Quarterly Report for the Quarter Ended June 30, 2011

Tivus, Inc.

TIVUS, INC.
QUARTERLY REPORT FOR THE PERIOD ENDED June 30, 2011
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Item 1.Name of Issuer and principal executive offices

Tivus, Inc.
15418 Weir Street, Suite 108
Omaha, NE 68137
Telephone: 402-953-5322
Fax: 770-531-1632
Website: www.tivus.com

Item 2.Shares outstanding

Class of shares	No. of Shares Authorized	Shares Outstanding	Public Float	Total No. of Shareholders	Total No. of Beneficial Shareholders
At March 31, 2011					
Common stock	300 Million	133,211,751	103,467,826	203	6
Preferred stock	1 Million	None	None	None	None

Tivus, Inc.
(Formerly MaxWiFi Communications, Inc.
And Prime Link Systems, Inc.)
A Development Stage Company
Statement of Financial Position
June 30, 2011
Unaudited

Assets		
Current Assets		
Cash	$	4,120
Accounts receivable		64,656
Advances to affiliates		273,723
Total current assets		342,499
Fixed Assets		
Capitalized network center cost		62,000
Installations in progress		418,981
Total fixed assets		480,981
Total assets	$	823,480
Current liabilities		
Accounts payable	$	179,175
Convertible debt		642,921
Derivative liabilities		1,278,323
Total current liabilities		2,100,419
Equity		
Capital stock		108,283
Paid in capital		5,027,632
Accumulated deficit		-6,412,854
Total equity		-1,276,939
Total liabilities and equity	$	823,480

See accompanying footnotes

Tivus, Inc.
(Formerly MaxWiFi Communications, Inc.
And Prime Link Systems, Inc.)
A Development Stage Company
Statement of Operations
Quarter Ended 6/30/2011
Unaudited

Expenses

Bank services	$	109
Marketing expense		17,507
Office supplies		231
Postage and delivery		64
Interest expense		150,000
Professional fees		3,302
State and local taxes		20
Telephone expense		336
Travel and entertainment		68,754
General and administrative		100,342
Total expense	$	340,665
Net loss		(340,665)
Weighted average number of shares outstanding -		64,963,669
Net loss per share		($0.01)

See accompanying footnotes

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Tivus, Inc.
(Formerly MaxWiFi Communications, Inc.
And Prime Link Systems, Inc.)
A Development Stage Company
Statement of Cashflows
Quarter Ended 6/30/2011
Unaudited

OPERATING ACTIVITIES		
Net loss from operations	$	(340,665)
Changes in working capital items		
Accounts receivable		77,063
Advances to affiliates		304
Interest expense payable		150,000
Cashflow from operating activities		(113,298)
INVESTING ACTIVITIES		
Additions to hotel installations		(182,545)
Cashflow from Investing		(182,545)
FINANCING ACTIVITIES		
Stock issued for cash		124,000
Stock issued for services		72,500
Stock issued for debt conversion		176,049
Debt retired		(126,050)
Cashflow from financing		546,499
Net change in cash		(49,344)
Beginning cash		53,464
Ending Cash	$	4,120

See accompanying footnotes

Tivus, Inc.
(Formerly MaxWiFi Communications, Inc.
And Prime Link Systems, Inc.)
A Development Stage Company
Statement of Shareholders' Deficit
Quarter Ended 6/30/2011
Unaudited

	Shares		Amount		Paid In Capital		Accumulated Losses		Total Equity (Deficit)
Balance March 31, 2011	58,712,644	$	58,713	$	4,704,653	$	(6,072,189)	$	(1,308,823)
Shares issued	74,499,107		74,499		322,979				397,478
Net loss							(340,665)		(340,665)
Balance June 30, 2011	133,211,751	$	133,212	$	5,027,632	$	(6,412,854)	$	(1,252,101)

See accompanying footnotes

Tivus, Inc.
(Formerly Known As MaxWiFi Communications, Inc.
And Prime Link Systems, Inc.)
A Development Stage Enterprise
Notes to Financial Statements

Disclaimer:

The following footnotes were previously presented in earlier quarterly reports. While we have no reason to discredit these statements, we cannot verify them for accuracy, content, nor applicability as we have not had access to the historical detailed records of the firm. Attempts were made to secure these records but they were not made available to us. However, we have updated these notes for known transactions which took place during the quarter ended June 30, 2011 and removed footnotes which no longer apply.

Note 1. Basis of Presentation

History

Tivus, Inc., a Delaware corporation (the "Company") was originally incorporated on February 4, 1992 in Delaware under the name Pacesetter Ostrich Farm, Inc. In February 2000, the Company changed its name to Prime Link Systems, Inc. ("Prime Link"), with the primary purpose of delivering high quality secure wireless fidelity internet access to the hospitality industry (hotels and motels).

On July 22, 2008, the Company entered into a definitive agreement whereby MaxWiFi, Inc. ("MaxWiFi") would acquire a controlling interest in the Company in return for cash and a promissory note. Upon executing this agreement, the Company undertook a 250:1 reverse stock split and issued 20 million (post-reverse) shares to MaxWiFi Communications, Inc., effecting what is commonly known as a "reverse merger". In connection with the reverse merger, the Company's name was changed to MaxWiFi Communications, Inc.

MaxWifi defaulted on the promissory note during January 2009. As a result, the former owners foreclosed on the shares owned by MaxWiFi during which time MaxWiFi was unable to exercise voting control over the shares.

In July 2009, Tivus, Inc. was incorporated in the State of Nebraska. On August 31, 2009, Tivus merged with MaxWiFi Communications, Inc. In connection with this reverse merger, the Company changed its name to its present name, Tivus, Inc.

Nature of Operations

Tivus, Inc. is an entertainment technology services company offering ad-supported, revenue sharing IPTV and wireless internet solutions to the hotel/hospitality industry; IP-based networks, onsite hardware & software, and/or a centralized network operations center (NOC) deliver programming and targeted advertising through proprietary hardware and software feed by satellite and/or fiber connections.

TIVUS® IPTV unique advertising revenue-sharing concept provides ultra-modern, high-definition (HD) flat-screen televisions at no capital expenditure to the hotel (hotels can also use or purchase their own TVs), and return a net-positive share of the advertising revenue back to the hotel. For the first time in the industry, the hotel's entertainment system becomes a significant new revenue source, instead of a large, but necessary, liability.

Tivus protects, maintains, and anonymously remembers each guest's unique settings and preferences and are securely available at any hotel property in the world with Tivus IPTV. Running on an integrated network, Tivus delivers guest services such as shuttle scheduling, valet, bellman, housekeeping, room service, messaging, folio review, express checkout, energy management, and many other personalized services. Guests enjoy HD services such as Free-to-Guest, premium Pay-per-Use, & Video-On-Demand Programming, a secure, high-speed, TV-based broadband internet browser, wireless internet access, gaming, and many other interactive services.

On September 15, 2010, we entered into our first agreement to provide our product and service to Westboy, LLC which owns the Doubletree Hotel & Executive Meeting Center which is located at 1616 Dodge Street, Omaha, NE (see Note 7).

Development Stage

The Company has not earned revenue from planned principal operations since inception (July 22, 2008). Accordingly, the Company's activities have been accounted for as those of a "Development Stage Enterprise" as provided for in guidance governing Development Stage Enterprises ("ASC 915"). Among the disclosures required by the guidance in ASC 915 are that the Company's financial statements be identified as those of a development stage company, and that the statements of operations, stockholders' equity (deficit) and cash flows disclose activity since the date of the Company's inception.

Basis of Presentation and Summary of Significant Accounting Policies

In the opinion of management, the accompanying financial statements includes all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows for the quarter ending March 31, 2011. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Interim results are not necessarily indicative of results for a full year.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents: For financial statement presentation purposes, the Company considers those short-term, highly liquid investments with original maturities of three months or less to be cash or cash equivalents. As of June 30, 2011, there were no cash equivalents.

Property and Equipment: New property and equipment are recorded at cost. Depreciation is computed once the asset is placed in service and is calculated using the straight-line method over the estimated useful lives of the assets, generally 5 years. Expenditures for renewals and betterments are capitalized. Expenditures for minor items, repairs and maintenance are charged to operations as incurred. Gain or loss upon sale or retirement due to obsolescence is reflected in the operating results in the period the event takes place.

Intangible Assets and Impairments: The Company amortizes intangible assets over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required. No impairment of intangible assets has been recorded during any of the periods presented.

Revenue Recognition: The Company recognizes revenue when persuasive evidence of an agreement exists, services have been rendered, the sales price of a unit is fixed or determinable, and collectability is reasonably assured. Since our inception on July 22, 2008, the Company has had no revenues.

Valuation of Long-Lived Assets: We review the recoverability of our long-lived assets including equipment, goodwill and other intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on our ability to recover the carrying value of the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. Our primary measure of fair value is based on discounted cash flows. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Stock Based Compensation: Stock-based awards to non-employees are accounted for using the fair value method in accordance with the guidance provided by Account Standards Codification ("ASC") Topic No. 718 ("ASC 718"), dealing with compensation and stock-based compensation. This guidance requires that companies measure and recognize compensation expense at an amount equal to the fair value of share-based payments granted under compensation arrangements.

We adopted the guidance of ASC 718 using the "modified prospective" method, which results in no restatement of prior period amounts. Under this method, the provisions of ASC 718 apply to all awards granted or modified after the date of adoption. In addition, compensation expense must be recognized for any unvested stock option awards outstanding as of the date of adoption on a straight-line basis over the remaining vesting period. ASC 718 also requires the benefits of tax deductions in excess of recognized compensation expense to be reported in the Statement of Cash Flows as a financing cash inflow rather than an operating cash inflow. In addition, ASC 718 requires a modification to the Company's calculation of the dilutive effect of stock option awards on earnings per share. For companies that adopt ASC 718 using the “modified prospective” method, disclosure of pro forma information for periods prior to adoption must continue to be made.

Accounting for Obligations and Instruments Potentially to Be Settled in the Company’s Own Stock: We account for obligations and instruments potentially to be settled in the Company’s stock in accordance with the guidance provided by ASC Topic 815 (“ASC 815”), which addresses derivatives and hedging. This issue addresses the initial balance sheet classification and measurement of contracts that are indexed to, and potentially settled in, the Company’s own stock.

Fair Value of Financial Instruments: ASC 825 – Financial Instruments requires disclosure of fair value information about financial instruments. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of March 31, 2011. The respective carrying value of certain on-balance sheet financial instruments approximated their fair values.

These financial instruments include cash and cash equivalents, accounts payable and accrued expenses, promissory notes principal and interest payable, and certain derivative liabilities resulting from these promissory notes payable (see Note 4 for a discussion of the derivative liabilities).

Earnings per Common Share: Basic net loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed using the weighted average number of common and dilutive equivalent shares outstanding during the period. Dilutive common equivalent shares consist of options to purchase common stock (only if those options are exercisable and at prices below the average share price for the period) and shares issuable upon the conversion of our Preferred Stock. Due to the net losses reported, dilutive common equivalent shares were excluded from the computation of diluted loss per share, as inclusion would be anti-dilutive for the periods presented.

Income Taxes: We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes.

Deferred income taxes are recorded in accordance with the guidance found in ASC Topic 740 (“ASC 740”) addressing income taxes. Under this guidance, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax basis of assets and liabilities using the tax rates and laws in effect when the differences are expected to reverse.

ASC 740 provides for the recognition of deferred tax assets if realization of such assets is more likely than not to occur. Realization of our net deferred tax assets is dependent upon our generating sufficient taxable income in future years in appropriate tax jurisdictions to realize benefit from the reversal of temporary differences and from net operating loss, or NOL, carry-forwards. We have determined it more likely than not that these timing differences will not materialize and have provided a valuation allowance against substantially all of our net deferred tax asset. Management will continue to evaluate the realizability of the deferred tax asset and its related valuation allowance. If our assessment of the deferred tax assets or the corresponding valuation allowance were to change, we would record the related adjustment to income during the period in which we make the determination. Our tax rate may also vary based on our results and the mix of income or loss in domestic and foreign tax jurisdictions in which we operate.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and to the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we will reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We will record an additional charge in our provision for taxes in the period in which we determine that the recorded tax liability is less than we expect the ultimate assessment to be.

ASC 740 requires recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effect attributable to temporary differences and carry-forwards. Measurement of deferred income tax is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized.

<u>Recent Accounting Pronouncements</u>

In September 2006, the FASB issued ASC Topic 820 ("ASC 820") which provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. ASC 820 applies whenever other standards required (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. ASC 820 is effective for financial statements issued for fiscal years beginning after November 15, 2007.

In February 2007, FASB issued ASC Topic 825 ("ASC 825). ASC 825 permits entities to choose to measure many financial instruments and certain other items at fair values. ASC 825 is effective for fiscal years after November 15, 2007.

In December 2007, the Financial Accounting Standards Board issued ASC Topic 805 addressing the accounting issues associated with business combinations. ASC 805 provides additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement applies prospectively to 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, 2008.

In December 2007, the Financial Accounting Standards Board issued ASC Topic 810 ("ASC 810") addressing consolidations. ASC 810 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008.

Note 2. Going Concern

The accompanying financial statements have been prepared assuming that Tivus, Inc. will continue as a going concern. As shown in the accompanying financial statements, we had negative cash flows from operations of $1,054,456during the period from inception (July 22, 2008) to March 31, 2011, and a working capital deficit of $1,457,920 at June 30, 2011. These conditions raise substantial doubt as to our ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. Management intends to finance these deficits by making additional shareholder notes and seeking additional outside financing through either debt or sales of its common stock.

Note 3. Capital Structure

Common Stock

We are authorized to issue up to 300 million shares of common stock. At June 30, 2011, we had 133,211,751 shares of common stock outstanding.

The Company was originally incorporated on February 4, 1992 in Delaware under the name Pacesetter Ostrich Farm, Inc. In February 2000, the Company changed its name to Prime Link Systems, Inc. ("Prime Link"), with the primary purpose of delivering high quality secure wireless fidelity internet access to the hospitality industry (hotels and motels).

On July 22, 2008, the Company entered into a definitive agreement whereby MaxWiFi, Inc. ("MaxWiFi") would acquire a controlling interest in the Company in return for cash and a promissory note. Upon executing this agreement, the Company undertook a 250:1 reverse stock split which resulted in 140 post-split shares outstanding immediately after the reverse split. The Company then issued 20 million (post-reverse) shares to MaxWiFi Communications, Inc., effecting what is commonly known as a "reverse merger". In connection with the reverse merger, the Company's name was changed to MaxWiFi Communications, Inc. These 20 million shares were recorded as founders' shares and recorded at no value.

MaxWifi defaulted on the promissory note during January 2009. As such the former owners foreclosed on the shares owned by MaxWiFi during which time MaxWiFi was unable to exercise voting control over the shares. On January 27, 2010, upon receiving control back after the default of MaxWiFi, effected an additional 300:1 reverse split.

In July 2009, Tivus, Inc. was incorporated in the State of Nebraska. On August 31, 2009, Tivus merged with MaxWiFi Communications, Inc. In connection with this reverse merger, the Company changed its name to its present name, Tivus, Inc.

The following table shows shares outstanding immediately before the September 4, 2008 250:1 reverse split and traces their history through both the 250:1 reverse on September 4, 2008 and the subsequent 300:1 reverse split on January 27, 2010.

Description	Pre- 9/4/08 shares	Restated by 250:1 split on 9/4/08	Restated by 300:1 split on 1/27/10
Shares outstanding at July 22, 2008	10,466,418	41,866	140
Shares issued subject to the 9/4/08 250:1 split			
Founders' shares	20,000,000	80,000	267
Shares issued for services	1,000,000	4,000	13
Balances immediately before the 9/4/08 split	31,466,418	125,866	420
Shares issued after the 9/4/08 split, but before 12/31/08			
Founders shares	-	84,600,000	282,000
Shares issued for services	-	165,400,000	551,333
Balances at December 31, 2008	31,466,418	250,125,866	833,753

During 2009, we issued 16,667 (5 million pre- 9/4/08 shares) shares to a consultant for services. We valued the shares at the closing price on the grant date ($1.50) and charged General and Administrative expenses with $25,024.

The following table shows the shares outstanding from January 1, 2008 to December 31, 2008 along with the corresponding reverse stock splits:

Description	Pre- 9/4/08 shares	Restated by 250:1 split on 9/4/08	Restated by 300:1 split on 1/27/10
Forward from December 31, 2008	31,466,418	250,125,866	833,753
Shares issued during 2009			
Shares issued for services	-	5,000,000	16,667
Balance at December 31, 2009	31,466,418	255,125,866	850,420

Shares issued during 2010 were as follows:

Description	Shares Outstanding
Forward from December 31, 2009	850,420
Founders' shares	12,000,000
Shares issued for retirement of debt	15,900,000
Shares issued for cash	6,333,261
Shares issued upon conversion of convertible debt	2,000,000
Balance at December 31, 2010	37,083,681

During the three months ended June 30, 2011, we issued the following shares:

- We issued 21 million shares to raise working capital
- We issued 7 million for services.
- We issued 16,499,107 shares upon conversion of some of our outstanding convertible promissory notes.
- We issued 30 million restricted shares to affiliates.

Potential Dilution

As is discussed in Note 4, the Company has financed virtually all of its operations by issuing promissory notes with beneficial conversion features and warrants attached. Most of the promissory notes contain provisions that will convert at a discount to a three-day average bid price on the date of conversion. Therefore, the number of shares that would be issuable upon conversion of the promissory to common stock is not calculable until the conversion occurs, giving rise to derivative liabilities which are discussed in Note 4. Most of the promissory notes contain a 50% discount to the three-day average bid price, but the discounts vary between of 40% and 70%.Moreover, the promissory notes contain warrants attached which convert at a price equal to 150% of the price attained upon conversion.

The promissory notes, if converted and all warrants exercised would result in additional shares issued and dilution of existing shareholders at May 31, 2011[1] of 90.2 million shares and 51% at a share price of $0.03; 269.6 million shares and 26% at share price of $0.01 and 538.8 million shares and 15% at a share price of $0.005. However, the Company is only authorized to issue 300 million shares. Consequently, if all of the instruments converted, the Company would either have to increase the number of authorized shares or purchase the shares on the open market. .

Preferred Stock

The Company is authorized to issue up to 1 million shares of preferred stock. There were no preferred shares issued or outstanding from inception to June 30, 2011.

Note 4. Convertible Notes

From inception to June 30, 2011, the Company has financed virtually all of its operations through the issuance of convertible promissory notes with warrants attached. Most of the notes are convertible using a formula equal to a discount to a three-day average bid price on the date of conversion. Most of the promissory notes also contain attached warrants which can be exercised at a price equal to 150% of the conversion price. Therefore, the warrants are not exercisable until the promissory note is converted to common stock.

[1] At May 31, 2011, there were 93,711,751 shares issued and outstanding.

Most of the promissory notes contain beneficial conversion features and warrants like the example below:

Nominal amount:	$5,000
Nominal interest rate:	6%
Beneficial conversion feature	Convertible at 50% discount to the three-day average bid price.
Warrants:	2-year option to purchase an equal number of shares as was obtained through conversion at a price equal to 150% of the price attained upon conversion of the promissory note to common stock.

In the above example, assuming a three-day average bid price of $0.05, the promissory note could be converted, at the holder's option, into 200,000 shares of common stock (average bid price of $0.05 times 50% = $0.025, $5,000 / $0.025 = 200,000 shares).

In addition, once the note is converted, the warrants may be exercised at 150% of the price obtained upon conversion. Therefore, an additional 200,000 shares would be issuable upon exercise (price obtained on conversion = $0.025 x 150% = $0.0375. 200,000 shares could be exercised at $0.0375, upon exercise and payment by the holder of $7,500 in cash (200,000 shares x $0.0375.

The following table shows aggregate promissory note nominal amounts, accrued interest, discounts and derivative liabilities at March 31, 2011 and December 31, 2010).

	03/31/11	12/31/10
Note nominal amount	$828,375	$650,575
Accrued interest payable	116,849	109,337
Unamortized discount	(326,253)	(291,018)
Net note principal and interest	618,971	468,894
Derivative liabilities	1,278,323	1,430,981
Total promissory note liabilities	$1,897,294	$1,899,875

Derivative Liabilities

Embedded Derivative - Overview

Financial instruments often contain certain features which are considered derivative instruments that may require fair value accounting under Accounting Standards Codification ("ASC") 815 *Derivatives and Hedging* (pre-Codification FAS 133). The Master Glossary of the ASC defines an embedded derivative as "implicit or explicit terms that affect some or all of the cash flows or the value of other exchanges required by a contract in a manner similar to a derivative instrument" - these derivatives embedded in financing agreements may require asset or liability classification as a compound derivative.

An embedded derivative is a provision in a contract that modifies the cash flow of a contract by making it dependent on some underlying measurement. Like traditional derivatives, embedded derivatives can be based on a variety of instruments, from common stock to exchange rates and interest rates. Combining derivatives with traditional contracts or embedding derivatives changes the way that risk is distributed among the parties to the contracts.

A derivative is any financial instrument whose value depends on an underlying asset, price or index. An embedded derivative is the same as a traditional derivative; its placement, however, is different. Traditional derivatives stand alone and are traded independently. Embedded derivatives are incorporated into a contract, called the host contract. Together, the host contract and the embedded derivative form an entity known as a hybrid instrument.

The embedded derivative modifies the host contract by changing the cash flow that would otherwise be promised by the contract. For example, when you take out a loan, you agree to repay the funds plus interest. When you enter this contract, the lender worries that interest rates will go up, but your rate will be locked in at a lower rate. He can modify the loan agreement by embedding a derivative, so that interest payments depend on another measurement. They could, for example, be adjusted according to a benchmark interest rate or a stock index.

Embedded derivatives are found in many types of contracts. They are frequently used in leases and insurance contracts. Preferred stock and convertible bonds, or bonds which can be exchanged for stock, also host embedded derivatives. The specific accounting principles for embedded derivatives are complicated, but the basic concepts are that the embedded derivative must be accounted at fair value and that it should only be accounted separately from the host contract if it could stand alone as a traditional derivative.

A contract with an embedded derivative can substitute for another type of risk management; for example, some companies conduct business in more than one currency. By paying production costs in one currency and selling the product in another, they bear the risk of adverse fluctuations in the interest rate. Often, these companies participate in foreign exchange futures trading to hedge the risk they face. Another option is to embed the foreign exchange future into the sales contract. This differs from the original strategy in that the buyer now faces the risk, where a third party traded stand-alone futures with the corporation.

Tivus Convertible Debentures / Warrants

From inception to March 31, 2011 (the “Dates of Issuance”), the Company issued multiple secured convertible notes (the “Convertible Notes” or the “Notes”) and warrants (“Warrants”) with derivative liabilities to related and unrelated parties (the “Holders”), in the total Note amounts of $871,000 and Warrant options at conversion of the Notes to purchase shares of Common Stock. Each convertible note contains a warrant to purchase shares of common stock.

The Convertible Notes have maturity dates 12 months and have an annual interest ratesranging from 6% to 8% per annum. The Holders have the right from and after the Date of Issuance, and until any time until the Convertible Notes are fully paid, to convert any outstanding and unpaid principal portion of the Convertible Notes, and accrued interest, into fully paid and non-assessable shares of Common Stock with an ownership limit of 4.99%. The Convertible Notes have a variable conversion price and no reset feature. The percentage of market conversion rate is 20%, 40%, 50% or 70% of the average bid price of the Company’s common stock on 3 consecutive trading days immediately preceding the date of conversion. The Holders were not issued warrants with the Secured Convertible Notes. The Company shall issue to the Holder Warrants to purchase Common Stock equal to 100% of the Notes common shares converted into by Holder. The Warrants shall have a life of 2 years and have an exercise price equal to 150% of the conversion price. The embedded conversion feature in the Note should be accounted for as a derivative liability due to the full reset provision based on guidance in Accounting Standards Codification ("ASC") 815 *Derivatives and Hedging* (pre-Codification "FAS 133").

In the event of default of the Notes, the amount of principal and interest not paid when due bear interest at the rate of 12% per annum and the Notes become immediately due and payable. Should that occur, the Company is liable to pay 100% of the then outstanding principal and interest.

The convertible debenture can be converted into common stock at conversions price that are a percentage of the market price; therefore the number of shares that could be required to be delivered upon "net-share settlement" is essentially indeterminate. In accordance with FAS No. 133, we have bi-furcated the beneficial conversion features embedded in the convertible debentures and have recorded the fair value of these beneficial conversion features as a current liability.

The promissory notes generally have derivative liabilities exceeding their nominal amounts as issuance. We have accounted for the initial value of the derivative at issuance as a discount on the nominal value of the promissory note, amortizing the discount to interest expense according to the Effective Interest Method.

Valuations at balance sheet dates subsequent to the promissory notes' issuances are recorded as a gain or loss on derivative valuations.

Note 5. Property, Plant and Equipment

During 2010, we issued notes payable in the amount of $62,000 to a software development firm to develop guest user interfaces, business intelligence for our IPTV network, hotel customization and interactivity and PMS interfaces.

As these software platforms are intended to support our in-room IPTV operations, we have accounted for these costs as property, plant and equipment. We will begin depreciating these costs when our first hotel installation is complete.

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists principally of liabilities resulting from our merger in 2008.

On July 22, 2008, the Company entered into a definitive agreement whereby MaxWiFi, Inc. ("MaxWiFi") would acquire a controlling interest in the Company in return for cash and a promissory note in the amount of $205,000. Upon executing this agreement, the Company undertook a 250:1 reverse stock split and issued 20 million (post-reverse) shares to MaxWiFi Communications, Inc., effecting what is commonly known as a "reverse merger". In connection with the reverse merger, the Company's name was changed to MaxWiFi Communications, Inc.

MaxWifi defaulted on the promissory note during January 2009 after having paid $67,500 of principal. As such the former owners foreclosed on the shares owned by MaxWiFi during which time MaxWiFi was unable to exercise voting control over the shares.

On January 13, 2010, the American Arbitration Association arbitrated our dispute with Belmont Partners, LLC, among other parties. A judgment was entered against us in the amount of $169,810, representing the unpaid purchase price of MaxWiFi, Inc. of $137,500; $28,560 in accrued interest and $3,750 representing the current value of the equity portion of the sales price.

Through March 31, 2011, we have converted $231,500 of this debt by issuing common stock. At March 31, 2011, approximately $11,600 of this obligation remains.

Note 7. Contract with Westboy, LLC

On September 15, 2010, we entered into a five-year agreement with Westboy, LLC who owns the Doubletree Hotel and Executive Meeting Center in Omaha, Nebraska ("the Hotel") to install and provide up to 450 IPTVs and content for a total monthly charge of approximately $20,500.

Additionally, the Hotel agrees to pay Tivus 85% of the revenues received by the Hotel for VOD/IPTV services at the Hotel. Additionally, Tivus agrees to pay to the Hotel 30% of any advertising sold by Tivus or its agents.

Tivus has guaranteed that the Hotel will earn at least $11,043 per month 60 days after they system is fully operational.

Our contract with Westboy stipulated that we provide all of the hardware and software required to run the systems in the hotels. However, an addendum to the contract was agreed upon during the first quarter of 2011 whereby, the Hotel would reimburse the Company for the installation costs. During the fist quarter, we billed the Hotel $463,126 and received cash of $333,014. The remainder of these costs were paid in periods subsequent to the current balance sheet date.

We recorded this contract addendum and billing to the hotel as a divestiture of "Installations in Progress".

Note 8. Subsequent Events

Additional Shares of Common Stock Issued

Subsequent to June 30, 2011, we issued 27,007,740 shares of stock in conjunction with the conversion of convertible notes.

Item 4.Management's Discussion and Analysis or Plan of Operation.

Plan of Operation

During the next twelve months, the Company plans to install IPTV systems in three major metropolitan hotels. As of December 15, 2010, the first major hotel installation is in progress. We expect that our capital requirements for these three installations will be approximately $2.2 million. We currently do not have the resources to undertake these projects. However, we are currently seeking financing through debt or equity offerings.

Management's Discussion and Analysis of Financial Condition and Results of Operations

During the quarter ended June 30, 2011 the company had an operating loss of $340,665. This included an amount of $150,000 for interest on its outstanding convertible notes. This is an estimate of the amount due as we have not yet audited these notes. We also attempted to provide more details on the nature of funds expended during the period and will continue to strive in this direction.

Off Balance Sheet Arrangements

According to the terms of our contract with Westboy, LLC ("Westboy") (see Note 7 to the Financial Statements), Tivus guarantees minimum advertising revenues for the Doubletree Hotel in the amount of $11,043 per month for five years. If Tivus is unsuccessful in obtaining additional advertising revenues, it could result in cash liabilities of up to $662,500 or termination of the contract with Westboy.

Item 5. Legal Proceedings

On January 13, 2010, the American Arbitration Association arbitrated our dispute with Belmont Partners, LLC, among other parties. A judgment was entered against us in the amount of $169,810, representing the unpaid purchase price of MaxWiFi, Inc. of $137,500; $28,560 in accrued interest and $3,750 representing the current value of the equity portion of the sales price. We are currently paying these debts through issuances of our common stock.

Item 6. Defaults Upon Senior Securities

As of March 31, 2011, we are in default on 19 of our 59 outstanding promissory notes. Notes in default have an aggregate unpaid principal balance of $370,700. We were unable to update this footnote for the period ended June 30, 2011.

Item 7. Other Information

None.

Item 8. Exhibits

None.

Item 9. Certifications

I, Shiva Prakash, certify that:

1. I have reviewed this quarterly report of Tivus, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

/s/Shiva Prakash
Shiva Prakash

August 22, 2011
Date