

Zolon Corp  
Form 10-Q  
May 11, 2010

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2010

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 33-42498

ZOLON CORPORATION  
(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

65-0254624  
(IRS Employer  
Identification No.)

2650 Biscayne Boulevard, Miami, Florida 33137  
(Address of principal executive offices)

(305) 937-2000  
(Registrant's telephone number, including area code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Edgar Filing: Zolon Corp - Form 10-Q

Non-accelerated filer

Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 126.2 of the Exchange Act). Yes  No

The number of shares of common stock outstanding as of May 11, 2010 was 3,150,211.

---

Table of Contents

ZOLON CORPORATION

Table of Contents

	Page
PART I Financial Information	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	13
Item 4. <u>Control and Procedures</u>	14
PART II Other Information	
Item 1. <u>Legal Proceedings</u>	14
Item 1A. <u>Risk Factors</u>	14
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	16
Item 3. <u>Defaults Upon Senior Securities</u>	16
Item 4. <u>Submission of Matters to a Vote of Security Holders.</u>	16
Item 5. <u>Other Information</u>	16
Item 6. <u>Exhibits</u>	16
<u>Signatures</u>	17

---

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial statements

ZOLON CORPORATION  
CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (unaudited)	December 31, 2009
<b>ASSETS:</b>		
Current Assets		
Cash	\$1,286	\$6
Total Current Assets	1,286	6
Fixed Assets		
Furniture and equipment	32,500	32,500
Less: accumulated depreciation	(6,960 )	(5,800 )
	25,540	26,700
<b>TOTAL ASSETS</b>	<b>\$26,826</b>	<b>\$26,706</b>
<b>LIABILITIES &amp; SHAREHOLDERS' DEFICIT:</b>		
Liabilities:		
Accounts payable	\$10,000	\$10,000
Accrued compensation	22,007	14,507
Total Liabilities	32,007	24,507
Shareholders' Deficit:		
Common Stock; \$0.001 par value; 5,000,000,000 shares authorized; 3,150,211 shares issued and outstanding as of March 31, 2010 and December 31, 2009	3,150,211	3,150,211
Additional paid in capital	(2,216,793)	(2,216,793)
Treasury stock	200,000	200,000
Accumulated deficit	(1,138,599)	(1,131,219)
Total Shareholders' Deficit	(5,181 )	2,199
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' DEFICIT</b>	<b>\$26,826</b>	<b>\$26,706</b>

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

Table of Contents

ZOLON CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2010 (unaudited)	For the Three Months Ended March 31, 2009 (unaudited)
REVENUES:		
Sales	\$-	\$95,466
Less: cost of sales	-	58,604
Gross Profit	-	36,862
Fee Income	11,725	3,468
Total Revenues	11,725	40,330
EXPENSES:		
General & Administrative	19,105	12,866
Net Income	\$(7,380 )	\$27,464
LOSS PER SHARE:		
Net Income (loss) Per Common Share - Basic and Diluted	\$(0.0023 )	\$0.0098
Weighted Common Shares Outstanding - Basic and Diluted	3,150,211	2,800,324

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

Table of Contents

## ZOLON CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS (DEFICIT)  
(UNAUDITED)

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Treasury Stock	Total
	Shares	Amount				
Balance at December 31, 2008	2,790,325	\$2,790,325	\$(1,936,907)	\$(1,101,022)	\$200,000	\$(47,604)
Common share issuance pursuant to registration statement	359,886	359,886	(279,886)	-	-	80,000
Net (loss)	-	-	-	(30,197)	-	(30,197)
Balance at December 31, 2009	3,150,211	3,150,211	(2,216,793)	(1,131,219)	200,000	2,199
Net (loss)	-	-	-	(7,380)	-	(7,380)
Balance at March 31, 2010	3,150,211	\$3,150,211	\$(2,216,793)	\$(1,138,599)	\$200,000	\$(5,181)

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

Table of Contents

## ZOLON CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Three Months Ended March 31,	
	2010	2009
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income (loss)	\$(7,380 )	\$27,464
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,160	1,160
(Increase) decrease in:		
Accounts receivable	-	(92,450 )
Security deposit	-	4,420
Increase (decrease) in:		
Accounts payable	-	55,285
Accrued compensation	7,500	(4,042 )
Net cash provided by (used) in operating activities	1,280	(8,163 )
Cash flows from investing activities:	-	-
Net cash provided (used) in investing activities	-	-
Cash flows from financing activities:		
Proceeds from share issuance	-	5,000
Net cash provided by financing activities	-	5,000
Net increase in cash	1,280	(3,163 )
Cash at beginning of period	6	3,351
Cash at end of period	\$1,286	\$188
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$-	\$-
Income Taxes	\$-	\$-

Noncash investing and financing activities are as follows:

Common stock issued inconjunction with acquisitions	\$-	\$-
Issuance of common stock	\$-	\$-

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



Table of Contents

ZOLON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1 - NATURE OF ORGANIZATION

Zolon Corporation (ZLON) was incorporated by the Florida Department of State on May 9, 1990 as Sun Express Group, Inc. for the purpose of obtaining air carrier certification. The Company's Board of Directors elected in July, 1993 to suspend certification efforts, dispose of or abandon existing assets and seek settlement of existing indebtedness. In July 1994, the Company completed a sale of its assets to Conquest Sun Airlines Corp. and Air Tran, Inc. (a spin-off subsidiary of Conquest Sun Airlines Corp.) The Company remained dormant until August, 2001 when the Company became involved in the motion picture industry and changed its name to Sun Network Group, Inc. In June, 2005 current management completed a reverse acquisition with the Company, changed our business focus to emerging technologies, replaced prior management and changed the Company's name to Aventura VoIP Networks, Inc. In October, 2005 the Company merged with Aventura Holdings, Inc. and adopted its name. On December 24, 2009 the Company changed its name to Zolon Corporation.

NOTE 2 - GOING CONCERN

As reflected in the accompanying financial statements, the Company's past recurring losses from operations, net loss of \$7,380 and net income of \$27,464 for the three months ended March 31, 2010 and 2009 and net cash provided by operations of \$1,280 and used in operations of \$8,163 for the three months ended March 31, 2010 and 2009; shareholder's deficit of \$5,181 and an accumulated deficit of \$ 1,138,599 at March 31, 2010, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from our inability to continue as a going concern.

Our ability to continue as a going concern is dependent on the ability to further implement our business plan, raise capital, and generate revenues. We presently do not have sufficient revenues to cover our incurred expenses. Our management recognizes that we must generate additional resources to enable us to pay our obligations as they come due, and that we must ultimately successfully implement our business plan and achieve profitable operations. We cannot assure you that we will be successful in any of these activities. Should any of these events not occur, our financial condition will be materially adversely affected.

The time required for us to become profitable from operations is highly uncertain, and we cannot assure you that we will achieve or sustain operating profitability or generate sufficient cash flow to meet our planned capital expenditures, working capital and debt service requirements. If required, our ability to obtain additional financing from other sources also depends on many factors beyond our control, including the state of the capital markets and the prospects for our business. The necessary additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock.

We cannot assure that we will generate sufficient cash flow from operations or obtain additional financing to meet our obligations. The financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classification of liabilities, which may result from the inability of the Company to continue as a going concern.

Management's Plans

Zolon Corporation plans to expand in the Information Technology (IT) and Software enabled service areas through a series of strategic business combinations. The Registrant intends to target company's in the Financial Services, Health Care and Telecom sectors to create a diversified portfolio. The Registrant is actively discussing and negotiating

business acquisitions and / or combination opportunities with several targets and intends to consummate transactions in the near future to further execute our business strategy.

7

---

Table of Contents

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim reporting

While the information presented in the accompanying interim three months financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the December 31, 2009 annual financial statements of Zolon Corporation. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's December 31, 2009's annual financial statements.

Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that can be expected for the year ended December 31, 2010.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued its final Statement of Financial Accounting Standards (SFAS) No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162". SFAS No. 168 made the FASB Accounting Standards Codification (the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the Company beginning July 1, 2009. Following SFAS No. 168, the Board will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates (ASU). The FASB will not consider ASUs as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification.

In August 2009, the FASB issued ASU 2009-05 which includes amendments to Subtopic 820-10, "Fair Value Measurements and Disclosures—Overall". The update provides clarification that in circumstances, in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update. The amendments in this ASU clarify that a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability and also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance provided in this ASU is effective for the first reporting period, including interim periods, beginning after issuance. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

In September 2009, the FASB has published ASU No. 2009-12, "Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". This ASU amends Subtopic 820-10, "Fair Value Measurements and Disclosures – Overall", to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This

ASU also requires new disclosures, by major category of investments including the attributes of investments within the scope of this amendment to the Codification. The guidance in this Update is effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The adoption of this standard is not expected to have any impact on the Company's consolidated financial position and results of operations.

Table of Contents

In October 2009, the FASB issued updated guidance on multiple-deliverable revenue arrangements. Specifically, the guidance amends the existing criteria for separating consideration received in multiple-deliverable arrangements, eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The guidance also establishes a hierarchy for determining the selling price of a deliverable, which is based on vendor-specific objective evidence; third-party evidence; or management estimates. Expanded disclosures related to multiple-deliverable revenue arrangements will also be required. The new guidance is effective for revenue arrangements entered into or materially modified on and after January 1, 2011. The Company does not expect the application of this new standard to have a significant impact on its consolidated financial statements.

Consolidations: In December 2009, the FASB issued ASU No. 2009-17 (formerly Statement No. 167), “Consolidations (Topic 810) – Improvements to Financial Reporting for Enterprises involved with Variable Interest Entities”. ASU 2009-17 amends the consolidation guidance applicable to variable interest entities. The amendments to the consolidation guidance affect all entities, as well as qualifying special-purpose entities (QSPEs) that are currently excluded from previous consolidation guidance. ASU 2009-17 was effective as of the beginning of the first annual reporting period that begins after November 15, 2009. ASU 2009-17 did not have an impact on our financial condition, results of operations, or disclosures.

Accounting for Transfers of Financial Assets: In December 2009, the FASB issued ASU No. 2009-16 (formerly Statement No. 166), “Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets”. ASU 2009-16 amends the derecognition accounting and disclosure guidance. ASU 2009-16 eliminates the exemption from consolidation for QSPEs and also requires a transferor to evaluate all existing QSPEs to determine whether they must be consolidated. ASU 2009-16 was effective as of the beginning of the first annual reporting period that begins after November 15, 2009. ASU 2009-16 did not have an impact on our financial condition, results of operations, or disclosures.

In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06 which is intended to improve disclosures about fair value measurements. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels, the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). The Company has applied the new disclosure requirements as of January 1, 2010, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. The adoption of this guidance has not had and is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09 which requires that an SEC filer, as defined, evaluate subsequent events through the date that the financial statements are issued. The update also removed the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. The adoption of this guidance on January 1, 2010 did not have a material effect on the Company’s consolidated financial statements.

Table of Contents

NOTE 4 - INVESTMENTS

Investments in securities of unaffiliated issuers represent holdings of less than 5% of the issuer's voting common stock. Investments in and advances to affiliates are presented as (i) majority-owned, if holdings, directly or indirectly, represent over 50% of the issuer's voting common stock, (ii) minority-owned other controlled affiliates if the holdings, directly or indirectly, represent over 25% and up to 50% of the issuer's voting common stock and (iii) minority-owned other non-controlled affiliates if the holdings, directly or indirectly, represent 5% to 25% of the issuer's voting common stock. Investments—other than securities represent all investments other than in securities of the issuer.

Investments in securities or other than securities of privately held entities are initially recorded at their original cost as of the date the Company obtained an enforceable right to demand the securities or other investment purchased and incurred an enforceable obligation to pay the investment price.

For financial statement purposes, investments are recorded at their fair value. Currently, readily determinable fair values do not exist for our investments and the fair value of these investments is determined in good faith by the Company's Board of Directors who engaged independent valuation experts and ratified by the Company's Board of Directors pursuant to a valuation policy and consistent valuation process. Due to the inherent uncertainty of these valuations, the estimates may differ significantly from the values that would have been used had a ready market for the investments existed and the differences may be material.

Realized gains (losses) from the sale of investments and unrealized gains (losses) from the valuation of investments are reflected in operations during the period incurred.

NOTE 5 EMPLOYMENT AGREEMENTS

As of May 11, 2010, the Company has one full-time employee under a five year employment agreement commencing May 16, 2006. The employment agreement calls for annual remuneration of \$60,000, certain fringe benefits and expense reimbursement. The employee is not represented by a union and the Company believes the relationship with the employee is good.

NOTE 6 - RELATED PARTY AND AFFILIATE TRANSACTIONS

The following disclosures comply with generally accepted accounting principles and the disclosure requirements under the Regulation S-X, Article 6, with regard to affiliate investments and transactions.

By virtue of our research and development activities, the Company licensed certain intellectual property to a related party in engage for past and current debt owed to that entity.

NOTE 7 - INTERNAL CONTROL

Controls and Procedures

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management. Based on this evaluation, management has concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Edgar Filing: Zolon Corp - Form 10-Q

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer as appropriate, to allow timely decisions regarding required disclosure.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Form 10-Q for the quarter ended March 31, 2010 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, or those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and are considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

**RECENT DEVELOPMENTS**

None.

**RESULTS OF OPERATIONS**

For a discussion of factors that could impact operating results, see the section entitled "Risk Factors" in Item 1A, which is incorporated herein by reference.



Table of ContentsZOLON CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2010 (unaudited)	For the Three Months Ended March 31, 2009 (unaudited)
<b>REVENUES:</b>		
Sales	\$-	\$95,466
Less: cost of sales	-	58,604
Gross Profit	-	36,862
Fee Income	11,725	3,468
Total Revenues	11,725	40,330
<b>EXPENSES:</b>		
General & Administrative	19,105	12,866
Net Income	\$(7,380 )	\$27,464
<b>LOSS PER SHARE:</b>		
Net Income (loss) Per Common Share - Basic and Diluted	\$(0.0023 )	\$0.0098
Weighted Common Shares Outstanding - Basic and Diluted	3,150,211	2,800,324

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

## Table of Contents

### REVENUES

Sales for the three months ended March 31, 2010 were \$0 compared to sales for the three months ended March 31, 2009 of \$95,466. Fee income for the three months ended March 31, 2010 were \$11,725 compared to fee income for the three months ended March 31, 2009 of \$3,468.

### OPERATING AND OTHER EXPENSES

Operating expenses for the three months ended March 31, 2010 were \$19,105 compared to operating expenses for the three months ended March 31, 2009 of \$12,866.

Financing expenses were \$0 for the three months ended March 31, 2010 compared to \$0 for the three months ended March 31, 2009.

As a result of these factors, we reported net loss of \$7,380 or \$(0.0023) per share for the three months ended March 31, 2010 as compared to net income of \$27,464 or \$0.0098 per share for the three months ended March 31, 2009.

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2010, we had liabilities exceeding assets by \$5,181 and an accumulated deficit of \$1,138,599.

We have no material commitments for capital expenditures.

Net cash provided by operations during the three months ended March 31, 2010 was \$1,280 primarily relating to our \$11,725 fee income and a \$7,500 increase in accrued compensation. In the comparable period of March 31, 2009, we had net cash used in operations of \$8,163 primarily relating to our \$92,450 increase in accounts receivable and \$55,285 increase in accounts payable.

No cash was provided or used by investing activities for the three months ended March 31, 2010 and no cash was provided or used by investing activities for the three months ended March 31, 2009.

\$5,000 was provided by financing activities for the three months ended March 31, 2009 by the issuance of common stock.

The Company relies upon outside entities to finance its operations and provide capital for lending activities. A tightening of capital markets can reduce or eliminate funding sources resulting in a decrease in our liquidity and an inability to generate revenues from new lending activities.

### Off Balance Sheet Arrangements

There are no off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

### CRITICAL ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 3 to the unaudited financial statements included elsewhere in this Report. We believe that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not currently engage in transactions in derivative financial instruments or derivative commodity instruments. As of March 31, 2010, the Company's financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or other relevant market risks, such as equity price risk.

Table of Contents

However, as discussed elsewhere in this Form 10-Q, the Company may also be subject to the following market risk:

Interest Rate Risk

Our anticipated operations are expected to be leveraged by and sensitive to interest rates. To the extent we may borrow funds to finance our operations at variable rates, we may become subject to risks arising from interest rate fluctuations. Our potential exposure to interest rate risk arises primarily from changes in prime lending rates of commercial banks, which are in turn impacted by the policies and practices of the United States Federal Reserve Board, among other things.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Our management evaluated, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a - 15(e) or 15d - 15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission Rules and Forms.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting that occurred during the first quarter of fiscal 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

An investment in our common stock is highly speculative, involves a high degree of risk, and should be considered only by those persons who are able to bear the economic risk of their investment for an indefinite period. In addition to other information in this Quarterly Report on Form 10-Q, you should carefully consider the risks described below before investing in our publicly-traded securities. The risks described below are not the only ones facing us. Our business is also subject to the risks that affect many other companies, such as competition, technological obsolescence, labor relations, general economic conditions and geopolitical changes. Additional risks not currently known to us or that we currently believe are immaterial also may impair our business operations and our liquidity.

This is a highly speculative investment.

Ownership of our common stock is extremely speculative and involves a high degree of economic risk, which may result in a complete loss of your investment. Only persons who have no need for liquidity and who are able to

withstand a loss of all or substantially all of their investment should purchase our common stock.

You will be diluted if we issue additional common stock, options to purchase common stock and/or debt or equity securities convertible into common stock.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which could dilute our existing stockholders and be senior to our common stock for the purposes of distributions, may have an adverse effect on the value of our common stock.

## Table of Contents

In the future, we may attempt to increase our capital resources by making additional offerings of equity or debt securities, including medium-term notes, senior or subordinated notes and classes of preferred stock or common stock. Upon our liquidation, holders of our debt securities, if any, and shares of preferred stock, if any, and lenders with respect to other borrowings, if any, will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings by us reduce the value of our common stock. Any preferred stock we may issue would have a preference on distributions that could limit our ability to make distributions to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in the Company.

We may be subject to various industry-specific risks associated with our anticipated business operations.

Management has discretionary use of Company assets.

We continue to look for and investigate business opportunities that are consistent with our business plan, including further acquisitions. Management has broad discretion with respect to the acquisition of interests in companies that are consistent with our anticipated operations. Although management intends to apply any proceeds it may receive through the future issuance of stock or debt to acquire or operate suitable businesses, it will have broad discretion in allocating these funds. There can be no assurance that the management's use or allocation of such proceeds will allow it to achieve its business objectives.

We operate in a competitive market for acquisition and investment opportunities.

We compete for acquisitions with a large number of companies and investment funds. Many of our competitors may have greater resources than we do. Increased competition makes it more difficult for us to make acquisitions or investments at attractive prices. As a result of this competition, sometimes we may be precluded from making otherwise attractive acquisitions or investments. There can be no assurance that we will be able to identify, negotiate and consummate acquisitions of attractive companies in light of this competition.

Results may fluctuate and may not be indicative of future performance.

Our operating results may fluctuate and, therefore, you should not rely on current or historical period results to be indicative of our performance in future reporting periods. Factors that could cause operating results to fluctuate include, but are not limited to, variations in the costs of identifying, negotiating and consummating acquisitions of businesses consistent with our business plan; variations in and the timing of the recognition of net realized gains or losses and changes in unrealized appreciation or depreciation; the degree to which we encounter competition in our markets; and other general economic and operational circumstances.

Our common stock price may be volatile.

The trading price of our common stock may fluctuate substantially. The price of the common stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of financial services companies;

- volatility resulting from trading in derivative securities related to our common stock including puts, calls, long-term equity anticipation securities (“LEAPs”), or short trading positions;
- actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;
- general economic conditions and trends;
- loss of a major funding source; or
- departures of key personnel.

Table of Contents

OTC Bulletin Board.

Our common stock is quoted on the OTC Bulletin Board (“OTCBB”). The OTCBB is an inter-dealer, over-the-counter market that provides significantly less liquidity than the NASDAQ Stock Market or national or regional exchanges. Securities traded on the OTCBB are typically thinly traded, highly volatile, have fewer markets and are not followed by analysts. The SEC’s order handling rules, which apply to NASDAQ-listed securities, do not apply to securities quoted on the OTCBB. Quotes for stocks included on the OTCBB are not listed in newspapers. Therefore, prices for securities traded solely on the OTCBB may be difficult to obtain and holders of our common stock may be unable to sell their shares at any price.

Penny Stock Rules.

Trading in our securities will be subject to the “penny stock” rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our common stock and consequently adversely affect the market price of our common stock.

Changes in the law or regulations that govern us could have a material impact on us or our operations.

We are regulated by the SEC and impacted by regulations of certain state regulatory agencies and self-regulatory organizations. Any change in the law or regulations that govern our business could have a material impact on us or our operations. Laws and regulations may be changed from time to time, and the interpretations of the relevant laws and regulations also are subject to change, which may have a material effect on our operations.

No dividends.

Holders of our securities will only be entitled to dividends when, as and if declared by our Board of Directors. We do not expect to have a cash surplus available for dividends in the foreseeable future.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.



Item 5. Other Information

None.

Item 6. Exhibits

Item 601 of  
Regulation S-K  
Exhibit No.:

31.1 Exhibit  
Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of  
the Company

31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of  
the Company

32.1 Section 1350 Certification by Chief Executive Officer and Chief  
Financial Officer

16

---

Table of Contents

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZOLON CORPORATION

May 11, 2010

By:

/s/ Craig A. Waltzer  
Craig A. Waltzer  
Chief Executive Officer, President, and  
Director

Table of Contents