

SOCIAL MEDIA VENTURES, INC.
 UNAUDITED BALANCE SHEET
 DECEMBER 31, 2010

ASSETS

Cash	\$	10,578
Note receivable - NS Holdings		50,000
Equipment - net of accumulated depreciation of \$1,661		229
Internet Service Provider - net of accumulated amortization of \$166,848		457,491
		518,298
Total assets	\$	518,298

LIABILITIES AND STOCKHOLDERS' DEFICIT

LIABILITIES

Accounts payable and accrued expenses	\$	260,989
Loan payable - officer		45,850
Note payable - NS Holdings - Senior		155,875
Note payable - NS Holdings - Junior		255,063
Note payable - Thomas Spinelli		50,000
Note payable - Allstate Funding Services, Inc.		43,690
Note payable - Thomas Price		10,000
Note payable - JPR Consultants		4,000
Note payable - Redwood		16,000
Note payable - Kubera Management		11,225
		852,692
Total liabilities		852,692

STOCKHOLDERS' DEFICIT

Series B preferred stock, \$0.0001 par value, 10,000,000 shares authorized, 1,000,000 shares issued and outstanding		100
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 515,676,334 shares issued and outstanding		51,568
Additional paid-in capital		596,189
Accumulated deficit		(982,251)
		(334,394)
Total stockholders' deficit		(334,394)
Total liabilities and stockholders' deficit	\$	518,298

SOCIAL MEDIA VENTURES, INC.
UNAUDITED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

REVENUES

Internet service provider income \$ 48,574

EXPENSES

Operational platform fees 24,187

Compensation and employee benefits 88,080

Corporate fees 4,779

Depreciation and amortization 41,989

Interest expense 52,945

Web services fees 25,000

Other operating expenses 26,517

Total operating expenses 263,497

Net loss \$ (214,923)

SOCIAL MEDIA VENTURES, INC.
 UNAUDITED STATEMENT OF CASH FLOWS
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$	(214,923)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		369
Amortization		41,620
Note payable issued for web services		25,000
Increase in cash attributable to changes in assets and liabilities:		
Accounts payable and accrued expenses		52,945
		(94,989)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loan payable - officer		17,850
Proceeds from sale of common stock		15,000
Proceeds from note payable - Allstate Funding Services, Inc.		18,690
Proceeds from note payable - Thomas Price		10,000
Proceeds from note payable - JPR Consultants		4,000
Proceeds from note payable - Kubera Management		11,225
		76,765

NET DECREASE IN CASH (18,224)

CASH AT BEGINNING OF PERIOD 28,802

CASH AT END OF PERIOD \$ 10,578

SUPPLEMENTAL INFORMATION

Conversion of loan payable - officer to common stock	\$	15,000
Conversion of loan payable - Redwood to common stock	\$	9,000

SOCIAL MEDIA VENTURES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 – UNAUDITED

	<u>Series B Preferred Stock</u>		<u>Common Stock</u>		Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
	Shares	Amount	Shares	Amount			
Balances at January 1, 2010	1,000,000	\$100	333,963,334	\$33,397	\$575,360	\$(767,328)	\$ (158,471)
Common stock issued to collateralize note	-	-	3,433,000	343	(343)	-	-
Sale of common stock	-	-	12,000,000	1,200	13,800	-	15,000
Conversion of loan payable – officer to common stock	-	-	149,280,000	14,928	72	-	15,000
Conversion of note payable – Redwood to common stock	-	-	17,000,000	1,700	7,300	-	9,000
Net loss for the period	-	-	-	-	-	(214,923)	(214,923)
Balances at December 31, 2010	<u>1,000,000</u>	<u>\$100</u>	<u>515,676,334</u>	<u>\$51,568</u>	<u>\$596,189</u>	<u>\$(982,251)</u>	<u>\$ (334,394)</u>

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

a. Organization

The issuer (the “Company”) was formed as a Delaware corporation on April 7, 1998, under the name phoneXchange, Inc. and converted to a Nevada Corporation on July 29, 1999. The issuer then changed its name to NetSky Holdings Inc. on December 19, 2005. Prior to December 19, 2005, the issuer did business under the name phoneXchange, Inc. and was a facilities based long distance carrier that provided wholesale domestic and international commercial service directly to global carriers, small

to medium sized carriers as well as agents, brokers and long distance resellers on a prepaid basis. It is believed that phoneXchange, Inc. ceased doing business sometime in 1999 or 2000 and became dormant.

On December 7, 2005, the company's sole director authorized 1 for 50 reverse stock split of the company's issued and outstanding shares of common stock that were outstanding on December 7, 2005. The reverse stock split was to be effective upon clearance by the NASD Electronic Bulletin Board over-the-counter market, which clearance was given on January 30, 2006. On December 14, 2005, the issuer (then still known as phoneXchange, Inc.) entered into a share exchange agreement with NetSky Corp. and the stockholders of NetSky Corp. (the "Share Exchange Agreement"). Pursuant to the terms of the Share Exchange Agreement phoneXchange, Inc. acquired all the issued and outstanding shares of NetSky Corp., which became its wholly owned subsidiary. In exchange for their shares the owners of the NetSky Corp. subsidiary received a combined total of 27,500,000 newly issued shares of common stock and 1,000,000 shares of Series A Preferred Stock of the public parent company, phoneXchange, Inc. The public parent company phoneXchange, Inc. changed its name to NetSky Holdings, Inc. on December 19, 2005.

On February 5, 2008, the Company's sole director authorized a 1-for-1000 reverse stock split of the Company's issued and outstanding shares of common stock as of February 5, 2008. The reverse stock split was to be effective upon clearance by the Electronic Bulletin Board over-the-counter market, which clearance was given on February 5, 2008.

On May 28, 2008, the Company (then still known as NetSky Holdings, Inc.) authorized a 1-for-200 reverse stock split of the Company's issued and outstanding shares of common stock. The reverse stock split was to be effective upon clearance by the Electronic Bulletin Board over-the-counter market, which clearance was given on May 28, 2008.

The public parent company, NetSky Holdings, Inc., changed its name to Social Media Ventures, Inc. on May 28, 2008.

The company is an online media venture company, creating and acquiring niche social networking websites as well as revenue generating web sites. The company will integrate an online advertising program that focuses on attracting advertisers to its core demographics for each social networking site. Currently Social Media Ventures operates two social networking sites; www.petsplaces.com and www.rocktag.us. The company also operates three small local Internet Service Providers. The company also purchases and builds websites for the purpose of generating additional revenue and/or selling them for a profit in the future.

b. Accounting Method

The Company's policy is to use the accrual method of accounting to prepare and present financial statements, which conform to generally accepted accounting principles ("GAAP"). The company has elected a December 31, year-end.

NOTE 2. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has had substantial operating losses for

the past years and is dependant upon outside financing to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to raise necessary funding to pay down debt, to use for working capital and to make acquisitions and construct new websites.

NOTE 3. DEVELOPMENT STAGE COMPANY

The Company is a development stage company as defined in Financial Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital, developing its business operations of its social networking sites and acquiring operating assets.

NOTE 4. STOCKHOLDERS' EQUITY

The stockholders' equity section of the Company contains the following classes of capital stock as of December 31,2010:

Common Stock: \$0.0001 par value; 500,000,000 shares authorized: 333,963,334 shares issued and outstanding.

Preferred Stock: \$0.0001 par value, 20,000,000 shares authorized: -0- shares issued and Outstanding of which 1,000,000 shares were designated as Series B Preferred Stock.

In December 17, 2007, the Company issued Robert W. Thayer, 1,000,000 shares of Series B Preferred Stock. The holder of each issued and outstanding Series B Preferred Share shall be entitled to the number of votes equal to the result of: (i) the number of shares of Common Stock of the Corporation issued and outstanding at the time of such vote multiplied by .975; divided by (ii) the total number of Series B Preferred Shares issued and outstanding at the time of such vote, at each meeting of shareholders of the Corporation with respect to any and all matters presented to the shareholders of the Corporation for their action or consideration, including the election of directors.

NOTE 5. CONVERTIBLE NOTE

On April 24, 2008, a Junior Convertible Secured Note was issued to London Finance Group, Ltd. for the principal sum of One Hundred Forty Seven Thousand Eight Hundred Seventy Five Dollars (\$147,875) and to pay interest on the unpaid principal balance thereof at the rate of ten percent (10%) per annum, on or prior to May 1, 2009 (the "Maturity Date"). The Note has a conversion price equal to 25% of the average of the three lowest closing bid prices of the Company's common stock for the 20 trading days prior to the conversion date. Failure to repay this note as required could result in the acceleration of the promissory notes and the foreclosure of the assets of the Company. We currently do not have the funds available to repay the note. In the past London Finance Group granted us several extensions but a Default Notice was received in December of 2009. No assurance is given that London Finance Group will forebear from accelerating and foreclosing on the pledged assets. If we are unable to repay the note in full or obtain an extension or forbearance, London Finance Group will have the right to foreclose on the assets of our Company. Since all of our operations are conducted through the Company, a foreclosure would effectively cause us to terminate our operations. Management is in discussions with London Finance Group for a settlement. No assurance is given that we will be able to avoid the foreclosure under this note.

The Company has a Secured Convertible Note outstanding which is dated December 23, 2005, in favor of NS Holdings, Inc., for the original principal sum of Two Hundred Sixty Six Thousand Sixty Two Dollars and Fifty Cents (\$266,062.50). The remaining unpaid note is due on or prior to May 1, 2009 (the "MATURITY DATE"), and the Company must pay interest on the unpaid principal balance thereof at the rate of nine percent (9%) per annum from December 23, 2005 (the "ISSUE DATE") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. Section 1.2 of the Note provides for the conversion of the note based upon the trading price and/or offering price of the common stock of the Company during the term of the note which is currently \$.005 per share based upon the offering price of the Company's common stock in a recent private placement offering. On October 27, 2008, NS Holdings converted \$9,000.00 of the Senior Convertible Note for 1.8 million common shares of Social Media Ventures, Inc. On April 23, 2009, NS Holdings converted \$22,000 of the Convertible Note for 4.4 million common shares of Social Media Ventures, Inc.

The foregoing promissory note is secured by a first priority security interest on all assets of the Company, and is personally guaranteed by officers of the Company. Failure to repay this note as required could result in the acceleration of the promissory note, and would be a default under our Junior Secured Convertible Notes. We currently do not have the funds available to repay the note. In the past NS Holdings granted us several extensions but a Default Notice was received in December of 2009. No assurance is given that NS Holdings will forebear from accelerating and foreclosing on the pledged assets. If we are unable to repay the note in full or obtain an extension or forbearance, NS Holdings will also have the right to foreclose on the assets of our Company. Since all of our operations are conducted through the Company, a foreclosure would effectively cause us to terminate our operations. Management is in discussions with NS Holdings for a settlement. No assurance is given that we will be able to avoid the foreclosure under this note.

In the fourth quarter of 2009, the Company issued Convertible Note outstanding which is dated October, 2009, in favor of Thomas Spinelli for the original principal sum of Fifty Thousand Dollars and Zero Cents (\$50,000.00). The remaining unpaid note is due on or prior to December 2010 (the "MATURITY DATE"), and the Company must pay interest on the unpaid principal balance thereof at the rate of nine percent (15%) per annum from December 23, 2009 (the "ISSUE DATE") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. .

In the fourth quarter of 2009, the Company issued Convertible Note outstanding which is dated October, 2009, in favor of Allstate Funding Services, Inc. for the original principal sum of Twenty Five Thousand Dollars and Zero Cents (\$25,000.00). The remaining unpaid note is due on or prior to October, 2010 (the "MATURITY DATE"), and the Company must pay interest on the unpaid principal balance thereof at the rate of nine percent (15%) per annum from December 23, 2009 (the "ISSUE DATE") until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise

NOTE 6. FORWARD-LOOKING STATEMENTS

This financial statement and the accompanying Notes, contain certain forward-looking statements, which are made pursuant to the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Statements of future goals or expectations, containing words such as "expect," "believe," "should," "anticipate," "intend," "plan," "may," "will" or similar expressions reflecting something other than historical fact are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. These forward-looking statements involve a number of risks, uncertainties and assumptions that are difficult to predict and that could cause actual results to differ materially from those currently anticipated. Factors that could cause or contribute to such differences include, but are not limited to, the successful completion of acquisitions and the integration of such businesses with those of the Company, competition, technological changes, the ability to obtain financing and other factors. The Company undertakes no obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this posting this information. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. Statements indicating factors that we believe may impact our results are not intended to be exclusive.