Solos Endoscopy, Inc.

Financial Statements as of December 31, 2010 and 2009

and the Years Ended December 31, 2010 and 2009

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SOLOS ENDOSCOPY, INC.
Balance Sheets
December 31, 2010 and 2009

	December 31, 2010	December 31, 2009
Current Assets		
Cash	$ 10,200	$ 91,648
Accounts receivable, net	72,637	70,660
Prepaid expenses	100,000	5,000
Inventory and supplies	323,819	202,943
Total Current Assets	506,656	370,251
Property, Plant and Equipment, net	11,996	15,030
Other Assets		
Goodwill and Intangibles	1,900,000	1,900,000
Total Other Assets	1,900,000	1,900,000
Total Assets	$ 2,418,652	$ 2,285,281
Current Liabilities		
Accounts payable and accrued expenses	$ 214,139	$ 164,347
Common stock payable	419,082	-
Current maturities of long-term debt	207,919	196,018
Total Current Liabilities	841,140	360,365
Long-term Liabilities		
Notes payable-Related parties	67,610	66,550
Total Long-term Liabilities	67,610	66,550
Total Liabilities	908,750	426,915
Commitments and contingencies	-	-
Stockholder's Equity		
Preferred stock, Class A Convertible Preferred Stock 350,000,000 shares authorized, $.001 par value 0 shares issued and outstanding at December 31, 2010 and 2009, respectively	-	-
Common stock, 500,000,000 shares authorized $.001 par value, 16,857,673 and 551,678 shares issued and outstanding at December 31, 2010 and 2009, respectively	16,858	552
Additional paid-in capital	8,288,425	7,460,712
Retained (Deficit)	(6,795,379)	(5,602,898)
Total Stockholder's Equity	1,509,904	1,858,366
Total Liabilities and Stockholders' Equity	$ 2,418,654	$ 2,285,281

See Accompanying Notes

SOLOS ENDOSCOPY, INC.
Statements of Operations
For the Years Ended December 31, 2010 and 2009

	December 31,	
	2010	2009
Revenues	$ 429,473	$ 421,882
Cost of Goods Sold	119,535	212,344
Gross Profit	309,938	209,538
Operating Expenses		
Depreciation	28,304	31,006
Business consulting services	480,000	480,000
General and administrative	968,598	488,745
	1,476,902	999,751
(Loss) before other expenses	(1,166,964)	(790,213)
Other (Expenses)		
Impairment of goodwill	-	(1,505,224)
Forgiveness of debt	-	47,935
(Loss) on sale of product line	-	(17,362)
Interest expense	(25,517)	(46,341)
	(25,517)	(1,520,992)
(Loss) before income taxes	(1,192,481)	(2,311,205)
Income taxes	-	-
Net (Loss)	$ (1,192,481)	$ (2,311,205)
(Loss) per share	$ (0.59)	$ (8.24)
Weighted average shares	2,010,038	280,621

See Accompanying Notes

SOLOS ENDOSCOPY, INC.
Statements of Cash Flows
For the years Ended December 31, 2010 and 2009

	December 31, 2010	December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ (1,192,481)	$ (2,311,205)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	28,304	31,006
Loss on sale of product line	-	17,362
Issuance of shares for services	544,869	200,000
Forgiveness of debt	-	(47,935)
Impairment of goodwill	-	1,505,224
Issuance of shares for prepaids	100,000	-
Issuance of debt for rent expense	59,470	-
Write-off of non-cash items	-	30,573
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(1,977)	3,658
(Increase) in prepaids	5,000	(5,000)
(Increase)/Decrease in inventories	(120,876)	134,596
Increase in accounts payable and accrued expenses	49,792	(68,052)
Increase in common stock payable	289,922	-
Net cash provided by (used in) operating activities	(237,977)	(509,773)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(25,270)	-
Net cash used in investing activities	(25,270)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock and contributed capital	175,000	583,500
(Payments)/Proceeds on notes payable	6,799	1,480
Net cash provided by financing activities	181,799	584,980
Net Increase/(Decrease) in cash	(81,448)	75,207
CASH AT BEGINNING PERIOD	91,648	16,441
CASH AT END OF PERIOD	$ 10,200	$ 91,648
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 11,329	$ -
Cash paid for income taxes	$ -	$ -
NON-CASH TRANSACTIONS		
Shares issued for consulting services	$ 544,869	$ 200,000
Shares issued for prepaid expenses	$ 100,000	$ -
Notes payable for assumption of debt	$ 59,470	$ -

See Accompanying Notes

SOLOS ENDOSCOPY, INC.
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2010 and 2009

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance-January 1, 2009	-	$ -	72,304	$ 73	$ 6,677,691	$ (3,291,693)	$ 3,386,071
Issuance of shares for services	-	-	160,053	160	199,840	-	200,000
Issuance of shares for cash	-	-	19,321	19	536,481	-	536,500
Issuance of shares for cancellation of debt	-	-	300,000	300	46,700	-	47,000
Net (loss) for the year ended December 31, 2009	-	-	-	-	-	(2,311,205)	(2,311,205)
Balance-December 31, 2009	-	-	551,678	552	7,460,712	(5,602,898)	1,858,366
Issuance of shares for services	-	-	15,110,725	15,111	529,758	-	544,869
Issuance of shares for cash	-	-	84,651	85	174,915	-	175,000
Issuance of shares for cancellation of debt	-	-	1,060,000	1,060	23,090	-	24,150
Issuance of shares for prepaids	-	-	50,000	50	99,950	-	100,000
Net (loss) for the year ended December 31, 2010	-	-	-	-	-	(1,192,481)	(1,192,481)
Balance-December 31, 2010	-	$ -	16,857,054	$ 16,858	$ 8,288,425	$ (6,795,379)	$ 1,509,904

See Accompanying Notes

SOLOS ENDOSCOPY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE 1 – Organization, History and Business Activity

Solos Endoscopy, Inc. ("Solos" or "the Company") is a Nevada corporation. Solos is in the business of developing and marketing technology, applications, medical devices and procedural techniques for the screening, diagnosis, treatment and management of disease and medical conditions.

NOTE 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Solos is presented to assist in understanding Solos's financial statements. The financial statements and notes are representations of Solos's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

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 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.

Concentration of Risk

Solos places its cash and temporary cash investments with established financial institutions. Management feels this risk is mitigated due to the longstanding reputation of these banks.

In the normal course of business, the Company extends unsecured credit to the majority of its customers. Management periodically reviews its outstanding accounts receivable and establishes an allowance for doubtful accounts based on historical collection trends and other criteria.

Cash and Cash Equivalents

Solos considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, Pre Codification SFAS No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also expands disclosures about instruments measured at fair value and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices for identical assets and liabilities in active markets;
Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company designates cash equivalents (consisting of money market funds) and investments in securities of publicly traded companies as Level 1. The total amount of the Company's investment classified as Level 3 is de minimis.

The fair value of the Company's debt as of December 31, 2010 and 2009, approximated fair value at those times.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, short-term investments, accounts payable, accrued expenses and notes payables approximated fair value as of December 31, 2010 and 2009 because of the relative short term nature of these instruments. At December 31, 2010 and 2009, the fair value of the Company's debt approximates carrying value.

Shares for Services and Other Assets

The Company accounts for stock-based compensation based on the fair value of all option grants or stock issuances made to employees or directors on or after its implementation date, as well as a portion of the fair value of each option and stock grant made to employees or directors prior to the implementation date that represents the unvested portion of these share-based awards as of such implementation date, to be recognized as an expense, as codified in ASC 718. The Company calculates stock option-based compensation by estimating the fair value of each option as of its date of grant using the Black-Scholes option pricing model. These amounts are expensed over the respective vesting periods of each award using the straight-line attribution method. Compensation expense is recognized only for those awards that are expected to vest, and as such, amounts have been reduced by estimated forfeitures. The Company has historically issued stock options and vested and no vested stock grants to employees and outside directors whose only condition for vesting has been continued employment or service during the related vesting or restriction period.

Trade Accounts Receivable

Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. The reserve account at December 31, 2010 and 2009 was $11,298 and $59,481, respectively.

Inventory

The Company's inventory is valued at the lower of cost (first in, first out) or market using the retail method.

Long-lived Assets

Long-lived assets are stated at cost. Maintenance and repairs are expensed as incurred. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, which is between five to thirty-nine years.

Where an impairment of a property's value is determined to be other than temporary, an allowance for the estimated potential loss is established to record the property at its net realizable value.

When items of building or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. The Company does not have any long-lived tangible assets, which are considered to be impaired as of December 31, 2010.

Intangibles with Finite Lives

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10, *Property, Plant and Equipment,* where applicable to all long lived assets. FASB ASC 360-10 addresses accounting and reporting for impairment and disposal of long-lived assets. The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with FASB ASC 360-10. FASB ASC 360-10 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

The Company does not amortize any intangible assets with finite lives.

Goodwill and intangible assets are reviewed for potential impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Management determined that an impairment adjustment related to these intangibles was necessary. The Company recognized an impairment loss of $1,505,224 from its original investment in the manufacturer, sale and marketing of a line of mastascopes it acquired in 2006.

Revenue Recognition

The Company recognizes revenue in accordance with the Securities and Exchange Commission Staff Accounting Bulletin (SAB) number 104, which states that revenues are generally recognized when it is realized and earned. Specifically, the Company recognizes revenue when the product is delivered and accepted by the customer. Revenues are earned from sales of the Company's medical devices and other related services.

Income Taxes

The Company accounts for income taxes under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Company's balance sheets in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The Company must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance. Changes in the Company's valuation allowance in a period are recorded through the income tax provision on the consolidated statements of operations.

On January 1, 2007, the Company adopted ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of ASC 740-10, the Company recognized no material adjustment in the liability for unrecognized income tax benefits.

Segments

The Company operates in one business segment, namely the business of developing and marketing technology, applications, medical devices and procedural techniques for the screening, diagnosis, treatment and management of disease and medical conditions.

Loss Per Share

The Company is required to provide basic and dilutive earnings (loss) per common share information.

The basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

For the year ended December 31, 2010, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share. There were no potentially dilutive securities as of December 31, 2010.

Recent Accounting Pronouncements

Effective January 1, 2009, the Company adopted an accounting standard that requires unvested share-based payments that entitle employees to receive nonrefundable dividends to also be considered participating securities, as codified in ASC 260. The adoption of this accounting standard had no impact on the calculation of the Company's earnings per share because the Company has not issued participating securities.

Effective April 1, 2009, the Company adopted three accounting standard updates which were intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities. They also provide additional guidelines for estimating fair value in accordance with fair value accounting. The first update, as codified in ASC 820-10-65, provides additional guidelines for estimating fair value in accordance with fair value accounting. The second accounting update, as codified in ASC 320-10-65, changes accounting requirements for other-than-temporary-impairment for debt securities by replacing the current requirement that a holder have the positive intent and ability to hold an impaired security to recovery in order to conclude an impairment was temporary with a requirement that an entity conclude it does not intend to sell an impaired security and it will not be required to sell the security before the recovery of its amortized cost basis. The third accounting update, as codified in ASC 825-10-65, increases the frequency of fair value disclosures. These updates were effective for fiscal years and interim periods ended after June 15, 2009. The adoption of these accounting updates did not have any impact on the Company's financial statements.

Effective April 1, 2009, the Company adopted a new accounting standard for subsequent events, as codified in ASC 855-10. The update modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously referred to in practice as Type II subsequent events). In addition, the standard modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are issued (for public entities) or available to be issued (for nonpublic entities). The update did not result in significant changes in the practice of subsequent event disclosures, and therefore the adoption did not have any impact on the Company's financial statements.

Effective July 1, 2009, the Company adopted the "FASB Accounting Standards Codification" and the Hierarchy of Generally Accepted Accounting Principles ("ASC 105"). This standard establishes only two levels of U.S. GAAP, authoritative and no authoritative. The FASB Accounting Standards Codification (the "Codification") became the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the SEC, which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the Codification became no authoritative. The Company began using the new guidelines and numbering system prescribed by the Codification when referring to GAAP in the third quarter of 2009. As the Codification was not intended to change or alter existing GAAP, it did not have any impact on the Company's financial statements.

In October 2009, the FASB issued Update No. 2009-13, "Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force" ("ASU 2009-13"). It updates the existing multiple-element revenue arrangements guidance currently included under ASC 605-25, which originated primarily from the guidance in EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). The revised guidance primarily provides two significant changes: 1) eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting, and 2) eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting update to its financial statements.

In October 2009, the FASB issued Update No. 2009-14, "Certain Revenue Arrangements that Include Software Elements—a consensus of the FASB Emerging Issues Task Force" ("ASU 2009-14"). ASU 2009-14 amends the scope of pre-existing software revenue guidance by removing from the guidance non-software components of tangible products and certain software components of tangible products. ASU 2009-14 will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption.. The Company believes this will not have any future impact to its financial statements.

Transfers of Financial Assets: In December 2009, the FASB issued ASU No. 2009-16, Transfers and Servicing (Topic 860)—Accounting for Transfers of Financial Assets ("ASU 2009-16"). ASU 2009-16 codifies SFAS No. 166, Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140 ("SFAS 166"), issued in June 2009. The guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. The guidance is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Earlier adoption is prohibited. The Company will adopt the guidance in the first quarter of fiscal 2010. The Company does not anticipate this adoption will have a material impact on its financial statements.

In January 2010, the FASB issued new guidance that both expanded and clarified the disclosure requirements related to fair value measurements. Entities are required to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 of the fair value valuation hierarchy and describe the reasons for the transfers. Additionally, entities are required to disclose and roll forward Level 3 activity on a gross basis rather than as one net number. The new guidance also clarified that entities are required to provide fair value measurement disclosures for each class of assets and liabilities. In addition, entities are required to provide disclosures about the valuation techniques and inputs used to measure fair value of assets and liabilities that fall within Level 2 or Level 3 of the fair value valuation hierarchy. The new disclosures were adopted by the Company on January 1, 2010 and do not have an impact on our financial statements.

Amendments to Accounting Standards Codification: In February 2010, the FASB issued ASU No. 2010-08, Technical Corrections to Various Topics ("ASU 2010-08"). ASU 2010-08 makes various non-substantive amendments to the FASB Codification that does not fundamentally change existing GAAP; however, certain amendments could alter the application of GAAP relating to embedded derivatives and the income tax aspects of reorganization. The amended guidance is effective beginning in the first interim or annual period beginning after the release of the ASU, except for certain amendments. The Company will adopt the guidance in the second quarter of 2010. The Company does not anticipate this adoption will have a material impact on its financial statements.

On February 24, 2010, the FASB issued ASU No. 2010-09, Subsequent Events (Topic 855)—Amendments to Certain Recognition and Disclosure Requirements ("ASU 2010-09"). ASU 2010-09 removes the requirement that SEC filers disclose the date through which subsequent events have been evaluated. This amendment alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements. The guidance became effective with the issuance of ASU 2010-09 and the Company adopted this guidance upon its issuance.

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-18 "*Receivables (Topic 310) – Effect of a Loan Modification When the Loan is Part of a Pool that is Accounted for as a Single Asset – a consensus of the FASB Emerging Issues Task Force.*" ASU 2010-18 provides guidance on account for acquired loans that have evidence of credit deterioration upon acquisition. It allows acquired assets with common risk characteristics to be accounted for in the aggregate as a pool. ASU 2010-18 is effective for modifications of loans accounted for within pools under Subtopic 310-30 in the first interim or annual reporting period ending on or after July 15, 2010. We do not expect ASU 2010-18 to have an impact on our financial condition, results of operations, or disclosures.

In April 2010, the FASB issued ASU No. 2010-15 "*Financial Services – Insurance (Topic 944) – How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments – a consensus of the FASB Emerging Issues Task Force.*" ASU 2010-15 affects insurance entities that have separate accounts that meet the definition of a separate account in paragraph 944-80-25-2 when evaluating whether to consolidate an investment held through its separate account or through a combination of investments in its separate and general accounts. ASU 2010-15 is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2010. We do not expect ASU 2010-15 to have an impact on our financial condition, results of operations, or disclosures.

In April 2010, FASB issued ASU No. 2010-17, *Milestone Method of Revenue Recognition* ("ASU 2010-17"), which provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Research or development arrangements frequently include payment provisions whereby a portion or all of the consideration is contingent upon milestone events such as successful completion of phases in a study or achieving a specific result from the research or development efforts. The amendments in this ASU provide guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. ASU 2010-17 is effective for fiscal years and interim periods within those years beginning on or after June 15, 2010, with early adoption permitted. This ASU is effective for the Company on January 1, 2011. The Company is currently evaluating the impact, if any, ASU 2010-17 will have on its results of operations, financial position or liquidity.

In May 2010, the FASB issued ASU 2010-19, *Foreign Currency Issues: Multiple Foreign Currency Exchange Rates.* The purpose of this update is to codify the SEC Staff Announcement made at the March 18, 2010 meeting of the FASB Emerging Issues Task Force ("EITF") by the SEC Observer to the EITF. The Staff Announcement provides the SEC staff's view on certain foreign currency issues related to investments in Venezuela. ASU 2010-19 is effective as of March 18, 2010. We adopted the update as of its effective date. The update had no effect on our consolidated financial position, results of operations or cash flows.

In August 2010, the FASB issued ASU 2010-21, *Accounting for Technical Amendments to Various SEC Rules and Schedules—Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies*. This ASU amends various SEC paragraphs in the ASC to reflect changes made by the SEC in Final Rulemaking Release No. 33-9026, which was issued in April 2009 and amended SEC requirements in Regulation S-X and Regulation S-K and made changes to financial reporting requirements in response to the FASB's issuance of Statement of Financial Accounting Standards ("SFAS") No. 141(R), *Business Combinations* (FASB ASC Topic 805), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (FASB ASC Topic 810). ASU 2010-21 is effective upon issuance. We adopted this update on its effective date. The update had no effect on our consolidated financial position, results of operations or cash flows. We previously adopted the guidance originally issued in SFAS 141(R) and SFAS 160 on January 1, 2009.

In August 2010, the FASB issued ASU 2010-22, *Accounting for Various Topics—Technical Corrections to SEC Paragraphs*. This update amends some of the SEC material in the ASC based on the June 2009 publication of Staff Accounting Bulletin ("SAB") No. 112, which amended Topic 2, Topic 5, and Topic 6 in the SEC's Staff Accounting Bulletin series. SAB 112 was issued to bring the SEC's staff interpretative guidance into alignment with the changes in U.S. GAAP made in SFAS No. 141(R), *Business Combinations* (FASB ASC Topic 805), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (FASB ASC Topic 810). ASU 2010-22 is effective upon issuance. We adopted this update on its effective date. The update had no effect on our consolidated financial position, results of operations or cash flows.

In December 2010, the FASB has issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations*. ASC Topic 805, *Business Combinations*, requires a public entity involved in a merger or acquisition to disclose pro forma information of the combined entity for business combinations that occur in the current reporting period. This update clarifies the acquisition date that should be used for reporting the pro forma financial information disclosures in ASC Topic 805 when comparative financial statements are presented. The update requires the pro forma information for business combinations to be presented as if the business combination occurred at the beginning of the prior annual reporting period when calculating both the current reporting period and the prior reporting period pro forma financial information. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination. The amended guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We adopted the update as of January 1, 2011. We do not expect the update to have a material effect on our consolidated financial position, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB, the American Institute of Certified Public Accountants ("AICPA"), and the SEC did not or are not believed by management to have a material impact on the Company's present financial statements.

Reclassifications

Certain amounts have been reclassified and represented to conform to the current financial statement presentation.

NOTE 3 – Financial Condition and Going Concern

Solos's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Solos has incurred a net losses through the year ended December 31, 2010 in the amount of $6,795,379. This factor raises doubt as to Solos's ability to obtain debt and/or equity financing and achieve profitable operations.

Solos's management intends to raise additional operating funds through equity and/or debt offerings. However, there can be no assurance management will be successful in its endeavors. Ultimately, Solos will need to achieve profitable operations in order to continue as a going concern.

There are no assurances that Solos will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support Solos's working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, Solos will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company. If adequate working capital is not available, Solos may be required to curtail its operations.

NOTE 4 – Inventories

Inventories consist of components and finished goods and are stated at the lower of cost or market. Cost is determined using the first-in first-out method.

	December 31, 2010	December 31, 2009
Finish goods	$ 323,819	$ 202,943

NOTE 5 – Property and Equipment

At December 31, 2010 and 2009, property and equipment consisted of the following:

	Useful Lives	December 31, 2010	December 31, 2009
Computer equipment	3	$ 28,920	$ 3,650
Furniture and fixtures	7	100,000	100,000
Less:accumulated depreciation		(116,924)	(88,620)
		$ 11,996	$ 15,030

Depreciation expense was $28,304 and $31,006 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6 – Intangibles

At December 31, 2010 and 2009, intangibles consisted of the following:

	December 31, 2010	December 31, 2009
510K and other Product Registrations	$ 150,000	$ 150,000
Goodwill	1,750,000	1,750,000
	$ 1,900,000	$ 1,900,000

Amortization expense was $0 for the years ended December 31, 2010 and 2009.

NOTE 7 – Notes Payable and Debenture

The Company's long-term debt consists of the following:

	December 31, 2010	December 31, 2009
Note payable, 6% interest, due December 15, 2011, unsecured-Related party.	$ 67,610	$ 66,550
Note payable, 5% interest, due upon 10 days following demand, convertible based on a conversion price of $.0001 per share, unsecured	120,000	120,000
Note payable, 6% interest, upon demand, unsecured	30,000	-
Note payable, 6% interest, due December 15, 2010, unsecured (1)	15,034	33,084
Note payable, 6% interest, due December 15, 2010, unsecured (1)	42,885	42,934
Total due	275,529	262,568
Current portion	(207,919)	(196,018)
Long-term portion	$ 67,610	$ 66,550

Principal repayments for the next years are as follows:

December 31,	Amount
2011	$ 207,919
2012	67,610
Thereafter	-
	$ 275,529

(1) The above listed notes have been renegotiated and are being paid with shares of common stock in 2011.

NOTE 8 – Income Taxes

Effective January 1, 2007, we adopted the provisions of ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740-10 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. The application of income tax law is inherently complex. Laws and regulation in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding the income tax exposures. Interpretations and guidance surrounding income tax laws and regulations change over time. As such, changes in the subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and statements of income.

At the adoption date of January 1, 2007, we had no unrecognized tax benefit, which would affect the effective tax rate if recognized. There has been no significant change in the unrecognized tax benefit during the year ended December 31, 2010.

We classify interest and penalties arising from the underpayment of income taxes in the statement of income under general and administrative expenses. As of December 31, 2010, we had no accrued interest or penalties related to uncertain tax positions. The tax years 2009 and 2008 federal return remains open to examination.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards 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.

The provision (benefit) for income taxes for the years ended December 31, 2010 and 2009 consists of the following:

	2010	2009
Federal:		
Current	$ -	$ -
Deferred	-	-
State:		
Current	-	-
Deferred	-	-
	$ -	$ -

Net deferred tax assets consist of the following components as of December 31, 2010 and 2009:

	2010	2009
Deferred tax assets:		
Operating Loss	$2,310,429	$1,904,985
Deferred tax liabilities:	-	-
Valuation allowance	(2,310,429)	(1,904,985)
Net deferred tax asset	$ -	$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rate of 34% to pretax income from continuing operations of the years ended December 31, 2010 and 2009.

NOTE 9 – Common Stock/Common Stock Payable

The Board of Directors authorized stock issuances under Reg. D of the Securities Act of 1933, whereby a maximum of gross proceeds raised during any one year would not exceed $1,000,000.

The Company incurred certain offering costs related to the above-mentioned offerings. These offering costs are reviewed on a quarterly basis to determine their value for the offerings. Legal and accounting costs have been incurred in relation to the offerings. The current deferred offering costs were offset against any gross proceeds received. Otherwise, the costs would have been written off to expense at the time the offering was deemed unsuccessful or terminated.

Certain funds raised were done so via convertible debentures. The debenture is normally at a 8% interest rate with a due date of one year from funding. The average conversion rates were 50-70% of the average ten-day bid.

During the year ended December 31, 2010, 84,651 common shares were issued for $175,000 in net proceeds. The Company had additionally received $75,000 in proceeds from option advances at December 31, 2010 that it owes 48,370 shares to the lender on the conversion of these advance options.

During the year ended December 31, 2009, 19,321 common shares were issued for $536,500 in net proceeds.

Shares of common stock were issued for services. The Company issued 110,725 shares of its common stock during the year ended December 31, 2010 and it has a liability of $419,082 or to issue 268,053 shares of its common stock to the consultant for a total value of $480,000 for the year December 31, 2010. It issued 160,053 shares of its common stock for a value of $200,000 in 2009.

The Company owes 371,853 shares of its common stock on the common stock payable of $404,082 described above for advances made to the Company and for consulting services made to the Company.

The Company issued 50,000 shares of its common stock for prepaid expenses valued at $100,000 during the year ended December 31, 2010. The Company is currently seeking the return of these issued shares for non-performance on the contract.

The Company issued 15,000,000 shares of its common stock to certain officers and directors of the Company valued at $300,000.

NOTE 10 – Preferred Stock

Preferred Stock

The Company is authorized to issue up to 350,000,000 shares in aggregate of preferred stock:

	Total Series Authorized	Stated Value	Voting	Annual Dividends per Share	Conversion Rate
Series A	350,000,000	$.001	Yes	As per common stock	None

In 2007, the company converted 335 post split shares of its common stock for 146,454,057 shares of preferred stock. These same shares were converted back to 14,244,220 shares of common stock in 2008.

NOTE 11 – Material Contract

The Company on July 30, 2008 entered into a material consulting contract for the purpose of growing its business and bringing value to its shareholders.

The cash value of the contract is a total of $480,000 on an annual basis whereby the provider of the services can convert the monthly fee into free trading shares of the Company based upon a fifty percent discount to market of the previous ten day average closing bid price. The provider of the services has the right to purchase five hundred thousand dollars worth of free trading shares of common stock with the same terms of the service contract.

This contract was renewed in 2010 and 2009. The provider of the services purchased 110,725 shares of common stock in 2010 for consulting services provided in the amount of $244,869. The provider of the services purchased 160,053 shares of common stock during 2009 for consulting services provided in the amount of $200,000. The provider on the contract additionally purchased 84,651 shares of the Company's common stock for $175,000. The provider on the contract additionally purchased 19,321 shares of the Company's common stock for $536,500. The provider was additionally owed $120,000 for services performed during 2009 and cash advanced during 2009. This note is a convertible demand note. The terms and conditions of this note are further described in the notes payable note above. Demand has not been made on the note.

NOTE 12 – Related Party Transactions

The Company issued 15,000,000 shares of its common stock in 2010 to certain officers and directors of the Company for services valued at $300,000.

An officer of the Company and another related party were issued 300,000 shares of common stock in the Company for a note due to the officer in the amount of $47,000 in 2009.

During 2009, the Company accrued $46,000 to the President of the Company for rent due to him for personally paying the landlord. This was based on the fair market value of rents paid for similar space.

During the year ended December 31, 2010, the Company accrued $59,470 to the President of the Company for rent due to him for personally paying the landlord. This was based on the fair market value of rents paid for similar space.

NOTE 13 – Commitments and Contingencies

Lease Commitments

The Company leases office and manufacturing facilities on a month-to-month basis for a monthly base rent of $3,500.

The lease is under an agreement through the President of the Company. The Company has only made certain payments over the last two years and will not be held liable for any balance due beyond the payments made.

During 2010, the Company accrued $59,470 to the President of the Company for rent due to him for personally paying the landlord. This was based on the fair market value of rents paid for similar space.

During 2009, the Company accrued $46,000 to the President of the Company for rent due to him for personally paying the landlord. This was based on the fair market value of rents paid for similar space.

Rent expense totaled $59,430 for the year ended December 31, 2010.

NOTE 14 – Capital Transactions

The Company voted in its annual shareholder meeting in September to reverse split its common stock on a one share for two thousand shares. This reverse stock split was effective on November 22, 2010. The financial statements have been retroactively adjusted to reflect this stock split.

Additionally, the Company reduced its authorized shares of common stock from 2,000,000,000 to 500,000,000.

NOTE 15 – Subsequent Events

The Company on April 7, 2011 signed a note for $60,000 for a reduction in the amount of the consulting services owed of $360,000. This will be reflected as a reduction in the common stock payable of $360,000 in the second quarter of 2011.

This note may be convertible into common stock at a conversion price of 50% discount to market.

The Company's President entered into a new employment contract in March 2011 and received 30,000,000 of newly issued restricted common stock as a signing bonus.