

MEDIA TECHNICS CORPORATION

Consolidated Balance Sheet

At March 31, 2011

(Unaudited)

ASSETS

CURRENT ASSETS:

Cash	\$	740
Total current assets		<u>740</u>

OTHER ASSETS:

Note receivable		435,435
Accrued interest on note receivable		49,532
Furniture & equipment		210,000
Accumulated depreciation		(20,000)
Land		300,000
Lease purchase option pre-paid deposit		<u>1,200,000</u>
Total assets	\$	<u><u>2,175,707</u></u>

CURRENT LIABILITIES

Accounts payable	\$	<u>19,488</u>
Total current liabilities		19,488

Contingencies		<u>220,000</u>
Total liabilities		<u><u>239,488</u></u>

STOCKHOLDERS' EQUITY

Preferred stock, \$.001 par value, 20,000,000 shares authorized, 2,451,223 issued and outstanding		2,453
Common stock, \$.001 par value, 470,000,000 shares authorized, 434,586,685 issued and outstanding		434,587
Paid in capital		2,843,440
Accumulated (deficit)		<u>(1,344,262)</u>
Total stockholders' equity		<u><u>1,936,218</u></u>
Total liabilities and stockholders' equity	\$	<u><u>2,175,706</u></u>

See accompanying notes to these unaudited consolidated financial statements.

MEDIA TECHNICS CORPORATION

Consolidated Statement of Operations (Unaudited)

	For the quarter ended March 31,	
	2011	2010
<u>REVENUES</u>		
Mediatechnics systems	\$ 0	\$ 0
Rental income	5,400	0
Marketing agreement	0	22,500
Total Revenue	<u>5,400</u>	<u>22,500</u>
<u>COST OF SALES</u>		
Mediatechnics systems	0	0
Marketing agreement	0	8,124
Total Cost of Sales	<u>0</u>	<u>8,124</u>
Gross Profit	5,400	14,376
Interest income	9,545	9,153
Net Revenue	<u>14,945</u>	<u>23,529</u>
<u>OPERATING EXPENSES</u>		
General and administrative	2,607	2,951
Bad debts	0	0
Sales & marketing	0	0
Salaries	12,500	60,000
Consulting	0	56,471
Rent & utilities	15,000	0
Interest expense	6,599	8,102
Amortization and depreciation	10,000	0
Total Operating Expenses	<u>46,706</u>	<u>127,524</u>
(Loss) from operations	(31,761)	(103,995)
Gain on sale of marketable securities	16,000	97,908
Gain on reduction of contingency	30,000	0
Settlement expense	0	0
Gain on sale of Mediatechnics Systems	0	0
Gain on retirement of Preferred Class E&F	0	0
Net income (loss)	\$ <u>14,239</u>	\$ <u>(6,087)</u>

See accompanying notes to these unaudited consolidated financial statements.

MEDIA TECHNICS CORPORATION

Consolidated Statement of Cash Flow (Unaudited)

	For the three months ended March 31,	
	2011	2010
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ 14,239	\$ (6,088)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Gain on reduction of contingency		
Gain on sale of Mediatechnics Systems		
Gain on retirement of Preferred Class E&F		
Gain on sale of marketable securities		
Settlement expense		
Depreciation and amortization expense	10,000	
Shares issued for interest expense, debt & other	5,153	
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable		
(Increase)/decrease in accrued interest receivable	(9,546)	(9,152)
(Increase)/decrease in inventory		
(Increase)/decrease in marketable securities	9,000	18,562
(Increase)/decrease in marketing agreement		8,124
Increase/(decrease) in accounts payable	230	
Increase/(decrease) in deferred revenue		(22,500)
Increase/(decrease) in accounts payable		10,844
Increase/(decrease) in contingencies	(30,000)	
Net cash (used in) provided by operating activities	(924)	(210)
INVESTING ACTIVITIES		
Purchase of equipment	0	0
Acquisition of licensing equipment	0	0
Net cash (used in) provided by investing activities	0	0
FINANCING ACTIVITIES		
Proceeds from sale of common stock		0
Net cash (used in) provided by financing activities	0	0
INCREASE IN CASH	(924)	(210)
CASH, BEGINNING OF PERIOD	1,664	2,600
CASH, END OF PERIOD	\$ 740	\$ 2,390

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

See accompanying notes to these unaudited consolidated financial statements.

MEDIA TECHNICS CORPORATION

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

	Preferred Shares	Amount	Common Shares	Amount	Paid-In Capital	Unrealized Gains (losses)	Accumulated (Deficit)	Total
Balance at December 31, 2009	1,311,095	\$1,311	434,586,685	\$434,587	\$1,303,192	\$1,656,200	(\$1,456,594)	\$1,938,696
Issuance of Preferred Class Z for interest	4,683	5			28,091			28,096
Issuance of Preferred Class Z for debt	4,829	5			28,970			28,975
Cancellation of Preferred Class Z on settlement	(51,884)	(52)			(270,782)			(270,834)
Issuance of Preferred Class H for land & bldg deposit	82,500	83			1,649,917			1,650,000
Issuance of Preferred Class I for bldg & furniture	1,000,000	1,000			49,000			50,000
Issuance of Preferred Class X for settlement	100,000	100			49,900			50,000
Unrealized holding loss on marketable securities						(1,645,200)		(1,645,200)
Net income for the year ended December 31, 2010							98,093	98,093
Balance at December 31, 2010	2,451,223	2,452	434,586,685	434,587	2,838,288	11,000	(1,358,501)	1,927,826
Issuance of Preferred Class Z for interest	859	1			5,152			5,153
Unrealized holding loss on marketable securities						(11,000)		(11,000)
Net income for the quarter ended March 31, 2011							14,239	14,239
Balance at March 31, 2011	2,452,082	\$2,453	434,586,685	\$434,587	\$2,843,440	\$0	(\$1,344,262)	\$1,936,218

See accompanying notes to these unaudited consolidated financial statements.

MEDIA TECHNICS CORPORATION

Notes to Consolidated Financial Statements For the three months ended March 31, 2011 (Unaudited)

NOTE 1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

On April 16, 2008 the Company amended its Articles of Incorporation with the state of Nevada, changing its name to MediaTechnics Corporation, and increasing its authorized Common Stock shares from 200,000,000 to 470,000,000 and its authorized Preferred Stock from 5,000,000 to 20,000,000 shares.

On June 18, 2009, the Board of Directors and persons having a majority of the voting power entitled to vote, voted to amend the Articles of Incorporation increasing the number of authorized Common Stock shares from 470,000,000 to 980,000,000 and to amend the number of votes of each Class D Convertible Preferred Stock ("Class D Stock") and Class F Stock shares from two hundred (200) to five hundred (500). There are currently 1,000,000 Class D Shares outstanding and no Class F Shares outstanding.

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles. These financial statements reflect all adjustments, which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the years ended December 31, 2010 and 2009, respectively. Significant adjustments may be required upon the financial statements being audited to be in conformity with Generally Accepted Accounting Principles.

Acquisitions and Dispositions

On April 19, 2010, the company agreed to acquire all of the membership units of Forward Energy, LLC in exchange for 1,022,500 shares preferred stock. The agreement had a thirty-day termination clause and the parties agreed that the terms had not been met and the agreement was officially terminated on June 1, 2010. The Company realized \$10,000 in Abandoned Acquisition Expense.

During the Second Quarter of 2010, the Company and the holders of the Company's Class Z Secured Convertible Preferred Stock ("Class Z Stock") executed settlements regarding certain claims the holders had alleged relative to breaches of affirmative and negative covenants included within the Security Agreement that was integrated with both the Company's former Senior Secured Debenture and the Class Z Stock. The Company and the holders agreed to the return and cancellation of 51,884 shares of Class Z Stock; the issuance of 100,000 shares of Class X Convertible Preferred Stock; the permanent cancellation of the Security Agreement attached to the Class Z Stock; and the waiver of any and all past, present and future claims against the Company related to the Security Agreement in exchange for 1,462,500 shares of MYFT shares held by the Company.

Lease-Purchase Agreement and Acquisition of Real Property Assets

During the third Quarter of 2010, the Company and an individual entered into a Lease-Purchase - Stock Purchase Agreement whereunder, the Company agreed to lease and obtained the right to purchase an office building located at 8361 East Gelding Drive, Scottsdale, Arizona for \$1,200,000. The office building had a 2010 assessed value of \$1,530,60. The Company also purchased all furniture, fixtures and equipment in the office building valued at \$200,000 and eighty (80) acres of land located near Red Mountain, California valued at \$300,000 in exchange for 82,500 shares of Class H Convertible Preferred Stock valued at \$1,650,000 and 1,000,000 shares of Class I Convertible Preferred Stock valued at \$50,000.

The 80 acres of land located near Red Mountain, California is adjacent to several other parcels nearby of similar and larger sizes that are or may be available for sale; and lies within a relatively small distance from at least two large operating solar electric generating stations. The Company intends to investigate the acquisition of a conditional use permit from San Bernardino County along with the necessary easements to connect the property to the nearby high power transmission lines. The property is located in an area that receives among the highest amount of solar energy in the continental United States.

The office building is approximately 6,100 square feet, the majority of which is built out offices with a small warehouse, sits on approximately 0.75 acres within the Scottsdale Airpark and has its own fenced and locked parking and storage areas. The lease payment for the subject property is \$5,000 per month that is offset by a tenant paying \$1,800 per month for partial use of several office suites within the building of approximately 600 square feet in total. The Company has the right to purchase the building outright by paying the outstanding mortgage note against the building or by assuming the obligations under the current mortgage, subject to the approval of the lender (currently less than \$550,000). The Company intends to begin negotiations to assume the note during the second or third quarter of 2011. The Company has the right to sell the building and all proceeds of any such sale would accrue to the Company after payment of the existing mortgage obligations. Pursuant to the terms of the Agreement, the Company has until December 31, 2011 to complete all necessary public disclosures (including this one) or the transaction may be terminated in the sole discretion of the seller. In the event that the fully converted value of the Class H and I Convertible Preferred Stock is less than \$1,000,000 on the one-year anniversary date of the Agreement, the Company is required to adjust the conversion ratio of the Class H stock to a floating ratio based on the

thirty-day average closing price of Common Stock. No ownership changes regarding the land near Red Mountain, California may be recorded prior to the completion of the Company's disclosures.

Principles of Consolidation

The Company's consolidated financial statements include the assets, liabilities and operating results of its wholly owned subsidiary since formation of these entities. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles. These financial statements reflect all adjustments, which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position.

Cash & Cash Equivalents

The Company's policy is to consider cash and cash equivalents to consist of checking accounts, money market accounts or certificates of deposit having maturity dates of 180 days or less.

Financial Instruments

Financial instruments consist primarily of cash, security deposits and obligations under accounts payable and accrued expenses. The carrying amounts of cash, accounts receivable, security deposits, accounts payable and accrued expenses approximate fair value because of the short-term maturity of those instruments.

Income Taxes

The Company records its federal and state income tax liability as it is incurred.

Subsequent Events

On June 13, 2011, the Board of Directors and persons having a majority of the voting power entitled to vote, voted to file Amended and Restated Articles of Incorporation reaffirming the actions of June 18, 2009, and reaffirming existing designations and removing obsolete designations of preferred.

NOTE 2. MARKETING AGREEMENT

On September 29, 2008 the Company and Anything Brands Online, Inc. (whose stock trades over the counter under the symbol "ANYT") entered into, and later modified on October 27, 2008, a strategic cross marketing and equity exchange agreement. The agreement expires on October 26, 2010. The transaction resulted in the Company receiving 20,000,000 Common Stock shares of ANYT, valued at \$180,000 based on discounts for tradability. The Company recognized revenue of \$105,000 during 2009 and recorded deferred revenue of \$75,000, which will be recognized during 2010.

The Company also issued 10,000,000 of its Common Stock shares to ANYT under the agreement, capitalized at \$65,000, of which \$37,917 was amortized to cost of sales during 2009. The remaining \$27,083 was amortized during 2010.

NOTE 3. INVESTMENT IN MARKETABLE SECURITIES AVAILABLE-FOR-SALE

Marketable Securities

In accordance with FASB 115, the Company is required to report the MYFT Common Stock shares as marketable securities available-for-sale because they can be sold. The Company utilized the shares to pay salaries and settle debt and liabilities arising out of its operations during 2010 and the three months ended March 31, 2011. Marketable securities available-for-sale are reported at cost and adjusted on the Company's balance sheet for unrealized gains or losses in those securities during reporting periods. Marketable securities held for sale at December 31, 2010 were 1,000,000 shares of MYFT with an Actual Cost Basis of \$9,000 and an Unrealized Available-For-Sale Holding Gain of \$11,000. There were no marketable securities held for sale at March 31, 2011.

During 2010, the Company sold 14,462,500 shares in an off-market transaction as a partial payment in reference to a settlement agreement and the return of 51,884 shares of the Company's Class Z Secured Convertible Preferred Stock. The Company also sold 2,662,500 shares in off-market transactions during 2010 in order to pay salaries and consulting expenses and 1,000,000 shares in February 2011 for \$25,000 with a cost basis of \$9,000 in order to pay salaries and debts of the Company. The Company sold no shares in on-the-market transactions.

NOTE 4. CONTINGENT LIABILITIES AND LITIGATION

Management has set aside \$50,000 as a Contingency for payment of certain claims related to the Company's defunct mortgage operations in Arizona.

Management has set aside \$50,000 as a Contingency for legal fees or other expenses that may become necessary in order to defend against any claims related to the Company's defunct mortgage operations in California.

Management has set aside \$120,000 of the Contingency for payment of legal fees, if any, needed in order to protect the Company as a result of any action by any party, whether known, or unknown, that might seek damages related to any actions of prior management. This number was reduced from the previous fiscal year in order to reflect Management's perceived reduction in the risk of any such actions through the passage of time.

NOTE 5. COMMON AND PREFERRED STOCK

Common Stock

The Company has an authorized capitalization of 980,000,000 shares of Common Stock with a par value of \$.001. There were 434,586,685 and 434,586,685 Common Stock shares issued and outstanding on March 31, 2011 and December 31, 2010, respectively.

During the quarter ended March 31, 2010, the Company issued no shares of Common Stock.

During the quarter ended June 30, 2010, the Company issued no shares of Common Stock.

During the quarter ended September 30, 2010, the Company issued no shares of Common Stock.

During the quarter ended December 31, 2010, the Company issued no shares of Common Stock.

Preferred Stock

The Company has an authorized capitalization of 20,000,000 shares of Preferred Stock with a par value of \$.001.

Class D Convertible Preferred Stock

At December 31, 2008 and 2009, respectively, there were 1,000,000 shares of Class D Convertible Preferred Stock ("Class D Stock") authorized and issued.

Holders of Class D Stock have no dividend rights. Until June 18, 2009, holders of Class D Stock held two hundred (200) votes for each one (1) share of Class D Stock held on matters put forward for the approval of Common Stock shareholders. Holders of Class D Stock hold all votes on matters concerning the alteration of the specific rights of Class D Stock itself.

Prior to June 14, 2008, holders of Class D Stock had the right to convert to Common Stock at a ratio of twenty (20) shares of Common Stock per every one (1) share of Class D Stock held, irrespective of the trading price of the Common Stock. On July 14, 2008 the Board of Directors and the holders of all of the outstanding shares of Class D Stock voted to authorize the filing of amended designations of the Company's Class D Stock, which changed the ratio of conversion of Class D Stock into Common Stock shares from twenty (20) to forty (40) shares of Common Stock per every one (1) share of Class D Stock held.

On June 18, 2009, the Board of Directors and all of the holders of all of the shares of Class D Stock, voted to amend the number of votes of each one (1) Class D Convertible Preferred Stock share from two hundred (200) to five hundred (500). Ari Bass, the Company's sole Director, owns all of 1,000,000 Class D Shares currently outstanding.

At March 31, 2011 and December 31, 2010 there were 1,000,000 shares of Class D Stock authorized and 1,000,000 issued and outstanding.

The following table summarizes Mr. Bass' relative voting rights pursuant to his Class D Shares at the dates listed therein.

Date	Voting Percentage
12/01/2009	53.5%
12/10/2010	53.5%
03/31/2011	53.5%

At March 31, 2011 there were 1,000,000 shares of Class D Stock authorized and 1,000,000 issued and outstanding.

Class G Convertible Preferred Stock

On October 1, 2010, the Company authorized 100,000 shares of Class G Convertible Preferred Stock ("Class G Stock"). No shares have been issued.

Holders of Class G Stock have no dividend rights or any right to vote on matters put forward for the approval of Common Stock shareholders. Holders of Class G Stock may only vote on matters concerning the alteration of the specific rights of Class W Stock itself.

Holders of Class G Stock have the right to convert to Common Stock at a ratio of two thousand (2,000) shares of Common Stock per every one (1) share of Class M Stock irrespective of the trading price of the Common Stock.

At March 31, 2011 and December 31, 2010 there were 100,000 shares of Class G Stock authorized and no shares issued and outstanding.

Class H Convertible Preferred Stock

On October 1, 2010, the Company authorized 100,000 shares of Class H Convertible Preferred Stock ("Class H Stock") and issued 82,500 shares as partial consideration of a Lease-Purchase Agreement, Land Acquisition and Furniture, Fixtures and Equipment Purchase Agreement.

Holders of Class H Stock have no dividend rights or any right to vote on matters put forward for the approval of Common Stock shareholders. Holders of Class H Stock may only vote on matters concerning the alteration of the specific rights of Class H Stock itself.

Holders of Class H Stock have the right to convert to Common Stock at a ratio of one thousand (1,000) shares of Common Stock per every one (1) share of Class H Stock irrespective of the trading price of the Common Stock.

The agreed value of all of the assets acquired pursuant to the Lease-Purchase Agreement was \$1,400,000. In the event that the fully converted value of the Class H and I Convertible Preferred Stock is less than \$1,000,000 on the one-year anniversary date of the Agreement, the Company is required to adjust the conversion ratio of the Class H stock to a floating ratio based on the thirty-day average closing price of Common Stock.

At March 31, 2011 and December 31, 2010 there were 100,000 shares of Class H Stock authorized and 82,500 issued and outstanding.

Class I Convertible Preferred Stock

On October 1, 2010, the Company authorized 1,000,000 shares of Class I Convertible Preferred Stock ("Class I Stock") and issued 82,500 shares as partial consideration of a Lease-Purchase Agreement, Land Acquisition and Furniture, Fixtures and Equipment Purchase Agreement.

Holders of Class I Stock have no dividend rights. Holders of Class I Stock have no right to vote on matters put forward for the approval of Common Stock shareholders so long as any shares of Class D Stock remain outstanding. In the event that the Company retires all of the outstanding shares of Class D Stock, Holders of Class I Stock will have one thousand (1000) votes relative to Common Stock on any matters put before the Common Stock holders. No further shares of Class D Stock may be issued without the express written consent of a majority of the holders of Class I Stock.

Holders of Class I Stock have the right to convert to Common Stock at a ratio of fifty (50) shares of Common Stock per every one (1) share of Class I Stock irrespective of the trading price of the Common Stock.

At March 31, 2011 and December 31, 2010 there were 1,000,000 shares of Class I Stock authorized and 1,000,000 issued and outstanding.

Class M Convertible Preferred Stock

On December 1, 2009, the Company authorized 100,000 shares of Class M Convertible Preferred Stock ("Class M Stock") and issued 75,000 shares as part of the sale of MTS/MMC to Mr. Wilson.

Holders of Class M Stock have no dividend rights or any right to vote on matters put forward for the approval of Common Stock shareholders. Holders of Class M Stock may only vote on matters concerning the alteration of the specific rights of Class W Stock itself.

Holders of Class M Stock have the right to convert to Common Stock at a ratio of one thousand (1,000) shares of Common Stock per every one (1) share of Class M Stock irrespective of the trading price of the Common Stock.

At March 31, 2011 there were 100,000 shares of Class M Stock authorized and 75,000 issued and outstanding.

Class J Convertible Preferred Stock

On December 3, 2009 the Company authorized 500,000 shares of Class J Convertible Preferred Stock ("Class J Stock").

On December 30, 2009, the Company issued 136,095 shares of Class J Stock to three individuals in exchange for the cancellation of \$136,095 of debt.

Holders of Class J Stock have no dividend rights or any right to vote on matters put forward for the approval of Common Stock shareholders. Holders of Class J Stock may only vote on matters concerning the alteration of the specific rights of Class J Stock itself.

Holders of Class J Stock have the right to convert to Common Stock at a ratio of one thousand (1,000) shares of Common Stock per every one (1) share of Class J Stock irrespective of the trading price of the Common Stock.

In the event that the Company should subdivide the outstanding shares of Common Stock, the ratio under which holders of Class J Stock may convert their Class J Stock into Common Stock shall be increased by an amount equal to that which the Common Stock is so subdivided. In the event that the Company should combine the outstanding shares of Common Stock, the ratio under which holders of Class J Stock may convert their Class J Stock into Common Stock shall be decreased by an amount equal eighty-five percent (85%) of the amount by that which the Common Stock is so combined.

At March 31, 2011 and December 31, 2010 there were 500,000 shares of Class J Stock authorized and 136,095 issued and outstanding.

Class X Convertible Preferred Stock

On July 16, 2010, the Company authorized 100,000 shares of Class X Convertible Preferred Stock ("Class X Stock") and the Company issued 100,000 shares of Class X Stock in conjunction with a transaction involving Class Z Stock (see below).

Each share of Class X Stock has a face value of \$0.50 (the "Face Value") and pays a 9% cash dividend. In the event that the Company fails to pay dividends owed in a timely manner after June 30, 2011, the cash dividend rate will increase to 12%. Class X Stock has a liquidation preference over all other classes of stock other than Class Z.

Holders of Class X Stock have no right to vote on any matters put forward for the approval of Common Stock shareholders. Holders of Class X Stock may only vote on matters concerning the alteration of the specific rights of Class X Stock itself. No other class, classes or series of stock may be granted any rights or security interests preferential in nature to Class X Stock without the express written consent of a majority of all Class X Stock outstanding.

Holders of Class X Stock may convert their Class X Stock into shares of Common Stock on demand, which may not be denied for any reason. The conversion right is based upon a variable ratio based upon the following calculation: Total Outstanding Common Shares at Conversion Date x 0.00000125 x Class X shares being converted. Currently, the effective conversion ratio is 521.5 Common shares per Class X share converted. In no event may the conversion ratio be less than 500 Common shares per Class X Share converted. In the event of a reverse stock split, the minimum conversion ratio will be increased by a similar amount.

Holders of Class X Preferred Stock are prohibited from converting into any number of Common Stock shares that would result in the Holder owning an aggregate number of shares of the Common Stock of the Company such that the holder would own more than 4.9% of the total outstanding Common Stock shares of the Company at the time of conversion,

At March 31, 2011 and December 31, 2010, there were 100,000 shares of Class X Convertible Preferred Stock authorized, issued and outstanding.

Class Z Secured Convertible Preferred Stock

At December 31, 2008 there were 100,000 Preferred Shares Class Z Secured Convertible Preferred Stock ("Class Z Stock") authorized and none issued.

On December 28, 2009, the Board of Directors voted to increase the number of authorized shares of Class Z Stock to 200,000. Each share of Class Z Stock has a face value of \$6.00 (the "Face Value") and carries 6% cumulative dividend. Class Z Stock has a liquidation preference over all other classes of stock.

Holders of Class Z Stock have no right to vote on any matters put forward for the approval of Common Stock shareholders. Holders of Class Z Stock may only vote on matters concerning the alteration of the specific rights of Class Z Stock itself. No other class, classes or series of stock may be granted any rights or security interests preferential in nature to Class Z Stock without the express written consent of a majority of all Class Z Stock outstanding.

Holders of Class Z Stock may convert their Class Z Stock into shares of Common Stock on demand, which may not be denied for any reason. The conversion right is based upon a variable ratio wherein the Face Value is divided by the greater of, fifty percent (50%) of the low bid price of the Common Stock during the one (1) year period preceding any demand for conversion, or \$0.0005, however, in no event shall the number by which the Face Value is divided be greater than \$0.004

In the event that the Company should subdivide the outstanding shares of Common Stock, the ratio under which holders of Class Z Stock may convert their Class Z Stock into Common Stock shall be increased by an amount equal to that which the Common Stock is so subdivided. In the event that the Company should combine the outstanding shares of Common Stock, the ratio under which holders of Class Z Stock may convert their Class Z Stock into Common Stock shall be decreased by an amount equal fifty percent (50%) of the amount by that which the Common Stock is so combined.

Holders of Class Z Preferred Stock are prohibited from converting into any number of Common Stock shares that would result in the Holder owning an aggregate number of shares of the Common Stock of the Company such that the holder would own more than 9.9% of the total outstanding Common Stock shares of the Company at the time of conversion, notwithstanding the right of holders of Class Z Stock to convert all of their holdings into Common Stock without regard to the 9.9% limitation on no less than one hundred twenty (120) days notice. In the event a holder shall elect to convert all of its holdings on one hundred twenty (120) days notice, the number of shares of Common Stock issued in conversion of each Class Z Share will be determined by dividing the Face Value by an amount equal to fifty percent (50%) of the low bid price of the Common Stock during the one (1) year period preceding any one hundred twenty (120) days notice demand for conversion.

On December 3, 2009, the Company and the Holders of the Senior Secured Debenture and the Senior Secured Note and Credit Line Two agreed to convert both the 12% Senior Secured Debenture and the 12% Note and Credit Line 2, which carried a combined principal and accumulated interest balance outstanding of \$521,708, into 100,000 shares of Class Z Stock.

During the Second Quarter of 2010, the Company and the holders of the Company's Class Z Secured Convertible Preferred Stock ("Class Z Stock") executed settlements regarding certain claims the holders had alleged relative to breaches of affirmative and negative covenants included within the Security Agreement that was integrated with both the Company's former Senior Secured Debenture and the Class Z Stock. The Company and the holders agreed to the return and cancellation

of 51,884 shares of Class Z Stock; the issuance of 100,000 shares of Class X Convertible Preferred Stock; substantial modification of the Security Agreement attached to the Class Z Stock, cancelling all positive and negative covenants and other than covenants regarding third party litigation as well as insolvency, bankruptcy and receivership of Company which serve to protect the Company as well as the holders of Class Z Stock; and the waiver of any and all past, present and future claims against the Company related to the Security Agreement in exchange for 1,462,500 shares of MYFT shares held by the Company.

On December 31, 2010 the Company issued 4,683 shares of Class Z Stock in payment of interest in the amount of \$28,096 as a dividend owed on the outstanding shares of Class Z Stock per its terms. On December 31, 2010 the Company issued 4,829 shares of Class Z Stock in settlement of Company debt in the amount of \$28,975. On March 31, 2011 the Company issued 859 shares of Class Z Stock in payment of interest in the amount of \$5,153 as a dividend owed on the outstanding shares of Class Z Stock per its terms.

At December 31, 2010 there were 200,000 Class Z Stock authorized and 100,000 and 57,628 shares outstanding, respectively. At March 31, 2011 there were 200,000 Class Z Stock authorized and 100,000 and 58,487 shares outstanding, respectively.