COCONNECT INC
Form 10-Q
October 28, 2011

**U. S. SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

X .

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended September 30, 2011**

.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from ___________ to _____________**

**Commission File Number: 000-29735**

**COCONNECT, INC.**

| | | |
|---|---|---|
| **Nevada** | **25 East 200 South** | **63-1205304** |
| (State or other jurisdiction | **Lehi, Utah 84043** | (IRS Employer |
| of Incorporation) | (Address of principal executive offices) | Identification Number) |

**801-592-3000**
(Issuer s Telephone Number)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

| | |
|---|---|
| Large accelerated filer . | Accelerated filer . |
| Non-accelerated filer . (Do not check if a smaller reporting company) | Smaller reporting company X . |

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes X . No .

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY**

**PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes . No .

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

**2,750,000 common shares outstanding, $0.001 par value, as of October 28, 2011**

**PART I**

**ITEM 1.**

**FINANCIAL STATEMENTS**

**PLS CPA, A PROFESSIONAL CORP.**

**t 4725 MERCURY STREET #210** t **SAN DIEGO** t **CALIFORNIA 92111**t

**t TELEPHONE (858)722-5953** t **FAX (858) 761-0341** t **FAX (858) 433-2979**

**t E-MAIL changgpark@plscpas.com** t

Report of Independent Registered Public Accounting Firm

To the Board of Directors of

CoConnect, Inc.

We have reviewed the accompanying condensed balance sheets of CoConnect, Inc. as of September 30, 2011, and the related condensed statements of operations, and cash flows for the nine months ended September 30, 2011 and 2010. These condensed financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

The accompanying condensed financial statements have been prepared assuming that the Company will continue as a going concern. Because of the Company s current status and limited operations there is substantial doubt about its ability to continue as a going concern. Management s plans in regard to its current status are also described in Note 1 to condensed financial statements. The condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Chang G. Park*

PLS, CPA A Professional Corp.

October 28, 2011

San Diego, California

**COCONNECT, INC**
**CONDENSED BALANCE SHEETS**

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash | $ 51 | $ 6,578 |
| Total current assets | 51 | 6,578 |
| TOTAL ASSETS | $ 51 | $ 6,578 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable | $ 37,040 | $ 35,541 |
| Related party payable | - | 75,000 |
| Convertible notes payable and accrued interest, related parties | - | 316,036 |
| Total current liabilities | 37,040 | 426,577 |
| TOTAL LIABILITIES | 37,040 | 426,577 |
| STOCKHOLDERS' DEFICIT | | |
| Preferred stock, 1,000,000 shares authorized, $0.001 par value 100,000 shares issued and outstanding as of September 30, 2011 and December 31, 2010. | 100 | 100 |
| Common stock, 4,999,000,000 shares authorized, $0.001 par value 2,750,000 and 323,483 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively. | 2,750 | 323 |
| Additional paid-in capital | 11,775,477 | 11,425,517 |
| Subscription receivable | - | (70,000) |
| Deficit accumulated | (11,815,316) | (11,775,939) |
| TOTAL STOCKHOLDERS' DEFICIT | (36,989) | (419,999) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 51 | $ 6,578 |

The accompanying unaudited notes are an integral part of these financial statements

**COCONNECT, INC**
**CONDENSED STATEMENTS OF OPERATIONS**
(UNAUDITED)

| | For the three months ended September 30, 2011 | For the three months ended September 30, 2010 | For the nine months ended September 30, 2011 | For the nine months ended September 30, 2010 |
|---|---|---|---|---|
| Revenues | | | | |
| Sales | $ - | $ - | $ - | $ - |
| Total revenues | - | - | - | - |
| Expenses | | | | |
| Professional fees | 1,500 | 1,500 | 7,000 | 7,000 |
| General and administrative | 755 | 60,338 | 1,927 | 186,891 |
| Total operating expenses | 2,255 | 61,838 | 8,927 | 193,891 |
| Loss from operations | $ (2,255) | $ (61,838) | $ (8,927) | $ (193,891) |
| Other income (expense) | | | | |
| Interest expense | (10,149) | (8,808) | (30,450) | (21,447) |
| Total other income (expense) | (10,149) | (8,808) | (30,450) | (21,447) |
| Net loss before income tax | (12,404) | (70,646) | (39,377) | (215,338) |
| Income tax | - | - | - | - |
| NET LOSS | $ (12,404) | $ (70,646) | $ (39,377) | $ (215,338) |
| Basic and diluted loss per common share | $ (0.04) | $ (0.22) | $ (0.12) | $ (0.67) |
| Weighted average common shares outstanding | 323,483 | 323,483 | 323,483 | 323,483 |

The accompanying unaudited notes are an integral part of these financial statements

**COCONNECT, INC**
**CONDENSED STATEMENTS OF CASH FLOWS**
(UNAUDITED)

| | For the nine months ended September 30, 2011 | For the nine months ended September 30, 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | $ (39,377) | $ (215,338) |
| Preferred stock issued for service | - | 100 |
| Changes in operating assets and liabilities: | | |
| Other receivable decrease | - | 2,643 |
| Prepaid expense increase | - | 135,750 |
| Accounts payable increase | (2,400) | 52,028 |
| Accrued expenses and interest increase | (30,450) | 21,447 |
| NET CASH USED IN OPERATING ACTIVITIES | $ (6,527) | $ (3,370) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| NET CASH FROM INVESTING ACTIVITIES | $ - | $ - |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| NET CASH FROM FINANCING ACTIVITIES | $ - | $ - |
| NET CHANGE IN CASH | (6,527) | (3,370) |
| CASH BALANCES | | |
| Beginning of period | 6,578 | 3,565 |
| End of period | $ 51 | $ 195 |
| | | |
| SUPPLEMENTAL DISCLOSURE: | | |
| Interest paid | $ - | $ - |
| Income taxes paid | $ - | $ - |
| | | |
| NON-CASH ACTIVITIES | | |
| Convertible notes issued as a debt settlement | $ - | $ 181,000 |
| Preferred stock issued for service | $ - | $ 100 |
| Common stock issuable in debt settlement | $ 422,388 | $ - |
| Subscription receivable offset with debt | $ 70,000 | $ - |

The accompanying unaudited notes are an integral part of these financial statements

**COCONNECT, INC.**

**Notes to the Condensed Financial Statements**

**At September 30, 2011**

**(Unaudited)**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying interim unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the financial statements and footnotes thereto included in our Form 10-K Report for the fiscal year ended December 31, 2010.

**Going Concern**

The accompanying condensed financial statements have been prepared assuming the Company will continue as a going concern. Because of the recurring operating losses and the excess of current liabilities over current assets, there is substantial doubt about the Company s ability to continue as a going concern.

As of September 30, 2011 the company had an excess of $37,040 in liabilities over assets and an inability to make required payments. The Company s continuation as a going concern is dependent on attaining profitable operations, restructuring its financial obligations, and obtaining additional outside financing. The Company has funded losses from operations primarily from the issuance of debt, issuance of common stock and the sale of the Company s common stock. The Company believes that the issuance of debt and the sale of the Company s common stock will continue to fund operating losses in the short-term until the Company can generate revenues sufficient to fund its operations.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions principally relate to the fair value and forfeiture rates of stock based transactions, and long-lived asset depreciation and amortization, and potential impairment.

**Income Taxes**

Income tax expense is provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the effects of net operating loss carry forwards and differing basis, depreciation methods, and lives of depreciable assets. The deferred tax assets represent the future tax return consequences of those differences, which will be deductible when the assets are recovered.

No income tax benefit (expense) was recognized for the nine months ended September 30, 2011 as a result of tax losses in this period and because deferred tax benefits, derived from the Company s prior net operating losses, were previously fully reserved and the Company has cumulative net operating losses for tax purposes in excess of $11 million.

The Company currently has tax return periods open beginning with December 31, 2004 through December 31, 2010.

**Basic Net Loss per Share of Common Stock**

Basic net loss per common share is based on the weighted average number of shares outstanding during the periods presented. Diluted earnings per share are computed using weighted average number of common shares plus dilutive common share equivalents outstanding during the period. At September 30, 2011 there was no common stock equivalents issued.

**Derivative Instruments**

Effective for financial statements issued for fiscal periods beginning after December 15, 2008, or interim periods therein, US GAAP requires that warrants and convertible instruments with certain conversion or exercise price protection features be recorded as derivative liabilities on the balance sheet based on the fair value of the instruments. In determining fair value, the Company uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. We use a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

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Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.

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Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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Level 3: Significant unobservable inputs that reflect a reporting entity s own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

**NOTE 2. LEASE AGREEMENT, OTHER COMMITTMENTS RELATED PARTY**

On September 29, 2010, the Company entered into a Lease Agreement with The Law Offices of Marc S. Applbaum. Pursuant to the terms of the Lease Agreement, the Company subleases office space on a month-to-month basis for a monthly lease fee of $100. Marc S. Applbaum, Esq., is the Company s former President and currently a Director. The Lease Agreement was terminated on September 30, 2011. At September 30, 2011 the Company owed a total of $900 to the Law Offices of Marc S. Applbaum and Marc S. Applbaum individually and agreed to settle the amount owed for the issuance of 2,500 shares of common stock and a release of all claims. No other payments were made during the nine months ended September 30, 2011.

In prior years, the Company had obtained certain management and administrative services, as well as use of, among other things, internet, postage, copy machines, electricity, furniture, fixtures and other services, from Noctua Fund Manager, LLC (  NFM  ), for a fee of $5,000 per month.  On September 30, 2011, NFM assigned all amounts due to it from the Company to a third party non-affiliate named BCGU, LLC (the   BCGU  ) and the Company approved of the assignment (the   Assignment  ).  Concurrent with the Assignment, BCGU agreed to settle the $75,000 due related to the management fee along with three convertibles notes with principal balances totaling $208,724, accrued interest totaling $47,285, and 100,000 shares of Series A preferred stock, in exchange for the issuance of 100,000 shares of Series B Preferred Stock (the   Series B Preferred Stock  ) and 1,721,845 common shares of the Company (see Note 3. and Note 5. for more detail).

Following the assignment, BCGU became a principal owner of the Company, owning more than a 10% voting interest.

**NOTE 3.  RELATED PARTY TRANSACTIONS - CONVERTIBLE NOTES AND SETTLEMENT**

We recognize the advantageous value of conversion rights attached to convertible debt. Such rights give the debt holder the ability to convert his debt into common stock at a price per share that is less than the trading price to the public on the day the loan is made to the Company.  The beneficial value is calculated as the intrinsic value (the market price of the stock at the commitment date in excess of the conversion rate) of the beneficial conversion feature of debentures and related accruing interest is recorded as a discount to the related debt and an addition to additional paid in capital. The discount is amortized over the remaining outstanding period of related debt using the interest method.

A $55,000 0% convertible debenture was issued on October 25, 2007.  The note was payable on the first day of the month, beginning on November 1, 2007 and ending on February 1, 2008, the amount of $13,750 per month.  At the time of this note was issued it was convertible into common stock at $0.09.  This note was later purchased from the third party it was originally issued to by a related party, Noctua Fund, LP.  Noctua Fund, LP is managed by NFM.   As of August 15, 2009 no payments had been made and as a result of nonpayment this convertible debenture was in default.



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On August 15, 2009 the Company entered into a note exchange with Noctua Fund, LP. The $55,000 0% convertible debenture was cancelled, and in exchange Noctua Fund, LP was issued two new convertible notes and guaranteed a future payment of $1,333 to help pay future Company expenses. The two notes issued are both in the amounts of $28,167 with interest accruing at 5% of the principal balance. The notes were both due on November 15, 2009 and are convertible into the Company s common stock at $.01 per share. At the time of the note agreement date there was no determinable stock price. Therefore there is no beneficial conversion feature that applies to this debenture. On September 30, 2011, the Company agreed to assign the notes to a third party purchaser RVCA Partners, LLC ( RVCA ). RVCA and the Company, agreed to settle amounts due related to the notes $56,333 and their accrued interest $16,547for a total of 682,172 common shares of the Company and termination of a $70,000 subscription receivable due to the Company related to a share purchase agreement dated December 2, 2009 that had been assigned to RVCA.

RVCA is principal owner of the Company, owning more than a 10% voting interest.

On August 15, 2009 the Company issued two convertible notes both in the amount of $13,862 with interest accruing at 5% of the principal balance. The notes were issued as part of a debt settlement agreement with NFM. These notes are due on November 15, 2009 and are convertible into the Company s common stock at $.01 per share. At the time of the note agreement date, there was no determinable stock price, therefore there is no beneficial conversion feature that applies to this debenture. These notes were part of a debt settlement further described below.

On November 15, 2009 the Company entered into an Advisory Services Agreement (the NFM Agreement ) with NFM. The NFM Agreement is designed to assist the company enter into an agreement to acquire and manage new assets and/or a business ( Transaction ). The Consultant assisted the company in several areas, including: locating qualified management and board member candidates, locating target transaction candidates, and any strategic planning in the event of a Transaction. Pursuant to the terms of the NFM Agreement, on March 15, 2010, the Company issued NFM a 12% secured convertible promissory note in the principal amount of $181,000 (the NFM Note ). The note matures and is due 180 days following its issuance. Pursuant to the terms of the NFM Agreement and the NFM Note, concurrently with the issuance of the NFM Note, the Company entered into an escrow agreement (the NFM Escrow Agreement ) whereby 54,300,000 shares of the Company s common stock were to be issued into escrow for the potential conversion of the NFM Note. In addition, the Company was required to designate and issue 100,000 shares, $0.001 par value, of Series Preferred A Stock to NFM. At the time of the note agreement date, there was no determinable stock price and limited trading activity, therefore there is no beneficial conversion feature that applies to this debenture.

On September 30, 2011, NFM assigned all amounts due to it from the Company to BCGU and the Company approved of the assignment (the BCGU Assignment ). Concurrent with the Assignment, the Company and BCGU agreed to settle amounts due related to the three convertibles notes with principal balances totaling $208,724 (described in the immediately preceding two paragraphs), accrued interest totaling $47,285, debt related to unpaid management fees $75,000, and 100,000 shares of Series A preferred stock, in exchange for the issuance of 100,000 shares of Series B Preferred Stock and 1,721,845 common shares of the Company. 54,300,000 common shares issued into escrow were returned to treasury as part of the agreement (see Note 2.and Note 5. for more detail regarding this debt settlement).

Following the BCGU Assignment, BCGU became a principal owner of the Company, owning more than a 10% voting interest.

On November 17, 2010, the Company issued, Brad M. Bingham, Esq., a Director and former interim CEO, a convertible promissory note in the amount of $16,860 (the BMB Note ). The BMB Note represents: (i) $6,860.00 previously advanced by Mr. Bingham on behalf of the Company and maintained on the Company s books and records previously filed with the SEC; and (ii) an additional $10,000 cash advance to the Company by Mr. Bingham. The BMB Note is due and payable on May 17, 2011, maintains an interest rate of 5% and is convertible into 1,500,000,000 shares of the Company s restricted common stock (the Conversion Shares ); provided however, such conversion rights are not applicable until 45 days following the issuance of the BMB Note. At the time of the BMB Note agreement date, there was no determinable stock price and limited trading activity. Therefore there is no beneficial conversion feature that applies to this debenture.

In connection with the BMB Note, the Company entered into a security agreement (the Security Agreement ) with Mr. Bingham. Pursuant to the terms of the Security Agreement, Mr. Bingham was issued the Conversion Shares which are to be held as security and collateral against either the repayment or conversion of the BMB Note. Although the Conversion Shares are issued in Mr. Bingham s name and held as security and collateral against the payment of the BMB Note, the Conversion Shares may not be sold, pledged, transferred or hypothecated by Mr. Bingham unless and until he elects to convert the BMB Note pursuant to its terms and conditions into the Conversion Shares, or unless agreed upon in writing by the Company. In addition, following the issuance of the Conversion Shares as security pursuant to the Security Agreement and prior to the conversion of the BMB Note into the Conversion Shares, if any, in the event of a Company shareholder vote, the Conversion Shares held as collateral shall be voted with the majority vote of any such shareholder vote and action and Mr. Bingham has granted an irrevocable proxy to the Company to vote the Conversion Shares as such.

On September 30, 2011, the Company and Mr. Bingham agreed to settle amounts due related to the BMB Note with principal balance of $16,860, and accrued interest totaling $738, in exchange of the issuance of 20,000 common shares. 1,500,000,000 common shares issued per the Security Agreement have been returned to treasury as a part of the agreement. All other transactions with Mr. Bingham described in the prior two paragraphs were mutually terminated.

Notes payable consists of the following:

| | At September 30, 2011 | At December 31, 2010 |
|---|---|---|
| 5% convertible notes due Nov. 2009 | $ - | $ 84,057 |
| 12% convertible note due Sept. 2010 | - | 181,000 |
| 5% Convertible note May 2011 | - | 16,860 |
| Less: Principal Payments | - | - |
| Add: Accrued Interest | - | 34,119 |
| **Carrying Value of Notes** | **$** - | **$** 316,036 |
| Less: Current portion | - | (316,036) |
| **Long term portion of notes payable** | **$** - | **$** - |

**NOTE 4. PREFERRED STOCK**

At September 30, 2011 preferred stock of the Company consisted of: $0.001 par value: 1,000,000 shares authorized. 100,000 shares issued and outstanding

At September 30, 2011, the Company agreed to issue 100,000 shares of Series B Preferred Stock and 1,721,845 common shares to BCGU, a related party, in exchange for the settlement of convertible notes with principal balances totaling $208,724, accrued interest totaling $47,285, debt related to unpaid management fees $75,000, and retirement of 100,000 shares of Series A preferred stock.

**NOTE 5. COMMON STOCK**

At September 30, 2011 common stock of the Company consisted of: $0.001 par value: 4,999,000,000 shares authorized and 2,750,000 shares issued and outstanding.

At September 30, 2011, the Company agreed to issue 1,721,845 common shares and 100,000 shares of Series B Preferred Stock to BCGU, a related party, in exchange for the settlement of convertibles notes with principal balances totaling $208,724, accrued interest totaling $47,285, debt related to unpaid management fees $75,000, and retirement of 100,000 shares of Series A preferred stock. 54,300,000 common shares issued into escrow were returned to treasury as part of the agreement.

On September 30, 2011, the Company agreed to issue 682,172 common shares to RVCA, a related party, in exchange for the settlement of convertible notes with principal balances totaling $56,333, their accrued interest totaling $16,547 and the termination of a $70,000 subscription receivable due to the Company related to a share purchase agreement dated December 2, 2009.

On September 30, 2011, the Company and Mr. Bingham agreed to the settlement of amounts due related to a convertible note with principal balance of $16,860, and accrued interest totaling $738, in exchange of the issuance of 20,000 common shares. 1,500,000,000 common shares issued per the Security Agreement have been returned to treasury as a part of the agreement.

At September 30, 2011 the Company owed $900 to the Law Offices of Marc S. Applbaum and Marc S. Applbaum individually and agreed to settle the amount owed for the issuance of 2,500 shares of common stock.

**NOTE 6. LEGAL MATTERS**

Certain convertible promissory notes (the Notes ) issued to several noteholders (the Noteholders ) in the total principal amount of $84,057 went into default due to nonpayment. Following default, the Company received demands from the Noteholders for the repayment of all principal and interest due thereunder. Following such default, the Noteholders agreed to waive the default and payment of all principal and interest due and payable under the Notes. Pursuant to the terms of such waiver, (i) the default interest rate under the Notes was to remain in effect and accrue until full repayment of the Notes, and (ii) the maturity date of the Notes was extended to March 10, 2010. On March 10, 2010, the Company was unable to repay the amounts due and owing under the Notes and, as such, the notes went into and remain unpaid and in default status. On October 26, 2010, the Noteholders filed a complaint against the Company arising from the unpaid Notes (the Claims ). As of September 30, 2011 the complaint was dismissed without prejudice and all claims and disputes related to the litigation were amicably and privately resolved out of court. There are no known pending or threatened claims.

Furthermore, related to debt settlement agreements discussed throughout this document, as of September 30, 2011, the Company is no longer indebted to Noctua Fund, LP, NFM, Mr. Bingham, BCGU, RVCA the Law Offices of Marc S. Applbaum and Marc Applbaum individually.

**NOTE 7. SUBSEQUENT EVENTS**

The Company has performed an evaluation of events occurring subsequent to the period end through the issuance date of this report. Based on the Company s evaluation, nothing other than the events described below need to be disclosed.

On October 21, 2011, Mr. Marc Applbaum, Esq. resigned from his position as President of the Company. Mr. Applbaum s resignation was not because of any disagreement with the Company relating to the Company s operations, policies or practices.

On October 21, 2011, Mr. Brad M. Bingham, Esq. resigned from his position as Chief Executive Officer of the Company. Mr. Bingham s resignation was not because of any disagreement with the Company relating to the Company s operations, policies or practices.

Immediately following their resignation, on October 21, 2011, the Company s Board of Directors appointed Mr. Robert K. Bench as the Company s President and Director. The Company and Mr. Bench currently maintain no material plan, contract or arrangement relating to Mr. Bench s positions with the Company or related compensation.

**ITEM 2.**

**MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

**FORWARD-LOOKING STATEMENTS**

This discussion and analysis in this Quarterly Report on Form 10-Q should be read in conjunction with the accompanying Condensed Financial Statements and related notes. Our discussion and analysis of our financial condition and results of operations are based upon our condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. We review our estimates and assumptions on an on-going basis. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments, are outlined below in Critical Accounting Policies, and have not changed significantly.

In addition, certain statements made in this report may constitute forward-looking statements . These forward-looking statements involve known or unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance. Although we believe that the expectations reflected-in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Forward-looking statements are only predictions. The forward-looking events discussed in this Quarterly Report, the documents to which we refer you, and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties, and assumptions about us. For these statements, we claim the protection of the bespeaks caution doctrine. The forward-looking statements speak only as of the date hereof, and we expressly disclaim any obligation to publicly release the results of any revisions to these forward-looking statements to reflect events or circumstances after the date of this filing.

**OVERVIEW AND PLAN OF OPERATION**

Our previous business model focused on the exploration of VoIP technology. VoIP is the delivery of voice information in the language of the Internet, i.e., as digital packets instead of the current circuit protocols of the copper-based phone networks. We are no longer pursuing the VoIP Technology business, management is of the belief that there may be more value for our shareholders if we were able to (i) attract a more substantial operating company and engage in a merger or business combination of some kind, or (ii) acquire assets or shares of an entity actively engaged in business which generates revenues. We have several acquisitions in mind and are investigating the candidates to determine whether or not they will add value to the Company for the benefit of our shareholders. Our Board of Directors intends to obtain certain assurances of value of the target entity's assets prior to consummating such a transaction. Any business combination or transaction will likely result in a significant issuance of shares and substantial dilution to our present stockholders.

We do not intend to restrict our consideration to any particular business or industry segment, and we may consider, among others, finance, brokerage, insurance, transportation, communications, research and development, service, natural resources, manufacturing or high-technology business. Of course, because we have limited resources, the scope and number of suitable candidates to merge with, will be limited accordingly. Because we may participate in a business opportunity with a newly organized firm or with a firm which is entering a new phase of growth, it should be emphasized that we may incur further risk due to the failure of the target's management to have proven its abilities or effectiveness, or the failure to establish a market for the target s products or services, or the failure to prove or predict profitability.

**RECENT DEVELOPMENTS**

Settlement of Debt owed to Noctua Fund, LP and Common Stock Subscription Receivable

A $55,000 0% convertible debenture was issued on October 25, 2007. The note was payable on the first day of the month, beginning on November 1, 2007 and ending on February 1, 2008, the amount of $13,750 per month. At the time of this note was issued it was convertible into common stock at $0.09. This note was later purchased from the third party it was originally issued to by a related party, Noctua Fund, LP. Noctua Fund, LP is managed by NFM. As of August 15, 2009 no payments had been made and as a result of nonpayment this convertible debenture was in default.

On August 15, 2009 the Company entered into a note exchange with Noctua Fund, LP. The $55,000 0% convertible debenture was cancelled, and in exchange Noctua Fund, LP was issued two new convertible notes and guaranteed a future payment of $1,333 to help pay future Company expenses. The two notes issued are both in the amounts of $28,167 with interest accruing at 5% of the principal balance. The notes were both due on November 15, 2009 and are convertible into the Company s common stock at $.01 per share. At the time of the note agreement date, there was no determinable stock price, therefore there is no beneficial conversion feature that applies to this debenture. On September 30, 2011, the Company agreed to the notes assignment to a third party purchaser RVCA Partners, LLC ( RVCA ). RVCA and the Company, agreed to settle amounts due related to the notes $56,333 and their accrued interest $16,547 for a total of 682,172 common shares of the Company and termination of a $70,000 subscription receivable due to the Company related to a share purchase agreement dated December 2, 2009.

RVCA is principal owner of the Company, owning more than a 10% voting interest.

Settlement of Debt owed to Noctua Fund Manager, LLC

On August 15, 2009 the Company issued two convertible notes both in the amount of $13,862 with interest accruing at 5% of the principal balance. The notes were issued as part of a debt settlement agreement with NFM. These notes are due on November 15, 2009 and are convertible into the Company s common stock at $.01 per share. At the time of the note agreement date, there was no determinable stock price. Therefore there is no beneficial conversion feature that applies to this debenture. These notes were part of a debt settlement further described below.

On November 15, 2009 the Company entered into an Advisory Services Agreement (the &