ATLANTIC WIND AND SOLAR, INC.
(A Development Stage Company)

Consolidated Financial Statements
December 31, 2009 and 2008

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CONTENTS

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S K & CO
Sam Kan & Company
Certified Public Accountant

Report of Independent Registered Public Accounting Firm

To the Board of Directors of
Atlantic Wind and Solar, Inc.
(A Development Stage Company)
Toronto, Canada

We have audited the accompanying consolidated balance sheets of Atlantic Wind and Solar, Inc. and its subsidiary, Atlantic Solar, Inc. (collectively the "Company") as of December 31, 2009, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company (A Development Stage Company) as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2009, and accordingly, we do not express an opinion thereon.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses and has experienced negative cash flows from operations, which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to those matters are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Sam Kan & Company

Sam Kan & Company,

September 23, 2010

Alameda, California

ATLANTIC WIND AND SOLAR, INC.
(A Development Stage Company)
Consolidated Balance Sheets

	December 31, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash	$ 1,013,454	$ -
Notes receivable, net of allowance	119,116	-
Prepaid expenses	341,004	-
Interest receivable	685	-
Total current assets	1,474,259	-
Security deposit	14,294	-
Fixed assets, net of accumulated depreciation of $472 and $0	2,779	-
Total assets	$ 1,491,332	$ -
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Bank overdraft	$ -	$ 34
Accounts payable	31,856	1,200,000
Wages payable	600,000	-
Related party payables	318,576	243,982
Total current liabilities	950,432	1,444,016
Stockholders' equity (deficit)		
Subscription receivable	(2,000,000)	
Preferred stock, $1 par value; 5,000,000 shares authorized; 1,050,000 and 0 shares issued and outstanding at December 31, 2009 and 2008	1,050,000	-
Common stock, $0.001 par value; 50,000,000 shares authorized; 29,995,249 and 32,241,694 issued and outstanding at December 31, 2009 and 2008	29,995	32,242
Additional paid in capital	7,080,105	2,852,358
Other comprehensive loss	(43,037)	-
Deficit accumulated during the development stage	(5,576,163)	(4,328,616)
Total stockholders' equity (deficit)	540,900	(1,444,016)
Total liabilities and stockholders' equity (deficit)	$ 1,491,332	$ -

See accompanying notes to financial statements

ATLANTIC WIND AND SOLAR, INC.
(A Development Stage Company)
Consolidated Statements of Operations

	Year ended December 31, 2009	Year ended December 31, 2008	Cumulative from December 31, 2006 (date reentering the development stage) to December 31, 2009
Revenue	$ -	$ -	$ -
Operating expenses			
Impairment loss	-	-	2,750,000
Bad debt expense	105,105	-	105,105
Director and officer compensation	800,000	-	800,000
Research and development	3,750	1,200,000	1,257,793
Professional fees	253,566	60,779	542,344
Travel	28,313	14,586	42,899
Rent	6,000	2,000	10,709
Advertising and public relations	38,231	-	38,231
General and administrative	31,239	15,617	48,013
Total operating expenses	1,266,204	1,292,982	5,595,094
Other income (expenses)			
Interest income	630	-	904
Other income	34	-	34
Foreign currency transaction gain	19,872	-	19,872
Interest expense	(1,879)	-	(1,879)
Total other income (expense)	18,657	-	18,931
Net loss available to common stockholders	$ (1,247,547)	$ (1,292,982)	$ (5,576,163)
Other comprehensive loss			
Foreign currency translation adjustment	(43,037)	-	(43,037)
Total comprehensive loss	$ (1,290,584)	$ (1,292,982)	$ (5,619,200)
Basic and diluted loss per common share	$ (0.04)	$ (0.15)	
Basic and diluted weighted average shares outstanding	34,676,342	8,860,886	

See accompanying notes to financial statements

ATLANTIC WIND AND SOLAR, INC.
(A Development Stage Company)
Statement of Changes in Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Subscription Receivable	Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount					
Balance, December 31, 2006	-	$ -	4,938,841	$ 4,939	$ 2,819,661	$ -	$ -	$ (2,977,662)	$ (153,062)
Net loss, year ended December 31, 2007	-	-	-	-	-	-	-	(57,972)	(57,972)
Balance, December 31, 2007	-	-	4,938,841	4,939	2,819,661	-	-	(3,035,634)	(211,034)
Common stock issued for services	-	-	27,302,853	27,303	32,697	-	-	-	60,000
Net loss, year ended December 31, 2008	-	-	-	-	-	-	-	(1,292,982)	(1,292,982)
Balance, December 31, 2008	-	-	32,241,694	32,242	2,852,358	-	-	(4,328,616)	(1,444,016)
Common stock rescinded	-	-	(11,973,470)	(11,974)	11,974	-	-	-	-
Common stock issued for anti-dilutive agreements	-	-	3,142,858	3,143	(3,143)	-	-	-	-
Common stock issued for subscription receivable	-	-	3,000,000	3,000	1,997,000	(2,000,000)	-	-	-
Common stock issued for services	-	-	1,367,500	1,367	474,133	-	-	-	475,500
Common stock issued for settlement of payable	-	-	2,000,000	2,000	1,198,000	-	-	-	1,200,000
Common stock issued for cash	-	-	216,667	217	549,783	-	-	-	550,000
Preferred stock issued for cash	1,050,000	1,050,000	-	-	-	-	-	-	1,050,000
Foreign currency translation adjustment	-	-	-	-	-	-	(43,037)	-	(43,037)
Net loss, year ended December 31, 2009	-	-	-	-	-	-	-	(1,247,547)	(1,247,547)
Balance, December 31, 2009	1,050,000	$ 1,050,000	29,995,249	$ 29,995	$ 7,080,105	$ (2,000,000)	$ (43,037)	$ (5,576,163)	$ 540,900

See accompanying notes to financial statements

ATLANTIC WIND AND SOLAR, INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows

	Year ended December 31, 2009	Year ended December 31, 2008	Cumulative from December 31, 2006 (date reentering the development stage) to December 31, 2009
Cash flows from operating activities			
Net loss	$ (1,247,547)	$ (1,292,982)	$ (5,576,163)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	434	-	472
Common stock issued for services	475,500	60,000	475,500
Common stock issued for settlement of payable	1,200,000	-	1,200,000
Common stock issued for receivable	2,000,000	-	-
Changes in operating assets and liabilities:			
Prepaid expenses	(325,593)	-	(341,004)
Subscription receivable	(2,000,000)	-	(2,000,000)
Interest receivable	(630)	-	(685)
Security deposit	(13,138)		(14,294)
Accounts payable	(1,170,720)	1,200,000	31,856
Wages payable	600,000	-	600,000
Net cash used in operating activities	(481,694)	(32,982)	(5,624,318)
Cash flows from investing activities			
Notes receivable	(109,484)	19,774	(119,116)
Purchase of equipment	(2,988)	-	(3,251)
Net cash provided by (used in) investing activities	(112,472)	19,774	(122,367)
Cash flows from financing activities			
Bank overdraft	(34)	34	-
Related party payables	71,651	13,067	318,576
Proceeds from common stock	550,000	-	5,434,600
Proceeds from preferred stock	1,050,000	-	1,050,000
Net cash provided by financing activities	1,671,617	13,101	6,803,176
Effect of exchange rate on cash	(63,997)		(43,037)
Net change in cash	1,013,454	(107)	1,013,454
Cash at beginning of period	-	107	-
Cash at end of period	$ 1,013,454	$ -	$ 1,013,454
Supplemental cash flow information			
Cash paid for interest	$ 50	$ -	$ 50
Cash paid for income taxes	$ -	$ -	$ -

See accompanying notes to financial statements

Note 1 - Nature of Business

Atlantic Wind and Solar, Inc. (“Company”), located in Toronto, Ontario, was originally organized on January 13, 1977 under the laws of the State of West Virginia as Aetna Operating Company Inc. The Company changed its name to Dragon Environmental (UK) Ld. on November 4, 1997, then to Aquatek Ltd. on October 26, 1998, then to Environmental Technologies International, Inc. on February 8, 2002 and Atlantic Solar and Wind, Inc. on October 19, 2008. The Company’s current business plan is to develop and refine existing renewable energy resources. The Company currently has limited operations and no realized revenues from its planned principle business purpose and, in accordance with FASB ASC Topic 915 (formally Statement of Financial Accounting Standards (SFAS) No. 7 “*Accounting and Reporting by Development Stage Enterprises*”) is considered a Development Stage Enterprise.

The Company has two wholly owned subsidiaries, Atlantic Wind Energy Corp., a Delaware Corporation formed in January 2009, and Atlantic Solar, Inc., an Ontario Corporation formed in November 2009. The Company has elected a fiscal year end of December 31.

Note 2 - Significant Accounting Policies

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 reporting period. Actual results could differ from those estimates.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated.

Cash

For the Statements of Cash Flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of December 31, 2009 or 2008.

The Company maintains cash in financially sound institutions with which funds up to $100,000 Canadian Dollars are covered by the Canadian Deposit Insurance Corporation (CDIC). From time to time, the Company may have more cash on hand than covered by the CDIC. There were deposits in excess of the insured amounts totaling an equivalent of $913,454 US Dollars.

Note 2 - Significant Accounting Policies (continued)

Income taxes

Income taxes are provided for using the liability method of accounting in accordance with FASB ASC 740 *"Income Taxes"* and clarified by FIN 48, *"Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109."* A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Share Based Expenses

The Company follows FASB ASC 718 *"Stock Compensation."* This statement is a revision to SFAS 123 and supersedes Accounting Principles Board (APB) Opinion No. 25, "*Accounting for Stock Issued to Employees*," and amends FASB Statement No. 95, "*Statement of Cash Flows.*" This statement requires a public entity to expense the cost of employee services received in exchange for an award of equity instruments. This statement also provides guidance on valuing and expensing these awards, as well as disclosure requirements of these equity arrangements. The Company adopted SFAS No. 123R upon creation of the company and expenses share based costs in the period incurred.

Foreign Currency Translation

The Company's functional currency is the Canadian dollar (CAD), while the Company's reporting currency is the U.S. dollar (USD). All transactions initiated in Canadian dollars are translated into U.S. dollars in accordance with ASC 830, *"Foreign Currency Translation"* as follows:

i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date.
ii) Equity at historical rates.
iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Adjustments arising from such translations are deferred until realization and are included as a separate component of stockholders' equity as a component of comprehensive income or loss. Therefore, translation adjustments are not included in determining net income (loss) but reported as other comprehensive income.
For foreign currency transactions, the Company translates these amounts to the Company's functional currency at the exchange rate effective on the invoice date. If the exchange rate changes between the time of purchase and the time actual payment is made, a foreign exchange transaction gain or loss results which is included in determining net income for the period. The exchange rates used are as follows:

	12/31/2009	**12/31/2008**
Period end: CAD to USD	0.95320	0.81830
Average for period: CAD to USD	0.88029	0.94410

Note 2 - Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost net of accumulated depreciation. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Depreciation is computed for financial statement purposes on a straight-line basis over estimated useful lives of the related assets. The estimated useful lives of depreciable assets are:

	Estimated Useful Lives
Furniture and Fixtures	5 - 10 years
Computer Equipment	3 - 5 years
Vehicles	5 - 10 years

For federal income tax purposes, depreciation is computed under the modified accelerated cost recovery system. For audit purposes, depreciation is computed under the straight-line method. The Company had no property and equipment as of December 31, 2008. Property and equipment consisted of the following as of December 31, 2009:

	Cost	Accumulated Depreciation	Net
Computers	$ 3,251	$ (472)	$ 2,779
Total	$ 3,251	$ (472)	$ 2,779

Accounting for Impairment of Long-Lived Assets

The Company adopted ASC 360-10-20 (previous known as Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company periodically evaluates the carrying value of long-lived assets to be held. ASC 360-10-20 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets.

The long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the assets.

Note 2 - Significant Accounting Policies (continued)

Accounting for Impairment of Long-Lived Assets (continued)

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment loss during the years ended December 31, 2009 and 2008.

Revenue Recognition

The Company's financial statements are prepared under the accrual method of accounting. Revenues will be recognized in the period the services are performed and costs are recorded in the period incurred. Revenue is recognized when (1) the evidence of the agreement exists, (2) services have been rendered, (3) the price is fixed or determinable, and (4) collectability is reasonably assured. The Company has not generated revenues since its inception.

Advertising Costs

Advertising and promotion costs are expensed as incurred. The Company incurred $38,231 and $0 of such costs during the years ended December 31, 2009 and 2008.

Research and Development

Research and development costs are expensed as incurred. The Company incurred $3,750 and $1,200,000 of such costs during the years ended December 31, 2009 and 2008.

Going concern

The Company’s financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Currently, the Company does not have significant operations or a source of revenue sufficient to cover its operation costs and allow it to continue as a going concern. Additionally, the Company has incurred a net loss of $5,576,163 since inception. The Company will be dependent upon the raising of additional capital through placement of common stock in order to implement its business plan, or merge with an operating company. There can be no assurance that the Company will be successful in either situation in order to continue as a going concern. The officers and directors have committed to advancing certain operating costs of the Company.

Note 2 - Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162*. With the issuance of SFAS 168, the FASB Accounting Standards Codification ("the Codification" or "ASC") becomes the single source of authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities, with the exception of guidance issued by the SEC. This change is effective for financial statements issued for interim or annual periods ending after September 15, 2009. The Codification does not modify existing GAAP nor any guidance issued by the SEC. Nonauthoritative accounting literature is excluded from the Codification. To improve usability, the Codification does include certain SEC guidance. GAAP accounting standards used to populate the Codification are superseded, with the exception of certain standards yet to be codified as of September 30, 2009, including SFAS 166 and 167 described subsequently.

The Company refers to FASB ASC 605-25 *"Multiple Element Arrangements"* in recognizing revenue from agreements with multiple deliverables. This statement provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. The EITF introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. This standard is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, adoption may be on a retrospective basis, and early application is permitted. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial statements or disclosures.

In August 2009, the FASB issued Accounting Standards Update No. 2009-05, "Measuring Liabilities at Fair Value," ("ASU 2009-05"). ASU 2009-05 provides guidance on measuring the fair value of liabilities and is effective for the first interim or annual reporting period beginning after its issuance. The Company's adoption of ASU 2009-05 did not have an effect on its disclosure of the fair value of its liabilities.

On June 12, 2009 the FASB issued two statements that amended the guidance for off-balance-sheet accounting of financial instruments: SFAS No. 166, "*Accounting for Transfers of Financial Assets,*" and SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R).*" SFAS No. 166 revises SFAS No. 140, "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,*" and will require entities to provide more information about sales of securitized financial assets and similar transactions, particularly if the seller retains some risk to the assets, the FASB said. The statement eliminates the concept of a qualifying special-purpose entity, changes the requirements for the derecognition of financial assets, and calls upon sellers of the assets to make additional disclosures about them.

SFAS No. 167 amends FASB Interpretation (FIN) No. 46(R), "*Consolidation of Variable Interest Entities,*" by altering how a company determines when an entity that is insufficiently capitalized or not controlled through voting should be consolidated, the FASB said. A company has to determine whether it should provide consolidated reporting of an entity based upon the entity's purpose and design and the parent company's ability to direct the entity's actions. SFAS Nos. 166 and 167 will be effective at the start of the first fiscal year beginning after November 15, 2009, which will mean January 2010 for companies that are on calendar years.

Note 3 - Stockholders' Equity

Common stock

The Company is authorized to issue up to 50,000,000 shares of $.001 par value common stock. On various dates in 2008, the Company issued 27,302,853 shares of its common stock at $.0022 per share in consideration of $60,000 of professional services. Also during 2008, the Company completed a 1:70 reverse split of its common stock which has been applied retro-actively.

During 2009, the Company rescinded 11,973,470 shares for no consideration; issued 3,142,858 shares for no consideration in accordance with an anti-dilutive agreement with two investors; issued 3,000,000 shares valued at $2,000,000 for a subscription receivable; issued 1,367,500 shares for various services valued at $483,500; issued 2,000,000 shares valued at $1,200,000 for the settlement of outstanding payable; and issued 216,667 shares for $550,000 in cash.

There were 29,995,249 and 32,241,694 common shares issued and outstanding at December 31, 2009 and 2008.

Preferred Stock

On December 28, 2009, the Company amended its articles of incorporation to allow for the issuance of up to 5,000,000 shares of $1 par non-voting cumulative preferred stock. On the same day, the company issued 1,050,000 shares of convertible series A preferred stock at $1 per share for total consideration of $1,050,000. The shares may be converted to common shares at a rate of 3.5 preferred for each share of common if converted before December 31, 2010; 4 preferred shares for each common share if converted between January 1, 2011 and December 31, 2012; or 5 preferred shares for each common share if converted between January 1, 2013 and December 31, 2014. The preferred shares accumulate dividends at a rate of $.12 per year payable at the end of each calendar quarter.

There were 1,050,000 and 0 preferred shares issued and outstanding at December 31, 2009 and 2008.

Net loss per common share

Net loss per share is calculated in accordance with FASB ASC Topic 260 (formally SFAS No. 128, "*Earnings Per Share.*"). The weighted-average number of common shares outstanding during each period is used to compute basic loss per share. Diluted loss per share is computed using the weighted average number of shares and dilutive potential common shares outstanding. Basic net loss per common share is based on the weighted average number of shares of common stock outstanding during the years ended December 31, 2009 and 2008.

Note 4 - Income Taxes

We did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. Pursuant to FASB ASC Topic 740, when it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carryforwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carryforward period.

Note 4 - Income Taxes (continued)

The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements for the year ended December 31, 2009 or 2008, applicable under FIN 48. As a result of the adoption of FIN 48, we did not recognize any adjustment to the liability for uncertain tax position and therefore did not record any adjustment to the beginning balance of accumulated deficit on the balance sheet.

The component of the Company's deferred tax asset as of December 31, 2009 is as follows:

	December 31, 2009
Net operating loss carry forward	$ 5,576,163
Valuation allowance	(5,576,163)
Net deferred tax asset	$ -

A reconciliation of income taxes computed at the 35% statutory rate to the income tax recorded is as follows:

	December 31, 2009
Net operating loss carry forward	$ 1,951,657
Valuation allowance	(1,951,657)
Net deferred tax asset	$ -

The Company did not pay any income taxes during the years ended December 31, 2009 or 2008.

The net federal operating loss carry forward will expire in 2027. This carry forward may be limited upon the consummation of a business combination under IRC Section 381.

Note 5 - Related Party Transactions

The Company neither owns nor leases any real or personal property. An officer or resident agent of the corporation provides financing to the Company in the way of notes payable. These notes are due on demand and as such are included in current liabilities. Imputed interest has been considered and has been determined to be immaterial to the financial statements as a whole. There was $318,576 and $243,982 due to related parties as loans at December 31, 2009 and 2008.

Additionally, the Company has accrued wages payable to its three officers totaling $600,000 and $0 at December 31, 2009 and 2008.

Note 6 – Notes Receivable

The Company issued a note receivable to Hybridyne Power Systems Canada totaling CAD$125,000. The note is due on November 26, 2010 and carries a 6% interest rate. The Company has also lent CAD$120,000 to the same organization which is not secured by an agreement. Because of a deteriorating relationship with Hybridyne, the Company has recorded an allowance of CAD$120,000 for the unsecured portion of the note as it believes this will not be collectible resulting in bad debt expense of CAD$120,000 (USD$105,105). The amounts of the note as of December 31, 2009 in Canadian and US Dollars are as follows:

Note 6 – Notes Receivable (continued)

	CAD	USD
Secured Principal	$ 125,000	$ 119,116
Unsecured Principal	120,000	114,351
Interest Receivable	719	685
Allowance	(120,000)	(114,351)
Net Value	$ 125,719	$ 119,801

Note 7 – Prepaid Expenses

During the year ended December 31, 2009, the Company issued $300,000 of stock for services to be performed by two separate consultants. As of December 31, 2009, half of the services were performed resulting in prepaid expenses of USD$150,000.

Additionally, the Company agreed to purchase equipment in accordance with its business plan. In expectation of rising costs, the Company prepaid CAD$200,000 of the purchase price of the equipment in November and December 2009 resulting in a US Dollar equivalent of $190,585.

Further, one of the Company's subsidiaries had a prepaid expense of USD$419 comprised of a prepaid balance with a state agency. The total prepaid expense as of December 31, 2009 and 2008 was $341,004 $0.

Note 8 – Lease Commitment

During the year ended December 31, 2009, the Company entered into a five year non-cancellable lease commitment ("Lease"). The Lease requires annual rental payments totaling $62,328 Canadian Dollars to be made with minimum monthly installments of $5,194 Canadian Dollars. The lease also requires a fully refundable $15,000 Canadian Dollar security deposit to be made.

Note 9 – Loss Contingency

The Company is currently involved in a lawsuit with Hybridyne Power Systems Canada regarding a potential merger that did not materialize. The Company believes the lawsuit brought against it does not contain merit and will be dismissed as a ruling was made for the Company's favor in a related suit. As such, no loss has been accrued for as of December 31, 2009.

Note 9 – Reorganization

On August 21, 2008, the Company reorganized in an exchange of shares with Environmental Technologies International, Inc. ("Environmental"). In the reorganization, the Company exchanged all of its outstanding shares for 15,000,000 shares of Environmental. The reorganization was completed as a tax-free reorganization under the Internal Revenue Service Tax Code.

Note 10 - Warrants and Options

There are no warrants or options outstanding to acquire any additional shares of common stock of the Company.

Note 11 – Subsequent Events

Subsequent to the balance sheet date, the Company declared a 1:3 common stock forward dividend resulting in the issuance of an additional 9,977,117 common shares. 250,000 common shares were also issued at $1 per share for total cash considerations of $250,000. Additionally, 65,000 common shares valued at $50,000 previously issued for services were also rescinded.

Former consultants of the Company have filed a lawsuit alleging the Company failed to issue the appropriate common stock for services performed in connection with a potential merger with Hybridyne Power Systems Canada, Inc. which did not materialize. As the merger was not completed, no shares were issued to the former consultants. The former consultants have filed suit claiming they are still entitled to the shares of common stock. The Company has countered for $250,000 based upon the alleged misrepresentations made regarding the financial liability of Hybridyne.

Shareholders of Hybridyne have filed a lawsuit alleging the Company has breached an agreement by which it was to issue 850,000 shares of its common stock in exchange for their interest in Hybridyne. The Company believes this suit is without merit as the merger with Hybridyne did not materialize based on misrepresentations made.

Hybridyne and one of its agents have filed a lawsuit alleging the Company is in breach of an employment contract in the amount of $600,000. In addition, Hybridyne seeks damages of $20 million CAD for unlawful interference with economic relations in related torts together with an additional $20 million CAD for breach of confidence and a further $1,012,961 CAD for breach of contract. The Company believes this lawsuit has no merit and will aggressively defend it.

In September 2010, the Company verbally agreed to acquire all of the outstanding common stock of AIM Energy, Inc. for $150,000 of cash plus 100,000 shares of the Company's common stock. AIM Energy, Inc. manufactures and sells high efficiency solar power inverters that can produce up to 30% more energy than standard inverters.

On September 9, 2010 the Company successfully obtained in West Virginia a final court order to cancel the 3,000,000 shares issued for the purchase of a 47.5% interest in Hybridyne Power Systems Canada, Inc. plus 2,000,000 shares issued as dividends representing all the shares issued in relation to the investment in Hybridyne. The initial 3,000,000 shares are shown as a subscription receivable of $2,000,000 as of the balance sheet date.