

COREWAFER INDUSTRIES, INC.

Formerly known as  
(Action Products International, Inc.)

FINANCIAL STATEMENTS

For the Three Months Ending March 31, 2012 and 2011

COREWAFER INDUSTRIES, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDING MARCH 31, 2012 and 2011

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COREWAFER INDUSTRIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET  
(unaudited)  
As of March 31, 2012 and 2011

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current Assets</b>		
Cash	\$54,305	\$16,984
Accounts receivable	5,000	13,171
Prepaid expenses and other current assets	<u>450,546</u>	<u>316,712</u>
Total current assets	509,852	346,867
Other Assets	138,536	138,536
<b>Fixed Assets, net</b>	<u>429,452</u>	<u>454,078</u>
Total assets	<u>\$ 1,077,839</u>	<u>\$ 939,481</u>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 297,283	\$ 196,605
Short-term loans and notes payable	<u>13,500</u>	<u>14,500</u>
Total current liabilities	<u>310,783</u>	<u>211,105</u>
<b>Long Term Notes Payable</b>	728,342	740,842
<b>Commitments and Contingencies</b>	<u>547,741</u>	<u>547,741</u>
<b>Total Liabilities</b>	1,613,866	1,526,688
<b>Shareholders' Deficit</b>		
Preferred stock, \$.001 par value; 25,000,000 shares authorized; 175,000 shares issued and outstanding at March 31, 2012 and December 31, 2011	175	175
Common stock, \$.001 par value; 175,000,000 shares authorized; 28,855,045 and 22,629,312 issued and outstanding March 31, 2012 and December 31, 2011	28,855	22,629
Treasury stock, \$.001 par value; 141,000 and 241,000 shares authorized at March 31, 2012 and December 31, 2011	(141)	(141)
Additional paid-in-capital	12,912,818	12,323,178
Unearned compensation costs	(49,246)	(49,246)
Stock Dividend	(92,685)	(92,685)
Accumulated deficit	<u>(13,335,803)</u>	<u>(12,791,117)</u>
Total shareholders' deficit	<u>(536,027)</u>	<u>(587,207)</u>
Total liabilities and shareholders' equity	<u>\$ 1,077,839</u>	<u>\$ 939,481</u>

*See accompanying notes to consolidated financial statements*

COREWAFER INDUSTRIES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Gross Sales	\$ 118,544	\$ 142,721
Cost of Sales	20,964	84,007
Net Sales	\$ 97,580	\$ 58,823
<b>Operating expenses</b>		
Marketing and advertising	19,744	16,250
General and administrative	622,523	112,327
Total operating expenses	642,267	128,577
<b>Loss from operations</b>	(544,686)	(69,754)
<b>Net Loss</b>	\$ (544,686)	\$ (69,754)

*See accompanying notes to consolidated financial statements*

COREWAFER INDUSTRIES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	March 31, 2012	December 31, 2011
<b>Cash flows from operating activities:</b>		
Net income	(544,686)	(651,326)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Depreciation	24,626	147,245
Amortization	-	3,000
Cash provided by (used for):		
(Increase) decrease in assets		
Accounts receivable	8,171	(13,172)
Prepaid expenses	(17,687)	(296,324)
Other assets	(76,147)	(263,248)
Increase (Decrease) in liabilities		
Accounts payable	678	(164,025)
Accrued expenses	<u>60,678</u>	<u>739,241</u>
Net cash provided by (used in) for operating activities	(544,367)	(498,609)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	<u>(42,500)</u>
Net cash provided by (used in) for investing activities:	-	(42,500)
<b>Cash flows from financing activities:</b>		
Proceeds from issue of common stock	594,187	207,500
Increase in Notes Payable	<u>(12,500)</u>	<u>316,424</u>
Net cash provided by (used in) financing activities	581,687	523,924
<b>Net increase in cash</b>	37,320	(17,185)
<b>Cash,</b> beginning of year	<u>16,985</u>	<u>34,170</u>
<b>Cash,</b> end of year	<u>\$ 54,305</u>	<u>\$ 16,985</u>
Non-cash activities		
Share based compensation	\$287,710	\$278,000
Acquisition of Northeast Expedite Logistics, LLC	-	\$125,000

*See accompanying notes to consolidated financial statements*

COREWAFER INDUSTRIES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
For the Three Months Ended March 31, 2012  
(unaudited)

	Preferred Stock		Common Stock		Treasury Stock		Unearned	Additional		Stock	Total
	\$.001 Par Value		\$.001 Par Value		\$.001 Par Value		Comp	Paid-In	Retained	Subscriptions	Shareholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Cost	Capital	Earnings	Receivable	Deficit
Balance @ December 31, 2011	175,000	\$ 175	22,629,312	\$ 22,629	240,541	\$ (241)	\$ (49,246)	\$ 12,231,193	\$ (12,791,117)	\$ 32,443	\$ (587,207)
Issuance of common stock to consultants for compensation			2,533,333	\$ 2,533				\$ 353,547			\$ 356,080
Issuance of common stock to officers and directors			766,900	\$ 767				\$ 37,099	\$ -		\$ 37,866
Issuance of common stock in private placement			2,925,550	\$ 2,926				\$ 198,994	\$ -		\$ 201,920
									\$ (544,686)		\$ (544,686)
Balance @ March 31, 2012	<u>175,000</u>	<u>\$ 175</u>	<u>28,855,095</u>	<u>28,855</u>	<u>240,541</u>	<u>\$ (241)</u>	<u>\$ (49,246)</u>	<u>\$ 12,820,833</u>	<u>\$ (13,335,803)</u>	<u>\$ 32,443</u>	<u>\$ (536,027)</u>

COREWAFER INDUSTRIES, INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – GENERAL ORGANIZATION AND BUSINESS**

Originally incorporated in New York in 1977, the company relocated its operations and state of incorporation to Florida in 1980. In 1984 the company went public on the NASDAQ stock market. The company began as a distributor of education-oriented toys, children's books, stationery and souvenirs, supplying to museum gift shops exclusively.

In 1997, the company shifted focus from being a distributor of other manufacturers' toys, gifts, souvenirs, promotional premiums and published products towards the development, establishment and distribution of our own proprietary brands and products. In 2001, the company shifted to a manufacturer model and licensed products to other entities as a principal source of income. Historically, the principal source of revenues had been the sale of products to retailers.

In 2008, the company began restructuring and in 2009 exited the toy business.

In 2010, the company temporarily relocated the corporate office to New York and changed focus. In 2011 the company completed its acquisition of Northeast Expedite Logistics, LLC, and will complete its acquisition of Core Wafer Systems, Inc. during the second quarter of 2012, and has begun the full rebranding as COREwafer Industries, Inc.

The company's focal areas are as follows:

**Logistics & Transportation:** Northeast Expedite Logistics, LLC ("NEEL") is a provider of global logistics services operating which includes a domestic service center and exclusive and non-exclusive agents. The Company's customers include retail and wholesale, electronics, and manufacturing companies around the world. With industrial production increasing year-over-year, the shortage of qualified drivers and trusted shipping partners is apparent in mid-markets for local deliveries. As the economy improves, orders for delivery and logistics increase. We provide foundational shipping and coordination services between suppliers and destination businesses and warehouses, and we operate efficiently through cloud based tracking and E-logistics.

**Quality and Reliability:** High-Tech industry continues to grow at exponential rate, consumer and high-Tech parts continue to shrink and production increases in complexity. With complex production comes the need to aggressively test components to ensure long-life and low failure percentage. Quality reduces due to damaged equipment from natural disasters, and disaster forced shut-down of manufacturing facilities has opened up a market for a significant uptick in needs in this space.

The company is currently completing the acquisition of Core Wafer Systems, Inc. We expect this acquisition to close during the second quarter of 2012. Core Wafer Systems, Inc. creates proprietary software, software algorithms, and hardware that is used in the testing and data mining of the most commonly used computer hard drives, memory, and magnetics; as well as other advanced magnetic, semiconductor and nanotechnology-based device components. Core Wafer technology is capable of performing in-parallel measurements allowing customers to test components many times faster than a non-parallel process. Core Wafer ensures these components, created by leading semiconductor manufacturers, leave the factory in a working state after having been tested and proven. Core Wafer helps ensure that products are manufactured within specification and won't suddenly fail for the end consumer.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

### *Basis of Presentation*

Our condensed consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our Annual Report for the year ended December 31, 2011.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring items which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods. The accompanying consolidated financial statements include the accounts of COREwafer Industries, Inc. All inter-company transactions have been eliminated.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

### *Property and Equipment*

Fixed assets are comprised of furniture and fixtures, computer equipment, purchased software and major categories of property and equipment and are stated at cost and depreciated using the straight-line method, over the estimated useful lives of the various classes of assets, as follows:

Furniture, fixtures and equipment	3 – 10 years
Computers and purchased software	3 – 5 years

Useful lives for major categories of property and equipment are as follows:

Buildings	40 years
Trucks, trailers and major equipment	10 years

### *Intangible Assets*

The Company adopted Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144” or “ASC 360”), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,” and the accounting and reporting provisions of APB Opinion No. 30, “Reporting the Results of Operations for a Disposal of a Segment of a Business.” The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 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. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

### ***Fair Value of Financial Instruments***

The Company's financial instrument consists of prepaid expenses, deposits, investments, customer deposits, accounts payable and accrued expenses, accrued interest, loans payable and loans payable to a related party. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its other financial instruments and that their fair values approximate their carrying values except where separately disclosed.

### ***Revenue Recognition***

We recognize revenue in accordance with generally accepted accounting principles as outlined in the Securities and Exchange Commission's Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104 or ASC 605-10), which requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) product delivery has occurred or services have been rendered. Revenue from the sale of products is generally recognized after both the goods are shipped to the customer and acceptance has been received, if required. Our products are custom made for our customers, who primarily consist of original engineer manufacturers (OEMs), and we do not accept returns. Our products are shipped complete and ready to be incorporated into higher level assemblies by our customers. The terms of the customer arrangements generally pass title and risk of ownership to the customer at the time of shipment.

### ***Stock-Based Compensation***

In December 2004, the FASB issued SFAS No. 123R, "Share Based Payment" (ASC 718). SFAS No. 123R establishes the accounting for grants of stock options and other transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS No. 123R (1) revises SFAS No. 123, "Accounting for Stock-Based Compensation," (2) supersedes Accounting Principles Bulletin ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and (3) establishes fair value as the measurement objective for share-based payment transactions. The Company is following the provisions of SFAS No. 123R and has recorded compensation expenses related to the granting of stock options to employees.

### ***Income Taxes***

The Company provides for income taxes using an asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. No provision for income taxes is included in the statement due to its immaterial amount, net of the allowance account, based on the likelihood of the Company to utilize the loss carry-forward.

### ***Basic and Diluted Earnings (Loss) Per Share***

Earnings/(Loss) per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128 or ASC 260), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net income (loss) per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Basic and diluted loss per share was \$0.00 and \$0.00 for the three months ended March 31, 2012 and December 31, 2011 respectively.

### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, accounts receivable and other receivables arising from its normal business activities. The Company places its cash in

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (CONTINUED)**

what it believes to be credit-worthy financial institutions. The Company has a diversified customer base. The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. The Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk, establishes an allowance, if required, for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is limited.

### ***Recent Accounting Pronouncements***

In December 2011, the Financial Accounting Standards Board (“FASB”) issued updated guidance related to the presentation of offsetting (netting) assets and liabilities in the financial statements. The guidance requires the disclosure of both gross information and net information on instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The updated guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Management does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In September 2011, the FASB issued updated guidance related to the testing of goodwill for impairment. The guidance provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The updated guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued updated guidance related to the presentation of comprehensive income. The guidance provides that an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is effective for annual financial reporting periods beginning after December 15, 2011 and for interim periods within the fiscal year. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued updated guidance related to fair value measurements and disclosures. The update provides amendments to achieve common fair value measurements and disclosure requirements in GAAP and International Financial Reporting Standards. The amendments in this update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The updated guidance is effective during interim and annual financial reporting periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In May 2009, the FASB issued SFAS 165 (ASC 855-10) entitled “Subsequent Events”. Companies are now required to disclose the date through which subsequent events have been evaluated by management. Public entities (as defined) must conduct the evaluation as of the date the financial statements are issued, and provide disclosure that such date was used for this evaluation. SFAS 165 (ASC 855-10) provides that financial statements are considered “issued” when they are widely distributed for general use and reliance in a form and format that complies with GAAP. SFAS 165 (ASC 855-10) is effective for interim and annual periods ending after June 15, 2009 and must be applied prospectively. The adoption of SFAS 165 (ASC 855-10) during the year ended November 30, 2009 did not have a significant effect on the Company’s financial statements as of that date. In connection with the preparation of the accompanying financial statements as of March 31, 2012, management evaluated subsequent events through the date that such financial statements were issued.

### NOTE 3 – PROPERTY AND EQUIPMENT

Fixed assets and accumulated depreciation consist of the following at March 31, 2012 and December 31, 2011:

	2012	2011
Land	\$ 67,400	\$ 67,400
Buildings and improvements	1,058,034	1,058,034
Transportation Equipment	384,566	342,066
Furniture, Fixtures, Computer equipment and purchased software	2,591,242	2,591,242
Less: accumulated depreciation	( 3,629,290)	( 3,494,559)
	<u>\$ 429,452</u>	<u>\$ 564,183</u>

Depreciation expense was \$24,626 and \$172,039 during the three months ended March 31, 2012.

### NOTE 4 – NOTES PAYABLE

On November 30, 2011 the Company entered into an Installment Promissory Note (Note 1) with Magsamen Consulting, LLC in the principal sum of \$195,000 without interest, as settlement of a default judgment. The initial payment of \$20,000 was also paid on November 30, 2011, with an additional payment of \$25,000 due on or before March 3, 2012 then quarterly payments of \$18,750 thereafter, beginning June 15, 2012. On March 5, 2012 the company made a partial payment in the amount of \$12,500 toward the first installment.

On February 20, 2011 the Company entered into a Promissory Note (Note 2) as settlement of an old accounts payable amount incurred prior to 2008. The principal amount of Note 2 is \$487,773 with interest at 8% per annum. As of March 31, 2012 the Company had not made any payments.

On March 26, 2010 the Company's wholly owned subsidiary, Northeast Expedite Logistics, LLC (NEEL) entered into a Promissory Note (Note 3) for various cash advances received from a related party totaling \$114,200 with interest at the rate of 20%. The Company is in dispute of the validity of the amounts claimed and therefore; as of March 31, 2012 the Company had not made any payments.

### NOTE 5 – GOING CONCERN

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company has operating and liquidity concerns, current liabilities exceeded current assets by \$368,516 at March 31, 2012, has reported a net loss of \$536,027 and used net cash of \$569,672 in operations during the period ending March 31, 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of these uncertainties.

### NOTE 6 – STOCKHOLDERS' DEFICIT

#### *Authorized*

The Company is authorized to issue 150,000,000 shares of \$0.001 par value common stock and 50,000,000 shares of \$0.001 par value preferred stock. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The preferred shares may be issued in series, with the powers, rights and limitations of the preferred shares to be determined by the Board.

## **NOTE 6 – STOCKHOLDERS’ DEFICIT (CONTINUED)**

On January 3, 2012 the Florida Secretary of State accepted for filing a Certificate of Amendment increasing the Company’s authorized common stock from 25,000,000 with a par value of \$0.001 to 150,000,000 with a par value of \$0.001, and to increase the Company’s authorized preferred stock from 10,000,000 to 50,000,000 with a par value of \$0.001. The amendment was approved by the shareholders and directors on December 28, 2011.

### ***Issued and Outstanding***

On January 5, 2012, the Company issued 150,000 shares of common stock at \$0.07 per share for total proceeds of \$10,500.

On January 5, 2012, the Company issued 357,000 shares of common stock at \$0.06 per share for total proceeds of \$20,000.

On January 24, 2012, the Company issued 1,000,000 shares of common stock at \$0.05 per share for total proceeds of \$50,000.

On February 9, 2012, the Company issued 56,000 shares of common stock at \$0.089 per share for total proceeds of \$5,000.

On February 15, 2012, the Company issued 62,500 shares of common stock at \$0.08 per share for total proceeds of \$5,000.

On February 17, 2012, the Company issued 300,000 shares of common stock at \$0.067 per share for total proceeds of \$20,000.

On March 19, 2012, the Company issued 1,000,000 shares of common stock at \$0.06 per share for total proceeds of \$60,000.

On March 26, 2012, the Company issued 400,000 shares of common stock at \$0.075 per share for total proceeds of \$26,350.

### ***Stock-Based Compensation***

On January 5, 2012, the Company issued 200,000 shares of common stock valued at \$28,000 to two consultants for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On January 12, 2012, the Company issued 500,000 shares of common stock valued at \$65,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On January 24, 2012, the Company issued 200,000 shares of common stock valued at \$28,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On January 26, 2012, the Company issued 333,333 shares of common stock valued at \$30,000 to a consultant for financing services. The stock is being expensed over the terms of the consulting agreements.

On January 30, 2012, the Company issued 650,000 shares of common stock valued at \$28,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

## **NOTE 6 – STOCKHOLDERS' DEFICIT (CONTINUED)**

On February 12, 2012, the Company issued 50,000 shares of common stock valued at \$7,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

On February 12, 2012, the Company issued 766,900 shares of common stock valued at \$37,866 to two Board Members as Board Compensation. The stock is being expensed as incurred.

On March 15, 2012, the Company issued 200,000 shares of common stock valued at \$38,000 to a consultant for management and marketing services. The stock is being expensed over the terms of the consulting agreements.

## **NOTE 7 – RELATED PARTY TRANSACTIONS**

On March 26, 2010 the Company's wholly owned subsidiary, Northeast Expedite Logistics, LLC (NEEL) entered into a Promissory Note (Note 3) for various cash advances received from a related party totaling \$114,200 with interest at the rate of 20%. The Company is in dispute of the validity of the amounts claimed and therefore; as of March 31, 2012 the Company had not made any payments.

## **NOTE 8 – COMMITMENTS AND CONTINGENCIES**

### ***Acquisitions***

On December 17, 2011, the company began acquisition of Core Wafer Systems, Inc. We expect this acquisition to close during the second quarter in 2012.

### ***Employment agreements***

Effective January 1, 2011, the Company entered into an employment agreement with our chief executive officer. This agreement continues until another chief executive officer is appointed by a majority of our Board of Directors, either party terminates in accordance with the provisions of the Agreement, or his death or permanent disability. The agreement calls for a minimum salary of \$10,000 per month plus additional cash and stock compensation upon the achievement for various milestones. The Company has not made certain cash payments due under the agreement. As of December 31, 2011, \$100,000 has been accrued as compensation payable. This agreement also called for the issuance of 2,000,000 fully-vested, restricted shares of the Company's common stock and 1,000,000 shares of the Company's Series B Preferred stock upon execution.

As of December 31, 2011, the Series B Preferred shares had not been issued, and the Company has not accrued a liability as obligation to issue shares.

### ***Legal Proceedings***

During 2009, Ronald Kaplan, a former officer and employee of the company filed a complaint in the Circuit Court for the 9th Judicial Circuit in and for Orange County, Florida against the Company claiming damages exclusive of attorneys' fees and costs, for unpaid wages and personal expenses aggregating \$75,479.63. On November 9, 2009 the court granted a default judgment on behalf of Ronald Kaplan. The company believes this claim is without merit and has retained legal counsel to move to have the default judgment vacated.

On September 28, 2009, Baker, Govern & Baker PA filed a complaint in the Circuit Court for the 9th Judicial Circuit in and for Orange County, Florida against the Company claiming damages, exclusive of attorneys' fees and costs, for breach of contract aggregating \$28,562.70. On September 17, 2010 the court granted a default judgment on behalf of Baker, Govern & Baker PA. The company believes this claim is without merit and has retained legal counsel to move to have the default judgment vacated.

## NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

In April 2009, we received a demand letter from our former CFO, Robert Burrows, alleging cash and stock compensation due in the amount of approximately \$250,000. On July 27, 2010, the court granted a default judgment in the amount of \$431,530.39 on behalf of Robert Burrows. The company believes this claim is without merit and has retained legal counsel to move to have the default judgment vacated.

On December 11, 2008, the Company entered into a Settlement Agreement with Magsamen Consulting, LLC a consultant of the Company. Upon execution of the Settlement Agreement the Development Agreement terminated. Pursuant to the Settlement Agreement, the Company agreed to pay \$100,000 to Magsamen and upon full payment; the Company and Magsamen will execute general releases. All amounts owed under the Settlement Agreement have been recorded as liabilities and charged to expense as of December 31, 2008. In a bench trial on April, 19, 2010, a judgment was ordered in the Circuit Court for Baltimore County in and for the State of Maryland against the Company for non-payment of the cash payment and certain expenses as provided for in the Settlement Agreement of December 11, 2008 in the amount of \$194,903.31. The Company retained legal counsel to resolve the matter and on November 30, 2011 entered in to an Installment Promissory Note and Confession of Judgment (Note) with Magsamen. As of December 31, 2011 the Company is current with the required payments under the terms of the Note.

In June 2008, Debra Rutledge, Eric Rutledge & Jeanne Moore v. Action Products International, Inc., Action Toys, Inc., Action Healthcare Products, Inc., Curiosity Kits, Inc., Warren Kaplan and Judith Kaplan, Case No. 6:09-cv-1245-Orl-35GJK in the United States Middle District Court, District of Florida, Orlando Division. This is a default judgment in the amount of approximately \$354,607. Plaintiffs allege a breach by the company of an oral contract and claim damages for failure to pay minimum wages, breach of contract, back pay with benefits and penalties for COBRA and ARRA violations. On June 28, 2008, the Company obtained legal counsel and filed its answer to the complaint however counsel for the Company was later allowed to withdraw and a default judgment was entered on October 7, 2010. In 2011 under the direction of the newly hired CEO, Gary Polistena, the Company retained legal counsel to defend the Company against the claim and to have the judgment vacated. On November 17, 2011 the Company presented an offer of settlement to the Plaintiffs in the approximate amount of \$30,000 plus attorney's fees. As of December 31, 2011 the Company is confident that the Plaintiffs will accept the offer.

### *Operating Leases*

The Company entered into month to month rental agreements for office space and does not currently have any operating leases.

***Obligation to issue common shares.*** At March 31, 2012 the Company had the following obligations to issue shares of its common stock:

Common stock	
Due to Employees	500,000
Due to Board Members	285,716
Total Common to be issued	785,716
Preferred stock	
Due to Executives	1,500,000
Due to Consultants	480,116
Due to Board	221,429
Due - NEEL acquisition	400,000
Total Preferred to be issued	2,601,545

## **NOTE 9 – INCOME TAXES**

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in its financial statements or tax returns. Deferred income tax liabilities and assets are determined based on the difference between the financial statement and tax bases of liabilities and assets using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company applies the provisions of FASB, Interpretation No. 48, or FIN 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement 109.” FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. When applicable, the Company will include interest and penalties related to uncertain tax positions in income tax expense.

At March 31, 2012, the Company had federal net operating loss carry-forwards totaling approximately 12,800,000 which expire in various years through 2028.

## **NOTE 10 – SUBSEQUENT EVENTS**

### *Common Stock issuances*

Subsequent to March 31, 2012, the company issued a cumulative total of 1,886,792 shares of restricted common stock for financing arrangements.

### *Name Change*

On March 27, 2012 the Company submitted notification to FINRA regarding its intent to change its name and related trading symbol. May 25, 2012 the Company received notification from FINRA of the completion of its name change from Action Products International, Inc. COREwafer Industries, Inc. The Company has begun trading under its new symbol, WAFR.