. Ownership interest in the film “Sea of Darkness (USA) (working title) (known as “Dark Tracks” in European Film” from Deco Entertainment, LLC whose principal is Freddy Braidy;
2. Ownership interest in additional film titles that comprise the entire slate of films (Note: The titles of such additional films remains undetermined at this time); and
3. Investment in URL ([www.exchangemall.com](http://www.exchangemall.com)) is carried at fair value.
4. Investment in Hey Mike!! Industries, LLC.

On March 31, 2010, Zuma entered into an asset purchase agreement with HeyMike!! Industries, LLC, (“HMI”) a Limited Liability Company formed pursuant to the Limited Liability Company Act of the Commonwealth of Massachusetts. The asset purchase was comprised of all of the assets, tangible and intangible, owned by HMI that are used in, or necessary for the conduct of its online gaming/toy business, including, without limitation: i) the patents and/or trademarks (either registered or non-registered) of HMI, including but not limited to, G.I. GERM FIGHTERS (Serial Number: 77730290), all related websites including URL’s, usernames and passwords, the GIGO Beta Site all character representations, including related character models, videos, image, artwork, sound clips, voices, music, themes, slogans, catch phrases etc., all related products and intellectual property; the fixed assets of HMI, if any; all customer lists, if any; and the goodwill associated therewith, all free and clear of any security interests, mortgages or other encumbrances, collectively defined as (the “Assets”).

As consideration for the sale, conveyance, assignment, transfer and delivery of HMI’s Assets to Zuma, we agreed to issue 6,000,000 shares of restricted common stock of Zuma to be issued and registered to the interest holders of HMI based upon corresponding ownership percentage in HMI.

We have not consolidated HMI in our financial results as part of our information management business segment from the date of acquisition. We accounted for the acquisition pursuant to SFAS No. 141, Business Combinations, using the purchase method. We recorded the net assets acquired at their estimated fair values and allocated the purchase price on a preliminary basis using information currently available.

In accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, we classify these investments as investment in equity securities using the fair value method and have no maturity date.

## Other Assets

Other assets comprised of capitalized expenses from various slate of projects currently under production.

Other Assets	
Angel Babies Production	\$ 169,780
Winged Angels Production	10,286
	\$ 180,066

## Income Taxes

In accordance with ASC Topic 740, "Income Taxes", we account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We have adopted ASC Topic 740, Accounting for Uncertainty in Income Taxes as of August 1, 2007. ASC Topic 740 clarifies the accounting for uncertainty in income taxes recognized in companies' financial statements in accordance with ASC Topic 740, Accounting for Income Taxes. As a result, we applied a more-likely-than-not recognition threshold for all tax uncertainties. ASC Topic 740 only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing ASC Topic 740, we reviewed our tax position and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on our financial statements.

Based on its evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. Our evaluation was performed for the tax years ended December 31, 2005 through 2009 for U.S. Federal Income Tax and for the State of California Income Tax, the tax years which remain subject to examination by major tax jurisdictions as of September 30, 2009.

Our policy is to recognize interest and penalties related to income tax issues as components of income tax expense. We did not recognize or incur any accrual for interest and penalties relating to income taxes as of September 30, 2010.

### **Basic and Diluted Net Loss Per Share**

ASC Topic 260, Earnings Per Share, provides for the calculation of "Basic" and "Diluted" earnings per share. Basic net loss per common share includes no dilution and is computed by dividing the net loss by the weighted average number of common shares outstanding during each period. All potentially dilutive securities have been excluded from the computations since they would be anti-dilutive. As of September 30, 2010, there are no outstanding warrants, options or other potentially dilutive Securities outstanding.

### **Concentrations of Credit Risk**

We maintain all cash in bank accounts, which at times may exceed federally insured limits. We have not experienced any loss in such accounts.

We have adopted all recently issued accounting pronouncements. The adoption of the accounting pronouncements including those not yet effective is not anticipated to have a material effect on our operations.

### **Current Liabilities**

#### *Convertible Promissory Notes*

We made an offering of a minimum of two (2) and up to a maximum of twenty (20) notes at twenty five thousand dollars (\$25,000) per note, with a minimum subscription of one (1) note (the "Offering"). The funds generated from this Offering were used to promote the growth of the company by assisting in the funding of film production, acquisitions, and distribution. As of September 30, 2010, the current portion of the convertible promissory note payable is \$5,000. No change since the initial Offering on February 7, 2008.

### **Related Party Transactions**

During the three-month period ended September 30, 2010, we entered into the following related party transactions:

The following table sets forth the total liability amount to all related parties between our related entities and due to current and former officers, and related parties for services provided, expenses incurred on behalf of the Zuma. These amounts are unsecured, without interest and have no specific terms of repayment. The change of \$73,702 in our directors and officers is a result of accrued wages during the quarter. Due to historical operating losses, operations have not been a source of liquidity.

Related Party Transactions	September 30, 2010	December 31, 2009	Change
Related Entities	\$ 119,155	\$ 71,566	\$ (47,589)
Officers	251,770	225,657	(26,113)
	\$ 370,926	\$ 297,224	\$ (73,702)

### **Revenue Recognition**

Our revenue arises from two sources, one from business services and two from leads sales. Our business services record revenue from sales of service contracts. We recognize revenue when the sales price is fixed and determinable and the customer takes possession of the merchandise. Lead sales are all done online and paid by credit cards. Since all lead sales are made online, the receipt of leads are available to clients immediately. Revenue is recognized at the time we estimate the customer received the product.

Revenue from lead sales is reported net of estimated sales returns. We estimate our sales returns based on historical return rates. However, the returns are immaterial and were recorded as a reduction of revenue.

### **Subsequent Events**

We have evaluated events and transactions that occurred between July 1, 2010 and November 15, 2010, which is the date the financial statement is filed for possible disclosure or recognition in the financial statements, and has deemed the following event as material.

Subsequent to September 30, 2010, the Company has determined that there were no events or transactions that required disclosure in the footnotes to the financial statements.

## ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, the use of the terms “Zuma”, “we”, “us” and “our” in the following refers to Zuma Beach Entertainment, Inc. and its consolidated subsidiaries.

Management’s Discussion and Analysis of Financial Condition and Results of Operation (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of the management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in seven sections:

1. Overview
2. Plan of Operations
3. Results of Operations
4. Liquidity and Capital Resources
5. Off-Balance-Sheet Arrangements and Contractual Obligations
6. Critical Accounting Estimates
7. New Accounting Standards

Our MD&A should be read in conjunction with our other quarterly filings on Pink OTC Markets and other publicly available information.

### 1. Overview

Zuma was incorporated on May 24, 2001 as Princeton Capital by its legal counsel David B. Stocker. On February 1, 2003, the Company’s name was changed to Carry Walker Inc. and 6,000,000 Shares of common stock were issued to Gary Heath (“Mr. Heath”) as compensation for his services as Director, President, Secretary and Treasurer of Company. On June 27, 2003, Mr. Heath resigned such positions, which were then filled by Daniel P. Cannon (“Mr. Cannon”). Concurrently, the 6,000,000 Shares that had been issued to Mr. Heath were cancelled, returned to treasury and reissued to Mr. Cannon. On July 1, 2003, Mr. Cannon executed a certificate of amendment to the Articles of Incorporation, changing the Company’s name from Carry Walker, Inc. to Zuma Beach Entertainment, Inc. The Company began trading on the Pink Sheets under the trading symbol ZMBC on August 12, 2003.

On April 2, 2007 Zuma formally signed an exclusive distribution agreement with Angel Babies, LLC. The terms of the agreement grant Zuma exclusive rights to license and distribute Angel Babies and all related products for up to 20 years.

On February 8, 2008 Zuma entered into an agreement to purchase all of the assets of World Arena Rugby Union, LLC (“WAR”) in exchange for newly issued Shares of Zuma representing forty-six percent (46%) of the issued and outstanding Shares at the effective time of the transaction.

On March 27, 2008 Zuma acquired a 5% participating ownership interest in a slate of films from Deco Entertainment, LLC (“Deco”) and C. Julian Productions, Inc. (“Julian”).

On May 27, 2009 Zuma closed an asset purchase transaction to acquire the assets of Exchangemall.com, Inc. (“Exchangemall”) including First National Network, Inc., (“FNIN”) along with SalesRide.com, Investor Concepts, Fast Info 1 and the URL of Exchangemall, an asset purchase transaction valued at \$8.5M.

On March 31, 2010, Zuma closed an asset purchase agreement with HeyMike!! Industries, LLC, (“HMI”) a Limited Liability Company formed pursuant to the Limited Liability Company Act of the Commonwealth of Massachusetts. The agreement consists of all of the assets, tangible and intangible, owned by HMI that are used in, or necessary for the conduct of its online gaming/toy business, including, without limitation: i) the patents and/or trademarks (either registered or non-registered) of HMI, including but not limited to, G. I. GERM FIGHTERS (Serial Number: 77730290), all related websites including URL’s, usernames and passwords, the GIGO Beta Site all character representations, including related character models, videos, image, artwork, sound clips, voices, music, themes, slogans, catch phrases etc., all related products and

intellectual property; the fixed assets of HMI, if any; all customer lists, if any; and the goodwill associated therewith, all free and clear of any security interests, mortgages or other encumbrances, collectively defined as (the “Assets”).

On April 27, 2010 Zuma signed a Memorandum of Understanding (“MOU”) with Atomic Kat Studios, LLC (“AKS”), a video game development studio that has joined with Zuma as a strategic partner to help facilitate the development of Zuma’s intellectual properties (“IP’s”) into a multitude of gaming forms including virtual worlds. The MOU was signed for a period of three (3) years from the effective date of the MOU, The parties entered into the MOU to mutually develop, produce and promote the IP’s owned and/or licensed for distribution by Zuma. AKS will provide strategic direction for marketplace position of all IP’s specifically with respect to games and virtual worlds, and create i) investor brochures ii) production budgets and iii) operational cash flow projections required for the development and production of the IP’s. Two million (2,000,000) shares of restricted common stock shall be issuable by Zuma to AKS in consideration for provision of the above noted services,

## 2. Plan of Operations

Following is our plan of operations for the next twelve months:

1. We do not have any available credit, bank financing, or other external sources of liquidity. Due to historical operating losses, operations have not been a source of liquidity. In order to obtain capital and to satisfy our cash needs for the next twelve months, we may need to sell additional Shares via a continued private offering and/or borrow funds from private lenders. There can be no assurance that we will be successful in obtaining additional funding to meet our cash needs for the next twelve months.
2. No extensive product research and development is necessarily expected to be performed over the term of the plan.
3. For the calendar year 2010, we are not anticipating any purchase or sale of plant or significant equipment.
4. We have significantly decreased the number of employees in the third quarter of 2010 compared to the number of employees as of the year end December 31, 2009. As of September 30, 2010, we have six (6) full-time employees.

## 3. Results of Operations

The following information was extracted from our unaudited consolidated statement of income to reflect changes in our financial condition for the three month period ended September 30, 2010 and September 30, 2009.

For the quarter ended			Change	
	September 30, 2010	September 30, 2009	Amount	Percentage
Revenue	\$ 123,059	\$ 352,880	\$ -	0.0%
Cost of Goods Sold	-	142,753	-	0.0%
Gross Profit	123,059	210,127	-	-
Operating expenses	265,459	474,803	\$ 209,344	44.1%
Income before other income (expense)	(142,400)	(264,676)	(209,344)	-44.1%
Other income (expenses)				
Interest, net	-	-	-	0.0%
Other, net	908	-	908	-
Total	908	-	-	-
Income before income taxes and minority interests	(141,492)	(264,676)	(209,344)	79.1%
Provision for income taxes	-	-	-	-
Net income before minority interest	(141,492)	(264,676)	(209,344)	79.1%
Minority interest in net loss of consolidated entity	-	-	-	-
Net income (loss)	\$ (141,492)	\$ (264,676)	\$ (209,344)	79.1%

## Revenue

The following table presents unaudited consolidated revenue mix percentages by revenue category as of the third quarter ended September 30, 2010 and September 30, 2009.

	Revenue Mix Summary	
	September 30	
	2010	2009
Business Services	6%	0%
Leads Generation	94%	100%
Total	100%	100%

Since inception of the business, we have generated consolidated revenue of \$1,422,427. As of the three month period ended September 30, 2010, our revenue mix was 6% business services or \$7,204 and 94% leads generation or \$115,855. The Company's source of revenue for business services was affected when the company lost its major key accounts. The lead generation business on the other hand has retooled its technology and the verticals focusing on the new implementation of dialing and database system as well as tracking. The Company has been actively pursuing not only in investor lead verticals but debt, home improvements, education and home based business as well. The Company expects a turnaround in its bottom line in the fourth quarter of 2010.

## Operating Expenses

	Three-Month Period ended September 30, 2010	Three-Month Period ended September 30, 2009	Variance	Variance (%)
<b>EXPENSES</b>				
General and Administrative	\$ 97,516	\$ 159,915	\$ (62,399)	-30%
Advertising/Promotion Expense	-	571	(571)	0%
Interest Expense	-	14,180	(14,180)	-7%
Professional Fees	-	58,443	(58,443)	-28%
Syndication Cost	-	500	(500)	0%
Rent & Lease	27,967	9,790	18,177	9%
Telephone	4,391	11,188	(6,797)	-3%
Travel & Entertainment	318	7,567	(7,249)	-3%
Salaries & Wages	135,267	212,649	(77,382)	-37%
<b>Total Expenses</b>	<b>\$ 265,459</b>	<b>\$ 474,803</b>	<b>\$ (209,344)</b>	<b>100%</b>

Total operating expenses decreased significantly for the three month period ended September 30, 2010. Total operating expense for the third quarter was \$265,459 compared to \$474,803 of the same period last year as per schedule above. The decrease of \$209,344 was primarily due to a decrease in general and office expenses ("G&A"), salaries and wages and professional fees. These three major expense during the quarter account for 95% of our total operating expenses. G&A consists of expenses such as rent, bank charges, utilities and other administrative expenses necessary for the operations of the business. Rent continues to be a fixed expense. Rent and lease during the quarter was \$27,967 compared to 9,790 the same period last year. We also reduced our staff significantly to six (6).

#### 4. Liquidity and Capital Resources

##### SUMMARY OF CASH FLOWS (Unaudited)

	For the nine-month period ended		Change	
	September 30, 2010	September 30, 2009	Amount	Percentage
Cash provided by or (used in):				
Operating activities	\$ (347,519)	\$ (80,172)	\$ 267,347	-333%
Investing activities	(84,705)	(14,188)	70,517	-497%
Financing activities	443,400	127,908	(315,492)	-247%
Net change in cash & cash equivalents	\$ 11,176	\$ 33,548	\$ 22,372	67%

Operating Activities. Cash used in operating activities for the nine month period ended September 30, 2010 totaled (\$347,519) compared to cash provided by operating activities for the same period last year (\$80,172). The increase in cash provided by operations was due primarily to the recurring net loss since the first quarter. Our net loss since the beginning of the year was \$916,699 (\$769,698 for the second quarter end June 30, 2010) compared to \$593,917 the same period last year. Accrued expenses increased dramatically in the third quarter ended September 30, 2010 and totaled \$481,672 compared to \$2,618 the same period last year. The increase was due primarily on taxes owed to the IRS and accrued salaries to Officers since the beginning of the year. Our loan payable increased slightly in the third quarter 2010 to \$112,543 (\$106,543 in the second quarter ended June 30, 2010) due to borrowings but decreased significantly compared to \$1,111,025 for the same period last year. The decrease was due to the issuance of restricted stock to pay off liability.

Investing Activities. Cash used in investing activities for the nine month period ended September 30, 2010 was (\$84,705) compared with cash provided by investing activities of (\$14,188) for the nine month period ended September 30, 2009. The change was due primarily to our investment in Hey Mike Industries, LLC that occurred in the first quarter of 2010.

Financing Activities. Cash provided by financing activities was \$443,400 (\$350,900 for the second quarter end June 30, 2010) for the nine month period ended September 30, 2010, compared with cash used in financing activities of \$127,908 for the same period last year. The increase in cash provided by financing activities was primarily the result of our stocks issued for cash for the nine month period ended September 30, 2010.

#### Other Credit Lines and Liquidity Requirements

We do not have any available credit, bank financing, or other external sources of liquidity. There can be no assurance that we will be successful in obtaining additional funding to meet our cash needs for the next twelve months.

#### Note regarding projections and forward looking statements

Except for historical information contained herein, this report contains express or implied forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. We may make written or oral forward-looking statements from time to time, in press releases, quarterly conference calls or otherwise. The words “believes,” “expects,” “anticipates,” “intends,” “forecasts,” “project,” “plans,” “estimates” and similar expressions identify forward-looking statements. These statements reflect our current views with respect to future events and financial performance or operations and speak only as of the date the statements are made.

Forward-looking statements involve risks and uncertainties and readers are cautioned not to place undue reliance on forward-looking statements. Our actual results may differ materially from such statements. Factors that cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this report.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate with the result that there can be no assurance the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking information should not be regarded, as a representation

that the future events, plans, or expectations contemplated will be achieved. We undertake no obligation to publicly update, review, or revise any forward-looking statements to reflect any change in our expectations or any change in events, conditions, or circumstances on which any such statements are based.

## **5. Off-Balance-Sheet Arrangement and Contractual Obligations**

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

## **6. Critical Accounting Estimates**

### **Use of 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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the accounting for income taxes, and uncertainty in income taxes and depreciation and amortization.

### **Goodwill and Intangible Assets**

We evaluate goodwill and other intangible assets for impairment annually and whenever events or changes in circumstances indicate the carrying value of the goodwill or other intangible assets may not be recoverable. As of September 30, 2010, we posted goodwill and intangible assets of \$10,227,192 in the balance sheet primarily as a result of an equity purchase of First National Information Network on May 27, 2009.

We will complete our impairment evaluation by performing internal valuation analyses, considering other publicly available market information and using an independent valuation firm, as appropriate by the year end December 31, 2010.

### **Revenue Recognition**

See Note 1, Summary of Significant Accounting Policies, to the Notes to the Consolidated Financial Statements, included in Item 8, Financial Statements and Supplementary Data, of the Annual Report of Form 10-K, for a complete discussion of our revenue recognition policies.

We recognize revenue, after the customer receives services. Zuma provides business services to other related and unrelated entities for handling bookkeeping, mailing, janitorial, purchasing, payroll and consulting services.

## **7. New Accounting Standards**

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations - Revised 2007". SFAS 141 (R) provides guidance on improving the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports about a business combination and its effects. SFAS 141R applies to business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect the adoption of SFAS No. 141 to have a material impact on its financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements - an Amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company is currently evaluating the effect of this pronouncement on its financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. This standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS No. 162 is effective 60 days following approval by the U.S. Securities & Exchange Commission (“SEC”) of the Public Company Accounting Oversight Board’s amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. We do not expect SFAS No. 162 to have a material impact on the preparation of our consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events. SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although there is new terminology, the standard is based on the same principles as those that currently exist in the auditing standards. The standard also includes a required disclosure of the date through which the entity has evaluated subsequent events and whether the evaluation date is the date of issuance or the date the financial statements were available to be issued. The standard is effective for interim or annual periods ending after June 15, 2009. The Company has complied with the disclosure requirements.

In June 2009, the FASB issued SFAS No. 166 “Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140” (“SFAS 166”). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS No. 166 to have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 168 “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162”. The FASB Accounting Standards Codification (“Codification”) will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in SFAS 168. All other accounting literature not included in the Codification is non authoritative.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

### ITEM 4. DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management, consisting of our Chief Executive Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, as of September 30, 2010, our CEO believes that the Company’s disclosure controls and procedures do not adequately ensure that material information relating to the Company is made known to him by others, particularly during the period in which this report is being prepared, so as to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Not applicable.

**ITEM 1A. RISK FACTORS**

Not applicable. For information on Risk Factors involved in an investment in our common shares, see our annual report filed on form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of the security holders during the first quarter ended September 30, 2010.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Zuma Beach Entertainment, Inc.**  
(Registrant)

By: /s/ Mark Savoy  
Mark Savoy, Chief Executive Officer  
Date: November 15, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/Mark Savoy</u> Mark Savoy	Chief Executive Officer ( <i>principal executive officer</i> ) and Director	November 15, 2010
<u>/s/Jason Spasaro</u> Jason Spasaro	Chief Operations Officer & Corporate Secretary ( <i>principal financial officer</i> ) and Director	November 15, 2010
<u>/s/Roy Escosar</u> Roy Escosar	Chief Financial Officer ( <i>principal accounting officer</i> ) and Director	November 15, 2010

## CERTIFICATIONS

I, Mark Savoy, Chief Executive Officer of Zuma Beach Entertainment, Inc. (“the Company”), certify that:

1. I have reviewed this annual disclosure statement of the Company for the period ended September 30, 2010 and December 31, 2009.
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 registrant as of, and for, the periods presented in this report;

Date: November 15, 2010

/s/ Mark Savoy  
Mark Savoy  
Chief Executive Officer

## CERTIFICATIONS

I, Roy A Escosar, Chief Financial Officer of Zuma Beach Entertainment, Inc. (“the Company”), certify that:

4. I have reviewed this annual disclosure statement of the Company for the period ended September 30, 2010 and December 31, 2009.
5. 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
6. 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 registrant as of, and for, the periods presented in this report;

Date: November 15, 2010

/s/ Roy A Escosar  
Roy A Escosar  
Director