

USSE Corp. & Subsidiaries
Quarterly Consolidated Balance Sheets
2011

March 31, 2011 June 30, 2011

ASSETS

Current Assets

Checking/Savings	10,496	971
Total Checking/Savings	<u>10,496</u>	<u>971</u>
Accounts Receivable	1,055,113	695,609
Total Accounts Receivable	<u>1,055,113</u>	<u>695,609</u>
Other Current Assets		
Prepaid Commission-Retainer	6,439	4,500
Due to/from Orange Drive, LLC	180	2,100
Prepaid Venue Guarantees	300,000	300,000
Work in Progress	2,728,770	2,955,724
Deposit - City of Miami Beach	4,250	
Due from Ticket Agents	1,456	181
Total Other Current Assets	<u>3,041,095</u>	<u>3,262,505</u>
Total Current Assets	<u>4,106,704</u>	<u>3,959,085</u>

Fixed Assets

58,530 80,625

Total Fixed Assets

58,530 80,625

TOTAL ASSETS

4,165,235 4,039,711

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable	601,580	738,169
Total Accounts Payable	<u>601,580</u>	<u>738,169</u>
Credit Cards		
American Express	37,465	32,180
Total Credit Cards	<u>37,465</u>	<u>32,180</u>

Other Current Liabilities

Accrued Expenses	790,787	691,329
Accrued Interest	223,647	267,481
Accrued Liabilities	15,129	15,129
Accrued Payroll	134,737	156,597
Masachusetts Withholding Tax Payable	389	1,165
Billings In Excess of Revenues	118,419	17,500
Allowance for Contingent Liabilities	7,000	7,000
Loan - HND Film Development - HK Tan	30,000	30,000
Loan - HND Film Development - P. Quinn	15,000	15,000
Due to Customer	62,500	62,500
Loans From Investors	1,975,750	1,975,750
Loan - Asset Tracers		30,000
Sales Tax Payable	24,484	20,583
Total Other Current Liabilities	<u>3,397,843</u>	<u>3,290,034</u>

Total Current Liabilities

4,036,888 4,060,383

Total Liabilities

4,036,888 4,060,383

Stockholders' Equity

Equity

Traunch 1 Equity Investment	2,294,591	2,310,774
Preferred Stock - No Designation 3,000,000 shares authorized, No shares issued or outstanding - no value		
Preferred Stock - Series A 1,000,000,000 shares issued and outstanding - no value		
Preferred Stock - Series B 500,000 shares authorized, 71,700 issued and outstanding - no value		
Common Stock - \$.001 par value, 1,000,000,000 shares authorized 60,397,574 issued and outstanding at June 30, 2011	58,377	60,398
Paid-In Capital	49,241	49,241
Total Equity	<u>2,402,209</u>	<u>2,420,413</u>

Retained Earnings

-2,588,415 -2,273,861

Net Income

314,554 -167,224

Total Equity

128,347 -20,672

TOTAL LIABILITIES & EQUITY

4,165,235 4,039,711

USSE Corp. & Subsidiaries
Quarterly Consolidated Income Statements
January 1 - June 30, 2011

		Total		
		March 31, 2011	June 30, 2011	Jan. 1 - June 30, 2011
Income				
	Consulting	18,702	87,800	106,502
	Income - Other	2,029,699	443,417	2,473,117
Total Income		2,048,401	531,217	2,579,618
Cost of Goods Sold				
	Cost of Goods Sold	1,223,715	363,944	1,587,660
Total COGS		1,223,715	363,944	1,587,660
Gross Profit		824,686	167,273	991,958
Expense				
	Accounting Fees	1,690	1,100	2,790
	Advertising & Promotion	9,048	9,299	18,348
	Bank Fees	613	1,506	2,119
	Computer Services	2,018	229	2,246
	Consulting Expense	79,408	58,262	137,670
	Depreciation	4,178	5,561	9,740
	Dues & Subscriptions	188	270	458
	Entertainment	3,313	3,221	6,534
	Insurance	32,516	30,618	63,134
	Interest Expense	13,135	18,483	31,617
	Legal Fees	24,347	24,190	48,536
	Merchant Account Fees	62	172	234
	Office Expense	17,877	9,382	27,258
	Payroll Expenses	997	442	1,439
	Payroll Tax Expense	13,264	9,318	22,582
	Postage & Delivery	1,623	1,802	3,425
	Public Relations	5,100		5,100
	Printing & Publicity	7,103	3,991	11,094
	Rent	90,911	75,634	166,545
	Salaries	88,390	64,120	152,510
	Taxes & Fees	637		637
	Telephone	6,322	13,183	19,505
	Travel	2,793	3,714	6,507
Total Expense		405,532	334,497	740,029
Net Income Before Bonuses		419,154	-167,224	251,930
Bonuses		104,600		104,600
Net Income After Bonuses		314,554	-167,224	147,330

USSE Corp. & Subsidiaries
Statement of Changes in Stockholders' Equity

	<u>2011</u>	<u>March 31, 2011</u>	<u>June 30, 2011</u>
Beginning Common Stock	2,336,484	2,402,207	2,402,207
Plus: Common Stock Issued	<u>65,723</u>	<u>18,205</u>	<u>18,205</u>
Ending Common Stock		2,402,207	2,420,412
Beginning Retained Earnings	-2,588,415	-2,273,861	-2,273,861
Plus: Net Income	314,554	-167,224	-167,224
Less: Dividends	<u>0</u>	<u>0</u>	<u>0</u>
Ending Retained Earnings		<u>-2,273,861</u>	<u>-2,441,085</u>
Total Stockholders' Equity		<u><u>128,347</u></u>	<u><u>-20,672</u></u>

CONSOLIDATED FINANCIAL STATEMENTS

OF

USSE CORP.

AND

SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Line of Business

Union Square Sports and Entertainment Inc., DBA Union Square Agency, was formed September 12, 2008 for the purpose of providing integrated strategic and creative marketing and sales solutions from idea conceptualization to fulfillment. Union Square Sports and Entertainment Inc. develops cutting edge intellectual properties that allow brands to meaningfully connect with consumers. The company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the company and other relevant factors.

b. Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

2. GRIDIRON BASH, LLC

On October 1, 2008 Union Square Sports and Entertainment Inc. purchased the assets and liabilities of Gridiron Bash, LLC. Gridiron Bash, LLC was formed in 2007 for the purpose of promoting sporting and entertainment intellectual properties. The focus is on collegiate sports and entertainment events.

3. 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 period. Actual results could differ from those estimated.

4. LEASE COMMITMENTS

The company leases its space at the Union Square, NYC facility from MSL Financial Services, LLC. The lease was revised as of September 1, 2010 and now requires monthly payments of \$22,518.38 plus variable monthly office expenses and real estate taxes of approximately \$3,500.00. The revised lease began on September 1, 2010 and expires on December 31, 2014.

Minimum future lease payments on this lease at June 30, 2011 are as follows:

2011	\$ 156,110.28
2012	\$ 312,220.56
2013	\$ 312,220.56
2014	<u>\$ 208,147.04</u>
	\$1,077,253.58

USSE Corp. has expanded its media division, Union Square Media, and its sales and accounting department into approximately 3,500 square feet of space at the Union Square, NYC facility.

5. LOANS PAYABLE

Loans payable at June 30, 2011 represented several individuals investing into Union Square Sports and Entertainment, Inc.

6. PREFERRED STOCK

On October 4, 2010, the Board of Directors authorized an amendment to the certificate of incorporation to increase the authorized amount of preferred shares to Five Million (5,000,000).

On October 5, 2010 the Board of Directors unanimously consented that pursuant to article Second of the Company's Restated Certificate of Incorporation, as amended, there are Four Million (4,000,000) shares of Preferred Stock without class designation, of which One Million (1,000,000) shares shall be hereby designated as Series B Preferred Stock which hereby have the designation, rights, preferences, powers, restrictions and limitations set forth in a supplement of Article Second. The Series B Preferred Stock has a fixed rate dividend of Nine Percent (9%) fixed rate per annum which shall be deemed payable on an annual basis, the record date of which shall be January 15 in each year. In the event of liquidation or winding up the company, the Series B Preferred Stock shall be entitled to no preference and will share *pari passu* to the Common stock of the Company. A merger or,

acquisition, sale of voting control or sale of substantially all of the assets of the company in which shareholders of the company do not own a majority of the outstanding shares of the surviving corporation shall be deemed to be a liquidation. Holders of the Series B Preferred Stock shall have no voting rights and may not vote on any action, except as required to amend the Certificate of designation of the Series B Preferred Stock. The Series B Preferred Stock has a fixed value of One Dollar (\$1.00) per share. The Series B Preferred Stock is convertible into Common Stock at the rate of Three Cents (\$.03) per share of Common Stock. This Series B Preferred Stock has been issued and authorized to raise operating capital.

7. RESTATEMENT

For the quarter ended March 31, 2011, work-in-process was understated by \$70,000. As a result of the adjustment, earnings and retained earnings were reduced by \$70,000 for the quarter ended March 31, 2011. Since this was an adjustment to an accrual, the result is an increase in earnings of \$70,000 for the quarter ended June 30, 2011. Therefore, there is no net effect on earnings for the six month results.

At a meeting of the Board of Directors of USSE Corp. on February 9, 2011, on the advice of outside auditors, the Board authorized the write-off of goodwill of \$276,368.47 acquired in the acquisition of Gridiron Bash, LLC by Union Square Sports and Entertainment, Inc. on October 8, 2008. The write-off is dated January 1, 2009 and affects the Company's December 31, 2009 financial statements and the Company's quarterly results for the first three quarters of 2010. As results of the restatement, the Company's assets in the form of Goodwill, are reduced by 253,631 and Stockholder's equity is reduced by \$253,631 at December 31, 2009.

USSE Corp. and its subsidiaries develop intellectual properties, media events, Films and television shows. For the year ended December 31, 2010 costs to develop these properties have been capitalized as Work-in Process. As a result, the quarterly results for the first three quarters of 2010 have been restated for Work-in-Process and Stockholder's Equity by \$131,467 for the quarter ended March 31, 2010, \$236,669 for the quarter ended June 30, 2010, and \$268,246 for the quarter ended September 30, 2010. Following is a description of the properties in development that have capitalized costs in work-in-process at December 31, 2010:

University Rights Fees Football Program – Intellectual Property, Event and Media –
Capitalized Costs \$180,000

Pep rally and concert designed to include each University's Spring Game in the upcoming season ticket mailing for their regular season ticket package creating an add-on event.

University Rights Fees Basketball Program – Intellectual Property, Event and Media –
Capitalized Costs \$60,000

Pep rally and concert designed to be included in the upcoming season ticket mailing for the regular season ticket package, creating an add-on event.

University "Overtime" Football Program – Intellectual Property, Event – Capitalized
Cost - \$18,000

The OVERTIME “Talkin’ Smack Tour” is a multi-venue/city event that captures the excitement around major college football rivalry games across the country.

Gridiron University: Football – Intellectual Property, Television Show – Capitalized Costs - \$90,000

Viewers will be shown the never-before seen look at the college game. Cameras will follow players and their head coach, showing how they balance their lives with a glimpse of life at the dorms, in the classrooms, at practice and on the field.

Hardcourt University: Basketball – Intellectual Property, Television Show – Capitalized Costs – \$40,000

In partnership with IMG and Union Square Media, viewers will be shown the never-before seen look at the college game. Cameras will follow players and their head coach, showing how they balance their lives with a glimpse of life at the dorms, in the classrooms, at practice and on the court.

LIMA “The Loop” – Intellectual Property, Live Event – Capitalized Costs - \$70,000

Together with LIMA, “The Loop” was created to gain direct access for global licensing associations to top players and decision makers in regards to consumer products.

Negro League Tour and Documentary – Intellectual Property, Live Event and Documentary – Capitalized Costs - \$40,000

In collaboration with Creative Artists Agency and PBS, the property celebrates the impressive history and evolution of Negro League Baseball with the “The Negro Baseball Leagues – An American Legacy” documentary and live tour accompanied by a traveling museum.

Fashion Central – Intellectual Property, Live Event – \$70,000

This is a yearly event. During Fashion’s Night Out, 2010, USSE Corp created “Fashion Central”, an interactive retail environment where consumers experienced the excitement of fashion week without an invitation. More than 750,000 individuals, per day, had access to various pop-up shops in the historic Vanderbilt Hall at Grand Central.

Roxy / DirecTV “Gone Till December” – Intellectual Property, Television Show - \$60,000

Following the lives and adventure of the Women’s Pro Surfing tour, viewers will get an in-depth look of the excitement, hardship, and dedication the girls show for the love of the sport; as a partnership with DirecTV. All episodes will be filmed and delivered in 3D.

NBA Documentary – Intellectual Property, Multi-Series Documentary – Capitalized Costs – \$10,000

“Basketball From Start to Finish” is based on the stories of the pioneers of the league and its players. In collaboration with the National Basketball Association the PBS documentary will give a new perspective to a legendary story.

Google / Youtube – Intellectual Property, Partnership in High School Content Development – Capitalized Costs - \$35,000

USSE Corp’s approach to high school sports is unique in their ability to create and produce authentic high school sporting events that have compelling media appeal; with Google’s mobile technology and internet ready television delivers the vehicle and reach to create the world’s largest audience for sports.

Medical Show – Intellectual Property, Television Show – Capitalized Costs - \$20,000

The “60 Minutes” of the health and medical world. Showcasing health panels of leading doctors and medical experts as they discuss current affairs projects, from current technologies to outstanding miracles.

Mick Foley – Intellectual Property, Feature Film – Capitalized Costs – \$40,000

With Union Square Media, we are developing a feature film on the life of Mick Foley, from start to finish, including the writing of the screenplay to filming and production.

Methods – Intellectual Property, Television Show - \$45,000

An extreme sports based documentary series that will examine both historical and modern reasons for action sport’s popularity explosion over the past few years.

Thrift America – Intellectual Property, Television Show – Capitalized Costs – \$60,000

With hosts, MTV’s Alexa Chung and Style.com’s Maya Singer as they leave the big city and enter America’s heartland. The show is part travelogue, part inspirational style show, and party Do-it-Yourself challenge.

Orange Drive, LLC – Restatement of Retained Earnings:

Orange Drive, LLC is accruing interest at 8% per annum on \$2,000,000 of debt as of February 1, 2011. On the financial statements for the quarter ended March 31, 2011, the interest of \$21,983.56, which represents the 85% portion of interest on \$2,000,000 from February 1, 2011 through March 31, 2011 allocated to USSE Corp. was not accrued.. The subsequent accrual for the period ended March 31, 2011 resulted in a restatement of earnings of \$8,621.00 and work-in-process of \$17,242.00.

During the first quarter, 2011, discounts of \$60,983.90 were negotiated and settled with a number of vendors for the Orange Drive, LLC event in 2010. These discounts were booked to Orange Drive accounts payable retroactive to December 31, 2010, resulting in a restatement of consolidated Orange Drive, LLC earnings (loss) of \$12,959.07 and a reduction of work-in-process of \$38,877.24 passing through to the USSE Corp. consolidated financial statements at December 31, 2010. The details of the discounts passing through to USSE Corp. at 85% are as follows:

Diversified Production Services	\$10,278.58
Javi Zayas	\$ 8,500.00
Production environmental Design Group	\$13,770.71
Production Staffing Group	\$12,133.75
Spectrum Catering	<u>\$ 7,153.27</u>
Total	\$51,836.31

8. MERGERS AND ACQUISITIONS

On June 11, 2010 the Board of Directors of USSE Corp. authorized the officers of the company to form Union Square Licensing, Inc., a New York Corporation, as a wholly owned subsidiary. On June 14, 2010, the Board of Directors also appointed Jayson Walker as Chief Executive Officer of Union Square Licensing, Inc. and Greg Alprin as President of Union Square Licensing, Inc. In 2010, transactions for Union Square Licensing consisted only of intercompany business and were adjusted on the consolidated financial statements at December 31, 2010, March 31, 2011, and June 30, 2011.

On July 29, 2010, USSE Corp. acquired all of the issued and outstanding capital stock of Great Scott Films, Inc., a New York corporation, pursuant to a Stock Purchase Agreement for an aggregate amount of One Million (\$1,000,000.00) paid for by five million shares of USSE Corp. restricted common stock. On January 11, 2011 Great Scott films, Inc. received authorization from New York State to do business as Union Square Media. For 2010, and through June 30, 2011, all intercompany transactions have been adjusted on the consolidated financial statements.

On August 19, 2010, Orange Drive, LLC, a Florida Corporation, was formed to produce the Orange Drive South Beach New Year's Eve Festival on December 31, 2010, and January 1 & 2, 2011. The Board of Directors of USSE Corp. authorized 85% ownership of Orange Drive, LLC. The other 15% is owned by Event Partners, LLC, of which Gary Cioffi, CEO of USSE Corp. owns 21.66%. Substantial operations for Orange Drive, LLC began in the fourth quarter of 2010 and 85% of the assets, liabilities and net operating results of Orange Drive, LLC are reflected on the December 31, 2010 consolidated financial statements of USSE Corp. All intercompany transactions have been adjusted as of December 31, 2010, March 31, 2011, and June 30, 2011.

9. INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for income taxes." SFAS No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carry forwards. At June 30, 2011 the company has available \$1,289,546.98 which may be applied against future taxable income and which expire in various years through 2029.

The amount of and ultimate realization of the benefits from the operating loss carry forwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carry forwards, the Company has established a valuation allowance equal to the tax effect of the loss carry forwards and, therefore, no deferred tax asset has been recognized for the loss carry forwards.

10. LITIGATION

During the year ended December 31, 2009 the Company was served with a summons and complaint by Laurel Manufacturing, Inc. and named as a party in a lawsuit with MSL Productions, LLC, MSL Sports and Entertainment, LLC and Gary Cioffi. Management believes that the lawsuit is completely without merit, and no liability has been recorded by the Company as a result. As of September 30, 2010 the Company was reviewing its legal options and intends to pursue all legal options. As a result of this action, the company has subsequently established a reserve for a contingent liability of \$5,000.00.

On or about September 20, 2010 the Company was served with a summons and complaint by Imperial Network Printing, Ltd. The complaint sounds in the execution of a judgment entered against MSL Sports and Entertainment. As of September 30, 2010 the Company was reviewing its legal options and intends to pursue all legal options. As a result of this action, the company has subsequently established a reserve for a contingency of \$2,000.00.