FULL MOTION BEVERAGE INC

CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	March 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash	$ 200	$ 85
Inventory	11,279	11,279
Total Current Assets	11,479	11,364
PROPERTY AND EQUIPMENT, Net	12,764	13,671
TOTAL ASSETS	$ 24,243	$ 25,035
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,279,935	$ 1,184,298
Convertible debentures	1,925,836	1,925,836
Note payable	1,350,000	1,350,000
TOTAL CURRENT LIABILITIES	4,555,771	4,460,134
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' DEFICIENCY		
Series A Preferred Stock - $0.0001 par value, 10,000,000 shares authorized 1,000,000 shares issued and outstanding	1	1
Common stock - $0.001 par value; 100,000,000 shares authorized; 188,808,143 shares issued and outstanding	188,808	188,807
Treasury stock (24 shares @$1,458.33)	(35,000)	(35,000)
Unearned compensation	(27,020)	(27,020)
Additional paid in capital	32,093,801	32,093,801
Accumulated deficit	(36,752,117)	(36,655,688)
TOTAL STOCKHOLDERS' DEFICIENCY	(4,531,527)	(4,435,099)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 24,243	$ 25,035

The Accompanying Notes Are An Integral Part Of These Consolidated Financials Statements

FULL MOTION BEVERAGE INC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Period Ending March 31 2012	For the Period Ending March 31 2011
REVENUE	$ --	$ --
COSTS AND EXPENSES		
Depreciation and amortization	906	907
Selling and administrative expenses	1,299	5,879
TOTAL COSTS AND EXPENSES	2,205	6,786
OPERATING LOSS	(2,205)	(6,786)
OTHER INCOME (EXPENSES)		
Interest	(94,338)	(77,883)
NET LOSS	$ (96,542)	$ (84,669)
Basic and Diluted Net Loss Per Share	$ (0.0005)	$ (0.0004)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	188,808,143	188,808,143

The Accompanying Notes Are An Integral Part Of These Consolidated Financials Statements

FULL MOTION BEVERAGE INC
(Unaudited)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Period Ending March 31 2012	2011
CASH FLOWS FROM OPERATING		
Net loss	$ (96,542)	$ (84,669)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	906	907
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	95,551	79,222
NET CASH USED IN OPERATING ACTIVITIES	(85)	(4,540)
CASH FLOWS FROM FINANCING		
Proceeds from debentures	200	4,248
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 200	$ 4,248
NET INCREASE IN CASH	$ 115	$ (292)
CASH - Beginning	85	465
CASH - Ending	$ 200	$ 173
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years for:		
Interest	$ -	$ -
Taxes	$ --	$ --

The Accompanying Notes Are An Integral Part Of These Consolidated Financials Statements

FULL MOTION BEVERAGE INC and Subsidiary

CONSOLIDATED STATEMENT SHAREHOLDERS EQUITY - UNAUDITED

Period Ending March 31, 2012

	Common Stock		Treasury	Series A Preferred	Additional	
	Shares	$	Stock	Stock	Paid in Capital	Deficit
Balance December 31, 2009	38,422,393	38,422	($35,000)	1	$21,923,662	($25,239,882)
Conversion of convertible debentures	30,000,000	30,000			10,170,000	
Shares Issued Sale of Common	284,250	284			84,844	
Shares issued for recpitilization	120,000,000	120,000			(120,000)	
Shares issued for acquisitions	3,000,000	3,000			597,000	
Shares cancelled for non confirmation of acquisitions	(3,000,000)	(3,000)			(597,000)	
Shares issued for services	101,500	102			35,295	
Net loss						(11,026,339)
Balance December 31, 2010	188,808,143	$188,808	($35,000)	$1	$32,093,801	($36,266,221)
Net loss						(389,466)
Balance December 31, 2011	188,808,143	$188,808	($35,000)	$1	$32,093,801	($36,655,575)
Net loss						(96,542)
Balance March 31, 2012	188,808,143	$188,808	($35,000)	$1	$32,093,801	($36,752,117)

PART ONE – NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION, NATURE OF BUSINESS AND BASIS OF PRESENTATION

Organization and Nature of Business

Full Motion Beverage, Inc. (the "Company") is duly organized in the State of Delaware. When used herein the terms "Company," "we," "us" and "our" each refers to the combined business entity of Full Motion Beverage, Inc. and its subsidiaries, unless the context otherwise indicates.

The Company was originally organized as a Colorado corporation and our name was Medical Management Systems, Inc. in 1987. In August 2000, we reincorporated in Delaware and changed our name to Dominix, Inc. In January 2001 we acquired International Controllers, Inc. ("ICON"). On December 5, 2003, we completed the acquisition of Jade Entertainment Group, Inc. ("Jade") by way of merger through the Company's wholly owned subsidiary, Jade Acquisition Corp. by issuing 743,750 shares of common stock and 82,167 shares of its Series B Convertible Preferred Stock, which was converted into 6,834,631 shares of our common stock on June 4, 2004, together representing 36% of the Company. This transaction was accounted for as a reverse merger with Jade the acquirer of the Company. The reverse merger was accounted for as a recapitalization and the stockholder's equity was retroactively restated to the inception of Jade, July 5, 2001. On March 30, 2004, Jade entered into a database license agreement with Market Share Recovery, Inc.

On December 5, 2004, we acquired the database assets of Web1000.com. Pursuant to the Agreement, we acquired a website known as Web1000.com along with the customer list related to that website. The purchase price for the assets was $400,000. On July 12, 2005, we entered into a two-year management services agreement with Global Portals Online, Inc. (formerly known as Personal Portals Online, Inc., thereafter "Global Portals"), which we subsequently acquired. Under the agreement, Global Portals was given primary responsibility for the management, redesign and redevelopment of our web traffic operations and technology, finance and accounting in exchange for our issuing 200,000 shares of common stock to Global Portals and agreeing to pay a fee of 5% of our net monthly revenues. On December 22, 2005, we completed the acquisition of Global Portals pursuant to an Agreement and Plan of Share Exchange dated as of December 1, 2005. At the effective time of the share exchange, all of the shares of Global Portals were exchanged for an aggregate of 11,442,446 shares of our common stock on the basis of 2.54 shares of Global Portals for one share of our common stock. The 11,442,446 shares of common stock issued to the Global Portals shareholders represent approximately 85% of our common stock outstanding after the exchange.

In July 2006, we changed our name to Web2 Corp. As a result of the foregoing, our operations are conducted by Web2 Corp., as the parent company, through various subsidiaries, including Global Portals.

Pursuant to its filing with the State of Delaware, effective December 8, 2008, the Company by majority consent of the shareholders elected to change the name of the corporation from Web2 Corp. to Full Motion Beverage, Inc. Full Motion Beverage, Inc. was formed as a result of a management group operating towards the acquisition of beverage brands within the non-alcohol beverage industry. As a result of the plan of operation set forth in fourth quarter of 2008 and the first quarter of 2009, shares of the Company's common stock have been issued to for the management of the Company's business and for the acquisition of Performaxx Brands, Inc.; Mojito Brands, Inc. and Vindagra USA, Inc. As a result of the difference between the low par value of the Company's stock and the then current market price of the Company's publicly traded shares, these stock issuances have created one-time, non operating goodwill charges in excess of seven million dollars. This goodwill has been impaired and upon further evaluation it has been written down to zero as of December 31, 2009.

NOTE 1 – ORGANIZATION, NATURE OF BUSINESS AND BASIS OF PRESENTATION (CONT'D)

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the amounts of the Company and its wholly owned subsidiaries, Performaxx Brands, Inc. ("Performaxx") and Mojito Brands, Inc. ("Mojito").

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements. The following policies are considered to be significant:

a. Accounting Method

The Company recognizes income and expenses based on the accrual method of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

b. Cash and Cash Equivalents

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of three months or less when purchased. The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has, from time to time, experienced short term losses in such accounts.

c. Accounts Receivable

Trade accounts are recorded at the invoiced amount based on delivery date. The Company extends credit to its customers in the normal course of doing business. The Company performs ongoing credit valuations of its customers. Earnings are charged with a provision for doubtful accounts based on management's review of the collectability of the accounts. The balance sheet presents accounts receivable net of the allowance for doubtful accounts. All uncollected accounts receivable as of 90 days after year end were written off and therefore, no additional allowance for doubtful accounts was recorded on the balance sheet date.

d. Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. During the period ending March 31, 2012 and 2011, the Company expensed $0 and $0, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e. Inventories

Inventories consist primarily of bottled and canned beverages located at the Company's warehouse, distributor warehouses, or in the possession of sales representatives in the normal course of business. The Inventory is stated at average cost not to exceed market value. Inventory also includes beverage items produced by the Company that are carried at direct costs, not to exceed fair market value. The Company's policy is to immediately write off any excess or obsolete inventory items remaining after liquidating near dated product, if any. Excess or obsolete inventory items were written off in the fiscal periods ending March 31, 2012 and 2011 of $0 and $0, respectively.

f. Property and Equipment

Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense when incurred, while expenses for betterments are capitalized. Disposals are removed at cost less accumulated depreciation with the resulting gain or loss reflected in operations in the year of disposal. Assets are depreciated using the straight line method over their estimated useful lives, which range from three to ten years as of March 31, 2012 and 2011.

g. Revenue Recognition

The Company's revenue is generated from the sale of beverage and food products to retail customers. Typically, the goods are delivered directly to the customer by the Company, unless agreed to be picked up freight on board (FOB), the Company's designated location. The customer either pays in cash at delivery or by check or by wire, prior to or subsequent to the delivery. In certain cases, the Company will extend a consignment of its products to wholesale distributors and utilize monthly reporting and drawdown accounting regarding the sale of its products delivered on consignment. The Company will not recognize any revenues on consignment sales unless the customer pays on the amount drawn down pursuant to resale by customer. All remaining inventory at the customer's location is inventory kept on the Company's balance sheet as "in transit". Revenue is recognized when the delivery takes place, which is also when all four criteria of the Securities and Exchange Commission Staff Accounting Board 104 ("SAB 104") are met. SAB 104 criteria are as follows: (i.) an agreement exists; (ii.) the sales price is fixed and determinable; (iii.) the goods have been transferred or the services have been provided; and (iv.) collectability is reasonably assured.

h. Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards Board (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which differences are expected to reverse. In accordance with the provisions of SFAS No. 109, a valuation allowance would be established to reduce deferred tax assets if it were more likely than not that all or some portion of such deferred tax assets would not be realized. A full allowance against deferred tax assets was provided as of December 31, 2011. At December 31, 2011, the Company had net operating loss carryforwards of approximately $36,655,688 that may be offset against future taxable income through 2028. No tax benefits have been reported in the consolidated financial statements because the potential tax benefits of the net operating loss carry forwards are offset by a valuation allowance of the same amount. Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to its future use by the Company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i. Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and receivables. The Company places its cash with high credit quality financial institutions. At times, such amounts may exceed the FDIC limits. However, these deposits typically may be redeemed upon demand and therefore bear minimal risk. In monitoring credit risk, the Company periodically evaluates the stability of the financial institutions.

The Company sells its products to customers in the food and beverage industry. Generally, no collateral or other security is required to support receivables. To reduce credit risk, a customer's credit history is evaluated before extension of credit and in some instances a deposit is received by the customer before the order is processed. In addition, all accounts not collected timely are written off with a charge against earnings. Bad debt expense totaled $0 and $0 in the periods ending March 31, 2012 and 2011, respectively.

j. Fair Value of Financial Instruments

The Company adopted Statement of Financial Accounting Standards 157 ("SFAS 157"), Fair Value Measurements. SFAS 157 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

> Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
>
> Level 2 – Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
>
> Level 3 – Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing an asset or liability based on the best available information.

The carrying amounts reported in the balance sheet for cash, accounts receivable, loans payable, and accounts payable and accrued expenses, approximate their fair market value based on the short term maturity of these instruments.

The Financial Accounting Standards Board's ("FASB's") SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, became effective for the Company on January 1, 2009. SFAS 159 establishes a fair value option that permits entities to choose to measure eligible financial instruments and certain other items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value options have been elected in earnings at each subsequent reporting date. For the periods ending December 31, 2011 and 2010, there were no applicable items on which the fair value option was elected.

k. Stock Based Compensation

The Company recognizes stock based compensation in accordance with the fair value recognition provisions of SFAS No. 123(R), "Share-Based Payment" SFAS No. 123(R) generally requires share-based payments to employees, including grants of employee stock options and other equity awards, to be recognized in the statement of operations based on their fair values. Thus, the Company records compensation expense for all share-based awards granted, based on the grant date fair value estimated in accordance with the provisions of SFAS 123 (R). The

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Company adopted SFAS 123(R) using the modified prospective method, which requires that compensation expense for the portion of the awards for which the requisite service has not yet been rendered and that are outstanding as of the adoption date be recorded over the remaining period. Prior to the adoption of SFAS No. 123(R), the Company had no share-based compensation arrangements. Accordingly, no prior periods have been restated, the impact of SFAS 123(R) is not presented, and no pro forma amounts are presented had the Company recognized stock-based compensation in accordance with SFAS No. 123(R).

l. Net Loss Per Share

SFAS No. 128 "Earnings Per Share", requires presentation of basic earnings or loss per shares and diluted earnings or loss per share. Basic income (loss) per share ("Basic EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") is similarly calculated using the treasury stock method except that the denominator is increased to reflect the potential dilution that would occur if dilutive securities at the end of the applicable period were exercised. As of December 31, 2011, there were two convertible debt instruments that, if converted, are dilutive to the Company's earnings per share computations.

	March 31, 2012	March 31, 2011
Net loss (numerator)	$ (96,542)	$ (84,669)
Weighted average shares outstanding (denominator)	188,808,143	188,808,143
Loss per share amount	$ (0.0005)	$ (0.0004)

m. Reclassifications

Certain amounts in the accompanying comparative consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications have no material effect on the consolidated financial statements.

n. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates.

o. Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities*" ("SFAS No. 159"). SFAS No. 159 permits an entity to choose to measure many financial instruments and certain items at fair value. The objective of this standard is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reporting earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. Entities will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Early adoption is permitted.

In December 2007, the FASB issued SFAS No. 141(R), "*Business Combinations*" ("SFAS 141(R)"). SFAS 141(R) replaces SFAS No. 141, "Business Combinations", but retains the requirement that the purchase method of accounting for acquisitions be used for all business combinations. SFAS 141(R) expands on the disclosures previously required by SFAS 141, better defines the acquirer and the acquisition date in a business combination, and establishes principles for recognizing and measuring the assets acquired (including goodwill), the liabilities assumed and any non-controlling interests in the acquired business. SFAS 141(R) also requires an acquirer to record an adjustment to income tax expense for changes in valuation allowances or uncertain tax positions related to acquired businesses. SFAS 141(R) is effective for all business combinations with an acquisition date in the first annual period following December 15, 2008; early adoption is not permitted. The impact of SFAS 141(R) will have on our consolidated financial statements will depend on the nature and size of acquisitions we may complete after we adopt SFAS 141(R).

In December 2007, the FASB issued SFAS No. 160, "*Non-Controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulleting No. 51* ("ARB No. 51"). SFAS 160 requires that non-controlling (or minority) interests in subsidiaries be reported in the equity section of the company's balance sheet, rather than in a mezzanine section of the balance sheet between liabilities and equity. SFAS 160 also changes the manner in which the net income of the subsidiary is reported and disclosed in the controlling company's income statement. SFAS 160 also establishes guidelines for accounting for changes in ownership percentages and for deconsolidation. SFAS 160 is effective for financial statements for fiscal years beginning on or after December 1, 2008 and interim periods within those years; early adoption is not permitted. The adoption of SFAS 160 is not expected to have a material impact on our financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures About Derivative Instruments and Hedging Activities*". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect SFAS No. 161 to have a material impact on the preparation of its consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position APB 14-1 ("APB 14-1"), "*Accounting for Convertible Debt Instruments that may be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*". APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon either mandatory or optional conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, "*Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*". Additionally, APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's non-convertible debt borrowing rate when interest cost is recognized in subsequent periods. APB14-1 is effective for financial statements issued for fiscal years beginning December 15, 2008, and interim periods within those fiscal years. The Company will adopt APB 14-1 beginning January 1, 2010, and this standard must be applied on a retroactive basis. The adoption of this standard is not expected to impact the Company's consolidated financial position and results of operations.

On April 1, 2009, the Company adopted ASC 855, "Subsequent Events" (formerly SFAS No. 165). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

disclosure that an entity should make about events or transactions that occurred after the balance sheet date. The Company's adoption of this standard did not have an impact on its financial position, results of operations or liquidity.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of March 31, 2012 and 2011:

	Useful Life	2012	2011
Computers and Office Furniture	4 – 7 years	$ 22,795	$ 22,795
Warehouse Equipment	4 – 10 years	-------	-------
Vehicles	3 – 6 years	-------	-------

Depreciation for the period ending March 31, 2012 and 2011 was $3,432 and $907 respectively.

NOTE 4 – INVENTORY

The Company uses the average cost method of accounting for inventory, where the average cost is not to exceed the market value. When inventory is sold, the inventory account is relieved at the average cost and is charged to cost of sales in the period incurred.

Inventories at March 31, 2012 and 2011 were as follows:

	2012	2011
Finished Goods	$ 11,279	$ 8,239

NOTE 5 – FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 (SFAS 107), "Disclosures about Fair Value of Financial Instruments" requires disclosure of the fair value of financial instruments held by the Company. SFAS 107 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate fair value: The carrying amount of cash equivalents and accounts payable approximate fair value due to their short-term nature.

NOTE 6 – NOTES AND CONVERTIBLE DEBENTURES – RELATED PARTY

Convertible Promissory Notes

The convertible promissory notes issued are payable on demand and bear an interest rate of 8% per annum and convertible into shares of common stock of the Company at any time after six months from the date of issuance at a conversion price at par value or such other price as has been, from time to time, negotiated between the note holders and the Company.

The current outstanding principal balance underlying the convertible notes, are $1,743,486.

On November 24, 2010 the Company issued a convertible grid demand promissory note to satisfy outstanding payables in the amount of $182,349.72. The note bears interest rate of 8% per annum and is convertible into shares of common stock of the Company; the conversion is limited to a conversion of no more than 4.99% of the existing outstanding shares after conversion.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

During the period ended March 31, 2012 the Company had no outstanding employment agreements.

NOTE 8 – GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements have been prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As reported in the consolidated financial statements, the Company has incurred losses from inception of ($36,752,117) through March 31, 2012. The Company's stockholders' deficit at March 31, 2012 was ($4,531,527) and it has negative cash flows from operations. These factors combined, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans to address and alleviate these concerns are as follows:

NOTE 9 – SUBSEQUENT EVENTS

On May 14, 2012, the Company entered into a consulting agreement with Cioffi Business Managements Services Inc. During the term of the consulting agreement, the principal shareholder of the consultant, Mr. Darren J. Cioffi, will act as the Company's Chief Financial Officer.