

3D ENTERTAINMENT HOLDINGS, INC.
DBA, 3D EYE SOLUTIONS, INC.
FORMERLY AFA MUSIC GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 1st QUARTER ENDED MARCH 31, 2012

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION:

3D Eye Solutions, Inc. (“Company”) formerly AFA Music Group, Inc. operates through its wholly owned subsidiary 3D Eye Solutions, LLC, which is a service provider and integrator for the 3D stereoscopic and auto-stereoscopic media industry and which owns proprietary technology to convert existing 2D content into 3D both with and without glasses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of statements of cash flows, the Company considers all highly liquid investments with a maturity date of three months or less to be cash equivalents. At March 31, 2012, the Company did not have any funds in excess of the \$100,000 FSLIC limitations.

The statement of cash flows is prepared on the basis of cash and cash equivalents. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less, unless restricted as to use, to be cash equivalents.

Advertising and Marketing

Advertising costs are expensed as incurred and are included in the operating expenses. There was no advertising and promotion expense for the quarter ended March 31, 2012.

3D ENTERTAINMENT HOLDINGS, INC.
DBA, 3D EYE SOLUTIONS, INC.
FORMERLY AFA MUSIC GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 1st QUARTER ENDED MARCH 31, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the following useful lives:

Software	3 years
Equipment	5 years
Intangible Assets	15 years

Repairs and maintenance costs are expensed, while additions and betterments are capitalized. Depreciation expense for the quarter ended March 31, 2012 was \$12,900.

Income Taxes

Deferred taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Income tax expense for the quarter ended March 31, 2012 was \$0.

Fair Value of Financial Instruments

The carrying amount reported in the balance sheet for cash and cash equivalents approximate fair value because of the immediate or short-term maturity of these financial instruments.

NOTE 3 – LOANS PAYABLE

Loans Payable consists of amounts due to shareholders, who have advanced funds to the Company for operating purposes. The amount owed at the quarter ended March 31, 2012 was \$1,433,602 in the form of a convertible note as follows.

3D ENTERTAINMENT HOLDINGS, INC.
DBA, 3D EYE SOLUTIONS, INC.
FORMERLY AFA MUSIC GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 1st QUARTER ENDED MARCH 31, 2012

NOTE 3 – LOANS PAYABLE (Continued)

Mike Gibilisco	\$552,503
Mike Gibilisco	\$354,000
Mike Gibilisco	\$318,000
Mike Gibilisco	\$ 4,000
Boost Marketing	\$ 4,000
MJMM Investments LLC	\$122,500
Big Apple Consulting USA, Inc.	\$108,599

Loans Payable was reduced by \$879,454 by the Settlement Agreement dated March 25, 2011, between Mike Gibilisco and the Company. This Forgiveness of Debt was reported as Other Income.

NOTE 4 – REVERSE MERGER

3D Eye Solutions, LLC, a Florida corporation, was acquired by AFA Music Group, Inc. in July 2008, by issuance of shares to the current controlling shareholders of the Company in a reverse merger. There after, the Company changed its name to 3D Eye Solutions, Inc. The company is now named 3D Entertainment Holdings, Inc., doing business as 3D Eye Solutions.

NOTE 5 – STOCKHOLDERS' EQUITY

At March 31, 2012 the Company had three classes of stock, common having a par value of \$.0001, preferred stock Series A and preferred stock Series B, having no par value. The Company is authorized to issue 450,000,000 shares of the common stock and 10,000,000 shares of each preferred stock series.

Common Stock

The following details the stock transactions for the Company:

In 2008, the Company converted 5,184,160,345 shares of its \$.0001 par value common stock to 5,184,161 shares of its no par value preferred Series A stock.

3D ENTERTAINMENT HOLDINGS, INC.
DBA, 3D EYE SOLUTIONS, INC.
FORMERLY AFA MUSIC GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 1st QUARTER ENDED MARCH 31, 2012

In 2008, the Company issued the following shares of its \$.0001 par value restricted shares of common stock for services.

Marc Jablon	100,000 shares
Mark Kaley	100,000 shares
Keith Jablon	100,000 shares
Matt Maguire	60,000 shares

NOTE 5 – STOCKHOLDERS' EQUITY (Continued)

Common Stock

John Neff	50,000 shares
Bill Peterseim	50,000 shares
Ann Tomasulo	10,000 shares
Kristin Osweiler	10,000 shares
Alicia Goldberg	10,000 shares
Abbey Voight	10,000 shares

In 2008, the Company issued the 150,000 shares of its no par value preferred Series A stock at \$1.00 per share for private placements memorandums.

In 2009, the Company issued the 73,750 shares of its no par value preferred Series A stock at \$1.00 per share for private placements memorandums.

In 2010, the Company issued the following shares of its \$.0001 par value restricted shares of common stock for services.

Marc Jablon	2,000,000 shares
Mark Kaley	2,000,000 shares
Mike Gibilisco	2,000,000 shares
Dominic Crain	2,000,000 shares

In 2011, the Company issued the 5,000 shares of its no par value preferred Series A stock at \$1.00 per share for private placements memorandums.

In 2011, the Company retired 500,000 shares of its Series B shares belonging to Mike Gibilisco as part of the Settlement Agreement dated March 25, 2011.

3D ENTERTAINMENT HOLDINGS, INC.
DBA, 3D EYE SOLUTIONS, INC.
FORMERLY AFA MUSIC GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 1st QUARTER ENDED MARCH 31, 2012

In 2011, the Company issued 198,000 shares of its no par value preferred Series A stock at \$1.00 per share for the first, second and third quarter payment to Marc Jablon for his employment agreement dated December 29, 2010.

In 2011, the Company issued 90,000 shares of its no par value preferred Series A stock at \$1.00 per share as a partial payment towards outstanding consulting fees owed to Boost Marketing LLC.