

Media Exchange Group, Inc.  
Form 10-K/A  
June 02, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Amendment No.1 to  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 333-49388

Media Exchange Group, Inc.  
(formerly known as China Wireless Communications, Inc.)  
(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of incorporation or organization)

91-1966948  
(I.R.S. Employer Identification No.)

101 Church Street, Suite 14  
Los Gatos, California 95030  
(Address of principal executive offices) (Zip code)

(408) 821-3083  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark 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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

|   |   |   |  |
|---|---|---|--|
| Large accelerated filer<br><input type="checkbox"/> | Accelerated filer<br><input type="checkbox"/> | Non-accelerated filer<br><input type="checkbox"/> | Smaller reporting<br>company<br><input type="checkbox"/> |
|---|---|---|--|

(Do not check if smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold on the Over The Counter Stock Market ("OTC:BB") was \$873,112 of May 26, 2011. For purposes of this calculation, shares of common stock held by each officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

At May 26, 2011, 498,921 shares of our common stock were outstanding.

The Company declared a reverse stock-split of 500-to -1, effective May 6, 2011. The number of issued and outstanding shares of common stock, common share equivalents, such as shares issuable pursuant to rights, warrants, and convertible promissory notes, and net loss per share and convertible or exercise price have been restated to reflect the reverse stock split.

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### Explanatory Paragraph

We are filing this Amendment No.1 to our Annual Report on Form 10-K (the “Amendment”) for the fiscal year ended December 31, 2010 as originally filed on May 27, 2011 (the “Original Filing”) to enhance our disclosures related to 1) our licensing agreement with Tarsin (Europe) Limited to use their CAPSA platform and 2) the assignment of a non-exclusive right to sell aVinci products in the United States to certain markets from a related party, Malibu Entertainment Group, Inc. a privately-held company controlled by Mr. Cellura, our chief executive officer. These revisions did not result in a restatement of our financial statements for any period presented herein. Additionally, these revisions do not result in a change in our initial evaluation of our of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) or Rule 15a-15(e) under the Exchange Act) as of December 31, 2010. And that such disclosure controls and procedures were not effective to provide reasonable assurance that the foregoing objectives are achieved.

These revisions include the following:

- Item 1. Business- 1) to clarify the rights of the aVinci and myespnhighlights.com products and that such rights were assigned to us from Malibu Entertainment Group, Inc., 2) to expand the disclosure of our licensing agreement with Tarsin (Europe) Limited, and 3) to disclose our research and development expenses;
  - Item 1A. Risk Factors- to disclose additional risk factors;
- Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations -1) to clarify the rights of the aVinci and myespnhighlights.com products and that such rights were assigned to us from Malibu Entertainment Group, Inc., 2) to expand the disclosure of our licensing agreement with Tarsin (Europe) Limited and 3) to expand our disclose our research and development expenses and selling, general, and administrative expenses;
- Item 13. Certain Relationships and Related Transactions, and Director Independence- to disclose the rights assigned to us by Malibu Entertainment Group, Inc.;
- Item 15. Exhibits and Financial Statement Schedules- to file the licensing agreement between Tarsin (Europe) Limited and us and the assignment agreement between Malibu Entertainment Group, Inc. and us.

This Amendment also includes new certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1, 31.2, 32.1, and 32.2, respectively.

Except as described above, no other information in the Original Filing has been updated and this Amendment continues to speak as of the date of the Original Filing. Other events occurring after the filing of the Original Filing or other disclosure necessary to reflect subsequent events will be addressed in other reports filed with or furnished to the SEC subsequent to the date of the Original Filing.

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## PART I

### Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K/A contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, without limitation, statements about our market opportunities, our business and growth strategies, our projected revenue and expense levels, possible future consolidated results of operations, the adequacy of our available cash resources, our financing plans, our competitive position and the effects of competition and the projected growth of the industries in which we intend to operate, as well as the following statements:

This Annual Report on Form 10-K/A also contains forward-looking statements attributed to third parties relating to their estimates regarding the size of the future market for products and systems such as our products and systems, and the assumptions underlying such estimates. Forward-looking statements include all statements that are not historical facts and can be identified by forward-looking statements such as “may,” “might,” “should,” “could,” “will,” “intends,” “estimates,” “predicts,” “projects,” “potential,” “continue,” “believes,” “anticipates,” “plans,” “expects” and similar expressions. Forward-looking statements are only predictions based on our current expectations and projections, or those of third parties, about future events and involve risks and uncertainties.

Although we believe that the expectations reflected in the forward-looking statements contained in this Annual Report on Form 10-K are based upon reasonable assumptions, no assurance can be given that such expectations will be attained or that any deviations will not be material. In light of these risks, uncertainties and assumptions, the forward-looking statements, events and circumstances discussed in this Annual Report on Form 10-K/A may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Important factors that could cause our actual results, level of performance or achievements to differ materially from those expressed or forecasted in, or implied by, the forward-looking statements we make in this Annual Report on Form 10-K/A are discussed under “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” and elsewhere in this Annual Report on Form 10-K/A and include:

- our ability to regain the listing of our common stock on the Over The Counter Bulletin Board (“OTC:BB”); and
- our ability to successfully consider, review, and if appropriate, implement other strategic opportunities.

You should not place undue reliance on any forward-looking statements. In addition, past financial or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate future results or future period trends. Except as otherwise required by federal securities laws, we disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this Annual Report on Form 10-K/A to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based. All forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this Annual Report on Form 10-K/A.

### ITEM 1. BUSINESS

The Company

Media Exchange Group, Inc. (formerly known as China Wireless Communications, Inc.) (the “Company”) is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc . (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People’s Republic of China (“China”). In March 2008, the Company discontinued its operations in China.



We currently license certain rights from a related party (Malibu Entertainment Group, Inc.) an affiliate by means of common ownership and management, to market a youth sports social program under the following brand:

[www.myespnhighlights.com](http://www.myespnhighlights.com)

Specifically, in May 2010, the Company formalized an Assignment Agreement with Malibu Entertainment Group, Inc., a privately-held company controlled by Mr. Joseph Cellura, the CEO of the Company, pursuant to which Malibu Entertainment Group assigned its rights under a certain Master Distributor Agreement dated January 20, 2010 between Malibu Entertainment Group and aVinci Media, LC. The Master Distributor Agreement grants Malibu (and by way of the Assignment the Company) the non-exclusive right to sell aVinci products in the United States directly to any municipality, school, school district, club, organization or sports team, or through such organizations or associations to any end consumer.

During the course of exploring opportunities related to the business plan involving digital trading cards, the Company met with another unrelated company, Tarsin (Europe) Limited a United Kingdom corporation, between May and August 2010 for the purpose of obtaining the rights to utilize Tarsin's technology for the back-end of the Company's digital trading card operations. On January 1, 2011, the Company entered into an OEM License with Tarsin to license to use Tarsin's CAPSA platform for the Company's digital trading card system and for development of said systems. Since, that time period, the company has invested over \$400,000 into Tarsin and the related company 5,000 Feet to utilize the license of the CAPSA system for the digital trading card, as well as other applications the Company has begun to create. The Company has also either entered into or is seeking to enter into licenses with professional athletes to sponsor its digital trading card business.

This website allows young sports participant to personalize, showcase and share their passion for a professional sport. We work with various national youth sports leagues to help build the player database through registrations, the profile control, the management and sharing of sport profiles, statistics and content. We use the CAPSA platform to ensure support across significant carriers and handset.

Our principal executive offices are located at 101 Church Street, Suite 14, Los Gatos, California, 95030. Our telephone number is (408)821-3083. Unless the context provides otherwise, when we refer to the "Company," "we," "our," or "us" in this Annual Report on Form 10-K/A, we are referring to Media Exchange Group, Inc. and its consolidated subsidiaries.

We file or furnish with or to the Securities and Exchange Commission, or SEC, our quarterly reports on Form 10-Q, annual reports on Form 10-K, current reports on Form 8-K, annual reports to stockholders and annual proxy statements and amendments to such filings. Our SEC filings are available to the public on the SEC's website at <http://www.sec.gov>. These reports are also available free of charge from our website at <http://www.mediaexchange.com> as soon as reasonably practicable after we electronically file or furnish such material with or to the SEC. The information on our website is not incorporated by reference into this Annual Report on Form 10-K or any annual report that incorporates this Annual Report on Form 10-K by reference.

While we continue to believe that our proposed business plan involving digital trading cards remains viable and continue to seek opportunities to further develop said business, our current plan of business is also to seek merger or acquisition opportunities. In this regard, we plan to investigate and, if such investigation warrants, acquire a target company or business seeking the perceived advantages of being a publicly held corporation. Our principal business objective for the next 12 months and beyond such time will be to achieve long-term growth potential through our principal business or through a combination with a business rather than immediate, short-term earnings. We will not restrict our potential candidate target companies to any specific business, industry or geographical location and, thus, may acquire any type of business. The Company identified an acquisition target but as not reached any final

agreements. The Company's information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

Our management will undertake the analysis and supervision of new business opportunities. We have unrestricted flexibility in seeking, analyzing and participating in potential business opportunities. Potentially available business opportunities may occur in many different industries, and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex. Due to our limited capital available for investigation, we may not discover or adequately evaluate adverse facts about the opportunity to be acquired.

The manner in which we participate in an opportunity will depend upon the nature of the opportunity, the respective needs and desires of our company and the promoters of the opportunity, and the relative negotiating strength of our company and such promoters.

It is likely that we will acquire our participation in a business opportunity through the issuance of our common stock or other securities. Although the terms of any such transaction cannot be predicted, it should be noted that in certain circumstances the criteria for determining whether or not an acquisition is a so-called "tax free" reorganization under Section 368(a)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), depends upon whether the owners of the acquired business own 80% or more of the voting stock of the surviving entity. If a transaction were structured to take advantage of these provisions rather than other "tax free" provisions provided under the Code, all prior stockholders would in such circumstances retain 20% or less of the total issued and outstanding shares. Under other circumstances, depending upon the relative negotiating strength of the parties, prior stockholders may retain substantially less than 20% of the total issued and outstanding shares of the surviving entity. This could result in substantial additional dilution to the equity of those who were our stockholders prior to such reorganization.

Our present stockholders will likely not have control of a majority of the voting shares of the surviving company following a reorganization transaction. As part of such a transaction, our sole director may resign and new directors may be appointed without any vote by stockholders.

In the case of an acquisition, the transaction may be accomplished upon the sole determination of management without any vote or approval by stockholders. In the case of a statutory merger or consolidation directly involving our company, it will likely be necessary to call a stockholders' meeting and obtain the approval of the holders of a majority of the outstanding shares. The necessity to obtain such stockholder approval may result in delay and additional expense in the consummation of any proposed transaction and will also give rise to certain appraisal rights to dissenting stockholders. Most likely, management will seek to structure any such transaction so as not to require stockholder approval.

It is anticipated that the investigation of specific business opportunities and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial cost for accountants, attorneys and others. If a decision is made not to participate in a specific business opportunity, the costs theretofore incurred in the related investigation would not be recoverable. Furthermore, even if an agreement is reached for the participation in a specific business opportunity, the failure to consummate that transaction may result in our loss of the related costs incurred.

#### Competition

We compete with two other content providers in the digital trading card space, [customsportscard.com](http://customsportscard.com) and [costumtradingcardmaker.com](http://costumtradingcardmaker.com). We are now in a highly competitive market for a small number of business opportunities which could reduce the likelihood of consummating a successful business combination. We are and will continue to be an insignificant participant in the business of seeking mergers with, joint ventures with and acquisitions of small private and public entities. A large number of established and well-financed entities, including small public companies and venture capital firms, are active in mergers and acquisitions of companies that may be desirable target candidates for us. Nearly all these entities have significantly greater financial resources, technical expertise and managerial capabilities than do. Consequently, we will be at a competitive disadvantage in identifying possible business opportunities and successfully completing a business combination. These competitive factors may reduce the likelihood of our identifying and consummating a successful business combination.

While there is no publicly-traded information on our existing competitors, we believe that we differentiate from our existing competition with our branding and end-user ease of flow of our Internet offerings.

#### Research and Development

We incurred approximately \$285,000 in expenses on research and development during 2010. Research and development consists of consulting fees incurred by the Company in connection with the enhancement of its digital youth sports social network as well as non-refundable payments for licensing fees for the CAPSA module.

#### Employees

At December 31, 2010, we had two employees apart from our management. Our Chief Executive Officer and our General Counsel are engaged in outside business activities and anticipates that they will devote to our business limited time until the acquisition of a successful business opportunity has been identified. We expect no significant changes in the number of our employees other than such changes, if any, incident to business combination.

#### Item 1A. Risk Factors

In addition to other information included in this annual report, the following factors should be considered in evaluating our business and future prospects.

To date we have had significant operating losses and an accumulated deficit and have had limited revenues and do not expect to be profitable for at least the foreseeable future, and cannot predict when we might become profitable, if ever.

We have been operating at a loss since our inception, and we expect to continue to incur substantial losses for the foreseeable future. Net loss for the fiscal year ended December 31, 2010 and 2009 was approximately \$3.9 million and \$770,000, respectively resulting in an accumulated deficit of approximately \$21.4 million at December 31, 2010.

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We had no revenue for the fiscal year ended December 31, 2010. Further, we may not be able to generate significant revenues in the future. In addition, we expect to incur substantial operating expenses in order to fund the expansion of our business. As a result, we expect to continue to experience substantial negative cash flow for at least the foreseeable future and cannot predict when, or even if, we might become profitable.

Our auditors have expressed substantial doubt about our ability to continue as a going concern.

In their report dated May 26, 2011, Sherb & Co., LLP stated that our financial statements for the fiscal year ended December 31, 2010, were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of our recurring losses from operations and our net capital deficiency. We continue to experience net operating losses. Our ability to continue as a going concern is subject to our ability to generate a profit.

Additional financing is necessary for the implementation of our growth strategy.

We may require additional debt and/or equity financing to pursue our growth strategy. Given our limited operating history and existing losses, there can be no assurance that we will be successful in obtaining additional financing. Lack of additional funding could force us to curtail substantially our growth plans or cease of operations. Furthermore, the issuance by us of any additional securities pursuant to any future fundraising activities undertaken by us would dilute the ownership of existing shareholders and may reduce the price of our common stock.

Furthermore, debt financing, if available, will require payment of interest and may involve restrictive covenants that could impose limitations on our operating flexibility. Our failure to successfully obtain additional future funding may jeopardize our ability to continue our business and operations.

We may be unable to manage our growth or implement our expansion strategy.

We may not be able to expand our product offerings, our client base and markets, or implement the other features of our business strategy at the rate or to the extent presently planned. Our projected growth will place a significant strain on our administrative, operational and financial resources. If we are unable to successfully manage our future growth, establish and continue to upgrade our operating and financial control systems, recruit and hire necessary personnel or effectively manage unexpected expansion difficulties, our financial condition and results of operations could be materially and adversely affected.

Potential claims alleging infringement of third party's intellectual property by us could harm our ability to compete and result in significant expenses to us and loss of significant rights.

From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business. Any claims, with or without merit, could be time-consuming, result in costly litigation, divert the efforts of our technical and management personnel, cause product shipment delays, disrupt our relationships with our customers or require us to enter into royalty or licensing agreements, any of which could have a material adverse effect upon our operating results. Royalty or licensing agreements, if required, may not be available on terms acceptable to us. If a claim against us is successful and we cannot obtain a license to the relevant technology on acceptable terms, license a substitute technology or redesign our products to avoid infringement, our business, financial condition and results of operations would be materially adversely affected.

We lack sales, marketing, and distribution capabilities and depend on third parties to market our services.

We have minimal personnel dedicated solely to sales and marketing of our services and therefore we must rely primarily upon third party distributors to market and sell our services. These third parties may not be able to market our product successfully or may not devote the time and resources to marketing our services that we require. We also rely upon third party carriers to distribute and deliver our services. As such, our deliveries are to a certain extent out of our control. If we choose to develop our own sales, marketing or distribution capabilities, we will need to build a marketing and sales force with technical expertise and with supporting distribution capabilities, which will require a substantial amount of management and financial resources that may not be available. If we or a third party are not able to adequately sell and distribute our product, our business will be materially harmed.

If we are unable to establish sufficient sales and marketing capabilities or enter in and maintain appropriate arrangements with third parties to market and distribute our services, our business will be harmed.

We have limited experience as a company in the sale, marketing and distribution of our products and services. We depend upon third parties to sell our product both in the United States and internationally. To achieve commercial success, we must develop sales and marketing capabilities and enter into and maintain successful arrangements with others to sell, market and distribute our products.

If we are unable to establish and maintain adequate sales, marketing and distribution capabilities, independently or with others, we may not be able to generate product revenue and may not become profitable. If our current or future partners do not perform adequately, or we are unable to locate or retain partners, as needed, in particular geographic areas or in particular markets, our ability to achieve our expected revenue growth rate will be harmed.

We face competition in our markets from a number of large and small companies, some of which have greater financial, research and development, production and other resources than we have.

We compete with companies large and small large companies in the digital trading card business. To the extent these companies, or new entrants into the market, offer comparable services at lower prices, our business could be adversely affected. Our competitors can be expected to continue to improve the design and performance of their products and services and to introduce new products and services with competitive performance characteristics. There can be no assurance that we will have sufficient resources to maintain our current competitive position. See “Description of Business - Competition.”

As we are contemplating transactions with target business with which to complete a business combination, investors are unable to currently ascertain the merits or risks of the target business’ operations.

One of our business objectives is to locate and acquire a privately owned operating company. Since we have not completed any definitive agreement with a prospective target business, investors in this offering have no current basis to evaluate the possible merits or risks of the target business’ operations. To the extent we complete a business combination with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. Although our management will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors. We also cannot assure you that an investment in our securities will not ultimately prove to be less favorable than a direct investment, if an opportunity were available, in a target business.

We expect to incur losses in the future and may not achieve profitability.

As we have no operations, we have no source of revenues. Accordingly, until we acquire an operating company, we expect to incur expenses without any sources of revenues, which will result in net losses. We cannot be certain that we will ever generate sufficient revenues to achieve or if achieved, sustain profitability.

Our ability to effect a business combination and to be successful afterward will be totally dependent upon the efforts of our key personnel, some of whom may join us following a business combination and whom we would have only a limited ability to evaluate. It is also possible that our current officers and directors will resign upon the consummation of a business combination.

Our ability to effect a business combination will be totally dependent upon the efforts of our key personnel. The future role of our key personnel following a business combination, however, cannot presently be fully ascertained. Although we expect our Chief Executive Officer, Joseph Cellura, to remain associated with us following a business

combination, we may employ other personnel following the business combination. Moreover, our current management will only be able to remain with the combined company after the consummation of a business combination if they are able to negotiate and agree to mutually acceptable employment terms as part of any such combination, which terms would be disclosed to stockholders in any proxy statement relating to such transaction. If a business combination were structured as a merger or stock purchase whereby the stockholders of the target company were to control the combined company following a business combination, it may be less likely that our current management would remain with the combined company unless it was negotiated as part of the transaction via the acquisition agreement, an employment agreement or other arrangement. In making the determination as to whether current management should remain with us following the business combination, management will analyze the experience and skill set of the target business' management and negotiate as part of the business combination that certain members of current management remain if it is believed that it is in the best interests of the combined company post-business combination. If management negotiates such retention as a condition to any potential business combination, management may look unfavorably upon or reject a business combination with a potential target business whose owners refuse to retain members of our management post-business combination, thereby resulting in a conflict of interest. While we intend to closely scrutinize any additional individuals we engage after a business combination, we cannot assure you that our assessment of these individuals will prove to be correct. These individuals may be unfamiliar with the requirements of operating a public company as well as United States securities laws which could cause us to have to expend time and resources helping them become familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues which may adversely affect our operations.

If we seek to effect a business combination with an entity that is directly or indirectly affiliated with one or more of our existing stockholders, conflicts of interest could arise.

Our existing stockholders either currently have or may in the future have affiliations with various companies. If we were to seek a business combination with a target company with which one or more of our existing stockholders is affiliated, conflicts of interest could arise in connection with negotiating the terms of and completing the business combination. If conflicts arise, they may not necessarily be resolved in our favor.

Our officers and directors may allocate their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs. This could have a negative impact on our ability to consummate a business combination.



Our officers and directors are not required to, and do not intend to, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and other businesses. We do not intend to have any full time employees prior to the consummation of a business combination. Our Chief Executive Officer is engaged in several other business endeavors and is not obligated to contribute any specific number of hours per week to our affairs. If our Chief Executive Officer's other business affairs require him to devote more substantial amounts of time to such affairs, it could limit his ability to devote time to our affairs and could have a negative impact on our ability to consummate a business combination. We cannot assure you that these conflicts will be resolved in our favor.

It is possible that our initial business combination will be with a single target business, which may cause us to be solely dependent on a single business and a limited number of services.

We may not be able to acquire more than one target business. Accordingly, the prospects for our success may be:

- solely dependent upon the performance of a single business, or
- dependent upon the development or market acceptance of a single or limited number of processes or services.

In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several business combinations in different industries or different areas of a single industry.

Because of our limited resources and the significant competition for business combination opportunities, we may not be able to consummate an attractive business combination.

We expect to encounter intense competition from other entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses competing for acquisitions. Many of these entities are well established and have extensive experience in identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe that there are numerous potential target businesses that we could acquire with the net proceeds of this offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses.

We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of the target business, which could compel us to restructure the transaction or abandon a particular business combination.

As we have not yet consummated a transaction with any prospective target business, we cannot ascertain the capital requirements for any target business subsequent to a business combination. We cannot assure you that such financing would be available on acceptable terms, if at all. If we were unable to secure additional financing, we would most likely fail to consummate a business combination in the allotted time and would dissolve and liquidate our assets as part of our plan of dissolution and liquidation. In addition, if we consummate a business combination, we may require additional financing to fund the operations or growth of the target business. The failure to secure additional financing could have a material adverse effect on the continued development or growth of the target business. None of our officers, directors or existing stockholders is required to provide any financing to us in connection with or after a business combination.

We may grant stock options to certain members of our management, which could have a negative impact on our results of operations.

As we do not have adequate cash resources to pay them salaries or fees, we may grant options to purchase shares of our common stock to members of our management. Because any grant of the options will be deemed to be stock-based compensation, commencing on the date of grant, we will be required to record a charge to earnings in an amount equal to the fair value of such options, which will be estimated using the Black-Scholes formula or other similar valuation methodology. Any such charge to earnings could have a negative impact on our results of operations, particularly when we expect to have operating revenues following a business combination. Although there can be no assurance, we do not believe the grant of such options will have a material impact on our ability to effect a business combination.

We have approximately \$1.5 million in accounts payable and accrued expenses and accrued compensation and \$3.0 million in promissory notes and accrued interest at December 31, 2010. If we are unable to satisfy these obligations, then our business will be adversely effected.

Our liabilities exceed \$5.1 million at December 31, 2010. We intend to satisfy such liabilities with a combination of issuance of stock and cash consideration. However, to satisfy the liabilities by such means, we intend to 1) increase our number of authorized shares and/or 2) effectuate a stock split, and 3) generate proceeds from private placements which would most likely require that we also increase the number of authorized shares and effectuate a stock split. We are unable to determine whether we will be able to satisfy the liabilities in the manners we intend.

The time and cost of preparing a private company to become a public reporting company may preclude us from entering into a merger or acquisition with the most attractive private companies.

Target companies that fail to comply with SEC reporting requirements may delay or preclude acquisition. Sections 13 and 15(d) of the Exchange Act require reporting companies to provide certain information about significant acquisitions, including certified financial statements for the company acquired, covering one, two, or three years, depending on the relative size of the acquisition. The time and additional costs that may be incurred by some target entities to prepare these statements may significantly delay or essentially preclude consummation of an acquisition. Otherwise suitable acquisition prospects that do not have or are unable to obtain the required audited statements may be inappropriate for acquisition so long as the reporting requirements of the Exchange Act are applicable.

The Company may be subject to further government regulation which would adversely affect our operations.

Although we will be subject to the reporting requirements under the Exchange Act, management believes we will not be subject to regulation under the Investment Company Act of 1940, as amended (the "Investment Company Act"), since we will not be engaged in the business of investing or trading in securities. If we engage in business combinations which result in our holding passive investment interests in a number of entities, we could be subject to regulation under the Investment Company Act. If so, we would be required to register as an investment company and could be expected to incur significant registration and compliance costs. We have obtained no formal determination from the SEC as to our status under the Investment Company Act and, consequently, violation of the Investment Company Act could subject us to material adverse consequences.

Because we may acquire a company located outside of the United States, we may be subject to various risks of the foreign jurisdiction in which we ultimately operate.

If we acquire a company that has sales or operations outside the United States, we could be exposed to risks that negatively impact our future sales or profitability following a business combination, especially if the acquired company is in a developing country or a country that is not fully market-oriented. If we were to acquire a business that operates in such a country, our operations might not develop in the same way or at the same rate as might be expected in the United States or another country with an economy similar to the market-oriented economies of member countries which are members of the Organization for Economic Cooperation and Development, or the OECD (an international organization helping governments through the economic, social and governance challenges of a globalized economy).

We are delinquent in our compliance with applicable reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act").

As such we are a non-reporting company, and subject to an adverse review by the SEC at any time. The results from such a review could result in being deregistered, which would have an adverse effect on our ability to return to the OTC:BB.

We will continue to incur the expenses of complying with public company reporting requirements.

We have an obligation to continue to comply with the applicable reporting requirements of the Exchange Act, which includes the filing with the SEC of periodic reports, proxy statements and other documents relating to our business, financial conditions and other matters, even though compliance with such reporting requirements is economically burdensome.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

#### ITEM 2. PROPERTIES

For the year 2010, we 1) owned no property/real estate/ or engaged into any property leases or rentals at the corporate headquarters, and 2) did not own/lease/rent any vehicle or equipment for the year 2010 at the corporate headquarters. We currently operate from an office space also occupied by our General Counsel, which consists of 400 square feet, for which we pay \$3,000 per month.

#### ITEM 3. LEGAL PROCEEDINGS

There are no material pending proceedings to which the Company or any of our subsidiaries is a party or of which any of our property is the subject.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded as a "Pink Sheet" Stock under the symbol "CWLC.PK" The Company's common stock is listed on the OTC Pink Quote. The following table presents the high and low sales price for our common stock for the periods indicated:

| Fiscal Year Ended December 31, 2010 | High    | Low    |
|-------------------------------------|---------|--------|
| Quarter ended December 31, 2010     | \$12.4  | \$6.75 |
| Quarter ended September 30, 2010    | \$16.25 | \$8.50 |
| Quarter ended June 30, 2010         | \$10.00 | \$2.50 |
| Quarter ended March 31, 2010        | \$3.00  | \$0.45 |
| Fiscal Year Ended December 31, 2009 | High    | Low    |
| Quarter ended December 31, 2009     | \$0.95  | \$0.40 |
| Quarter ended September 30, 2009    | \$0.95  | \$0.40 |
| Quarter ended June 30, 2009         | \$0.80  | \$0.25 |
| Quarter ended March 31, 2009        | \$0.50  | \$0.10 |

## Holders

According to the records of our transfer agent, as of May 26, 2011, there were approximately 250 holders of record of our common stock, which number does not reflect beneficial stockholders who hold their stock in nominee or “street” name through various brokerage firms.

## Dividends

The Company has not declared any dividends for the two most recent fiscal years.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table shows information with respect to each equity compensation plan under which our common stock is authorized for issuance at December 31, 2010:

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by - security holders     | -  | N/A  | 51,124   |
| Equity compensation plans not approved - by security holders | -  | N/A  | -  |
| <b>Total</b>   | <b>-</b>   | <b>N/A</b>   | <b>51,124</b>  |

## Recent Sales of Unregistered Securities

During the three-month period ended March 31, 2010, we issued \$238,000 notes payable to five individuals, of which \$90,000 was for cash consideration and \$148,000 was for services performed. The notes bear interest at rates ranging between 5% and 7% and mature between January and March 2011. The notes are convertible into shares of our common stock at rates ranging between \$2 and \$12.50 per share, at our option. The conversion option lapses between December 2010 and May 2011.

During the three-month period ended June 30, 2010, we issued \$360,000 notes payable to twelve individuals, of which \$185,000 was for cash consideration and \$175,000 was for services performed. The notes bear interest at rates ranging between 5% and 7% and mature between April and June 2011. The notes are convertible into shares of our common stock at rates ranging between \$2 and \$12.50 per share, at our option. The conversion option lapses between December 2010 and June 2011.



During the three-month period ended September 30, 2010, we issued \$450,000 notes payable to four individuals, of which \$260,000 was for cash consideration and \$65,000 was for services performed. One of the notes included an original issue discount of \$125,000.

- Three of the notes aggregating \$75,000 bear interest at rates ranging between 5% and 7% and mature between July and September 2011. The notes are convertible into shares of our common stock at rates ranging between \$12.5 and \$25 per share, at our option. The conversion option lapses between July and September 2011.
- One note amounting to \$375,000 bears at a rate of 10% per month, up to \$125,000, after December 2010, and matures in December 2011. Additionally, we granted 25,000 warrants, exercisable at \$5 per shares of our common stock. The warrants expire in August 2012.

During the three-month period ended December 31, 2010, we issued \$610,508 to seven individuals and Malibu Entertainment Group, Inc., a related party owned solely by our chief executive officer, Mr. Cellura, of which \$365,856 was for cash consideration and \$119,652 was for services performed. One of the notes included an original issue discount of \$125,000.

- Five of the notes aggregating \$235,508 bear interest at a rate of 5% and mature between October and December 2011. The notes are convertible into shares of our common stock at rates ranging between \$2.50 and \$25 per share, at our option. The conversion option lapses between October 2011 and January 2012.
- One note amounting to \$375,000 bears at a rate of 10% per month, up to \$125,000, after February 2011, and matures in February 2011. Additionally, we granted 25,000 warrants, exercisable at \$5 per shares of our common stock. The warrants expire in October 2012.

These transactions exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 3(a)(9) of that act.

#### ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited annual financial statements and the notes to those financial statements included elsewhere in this Annual Report on Form 10-K.

##### Overview

Media Exchange Group, Inc., formerly known as China Wireless Communications, Inc. (the "Company") is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People's Republic of China ("China"). In March 2008, the Company discontinued its operations in China.





We currently license certain rights from a related party (Malibu Entertainment Group, Inc.) an affiliate by means of common ownership and management, to market a youth sports social network under the following brand:

www.myespnhighlights.com

Specifically, in May 2010, the Company formalized an Assignment Agreement with Malibu Entertainment Group, Inc., a privately-held company controlled by Mr. Joseph Cellura, the CEO of the Company, pursuant to which Malibu Entertainment Group assigned its rights under a certain Master Distributor Agreement dated January 20, 2010 between Malibu Entertainment Group and aVinci Media, LC. The Master Distributor Agreement grants Malibu (and by way of the Assignment the Company) the non-exclusive right to sell aVinci products in the United States directly to any municipality, school, school district, club, organization or sports team, or through such organizations or associations to any end consumer.

During the course of exploring opportunities related to the business plan involving digital trading cards, the Company met with another unrelated company, Tarsin (Europe) Limited a United Kingdom corporation, between May and August 2010 for the purpose of obtaining the rights to utilize Tarsin's technology for the back-end of the Company's digital trading card operations. On January 1, 2011, the Company entered into an OEM License with Tarsin to license to use Tarsin's CAPSA platform for the Company's digital trading card system and for development of said systems. Since, that time period, the company has invested over \$400,000 into Tarsin and the related company 5,000 Feet to utilize the license of the CAPSA system for the digital trading card, as well as other applications the Company has begun to create. The Company has also either entered into or is seeking to enter into licenses with professional athletes to sponsor its digital trading card business.

Among other things, this website allows young sports participant to personalize, showcase and share their passion for a professional sport. We work with various national youth sports league to help build their player database through registrations. The profile control the management and sharing of sport profiles, statistics and content. We use the Capsa platform to ensure support across significant carriers and handset.

While we continue to believe that our proposed business plan involving digital trading cards remains viable and continue to seek opportunities to further develop said business, our current plan of business is also to seek merger or acquisition opportunities. In this regard, we plan to investigate and, if such investigation warrants, acquire a target company or business seeking the perceived advantages of being a publicly held corporation. Our principal business objective for the next 12 months and beyond such time will be to achieve long-term growth potential through our principal business or through a combination with a business rather than immediate, short-term earnings. We will not restrict our potential candidate target companies to any specific business, industry or geographical location and, thus, may acquire any type of business. The Company identified an acquisition target but as not reached any final agreements. The Company's information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

2010 and 2009 results of operations

#### RESULTS OF OPERATIONS

|                          | Year ended<br>December 31, |      | Increase/<br>(Decrease)<br>in \$ 2010<br>vs 2009 | Increase/<br>(Decrease)<br>in % 2010<br>vs 2009 |
|--------------------------|----------------------------|------|--|---|
|                          | 2010                       | 2009 |  |   |
| Operating expenses:      |                            |      |  |   |
| Research and development | \$284,912                  | \$-  | \$284,912  | NM  |

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|  |                |              |             |        |   |
|--|----------------|--------------|-------------|--------|---|
| Selling, general and administrative            | 2,025,572      | 679,414      | 1,346,158   | 198.1  | % |
| Total operating expenses                       | 2,310,484      | 679,414      | 1,631,070   | 240.1  | % |
| Operating loss                                 | (2,310,484 )   | (679,414 )   | 1,631,070   | 240.1  | % |
| Other income(expenses):                        |                |              |             |        |   |
| Change in fair value of derivative liabilities | (879,519 )     | -            | (879,519 )  | NM     |   |
| Interest expense related parties               | (73,167 )      | (28,795 )    | 44,372      | 154.1  | % |
| Interest expense, net                          | (591,607 )     | (53,171 )    | 538,436     | 1012.6 | % |
|  | (1,544,293 )   | (53,171 )    | 1,491,122   | 2804.4 | % |
| Net loss                                       | \$(3,854,777 ) | \$(770,205 ) | \$3,084,572 | 400.5  | % |

NM: Not Meaningful

### Research and development

Research and development consists of consulting fees incurred by the Company in connection with the enhancement of its digital youth sports social network as well as non-refundable payments for licensing fees for the CAPSA module.

The increase in research and development during 2010 when compared to 2009 is primarily due to our enhancement of our digital youth sports social network which began during that period as well as one-time payment for licensing fee for the CAPSA module which amounted to approximately \$150,000. We did not incur such expenses during 2009.

#### Selling, general and administrative expenses

Selling, general, and administrative expenses primarily consists of compensation to officers and consultants incurred in connection with researching and identifying strategic transactions and being a publicly-traded company.

The increase in selling, general, and administrative expenses during 2010 when compared to the prior year is primarily due to increased compensation from additional staff to market our product, support our operations and increased compensation to our chief executive officer, pursuant to a new contract effective January 1, 2010. A substantial portion of our selling, general, and administrative expenses were business development expenses incurred in connection with developing strategic alliances to 1) expand the technological delivery of our digital trading card platform and 2) expand and implement a referral system and marketing programs with certain organizations and associations to ultimately market our digital trading card platform to young sport participants and their parents.

#### Interest expense and interest expense to related parties

Interest expense primarily consists of the amortization of debt discount resulting from discount given as consideration for issuance of debt, debt discount associated with embedded conversion features, and, to a lesser extent, interest on debt.

The increase in interest expense during 2010 when compared to 2009 is primarily due to amortization of debt discount resulting from the granting of discount of \$250,000 on two notes payable as well as embedded conversion features aggregating approximately \$520,000 issued during 2010, none of which were granted during 2009.

#### Going Concern

The Company has experienced substantial losses since its inception as well as negative cash flows from its current operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue in existence as a going concern, is dependent upon its ability to obtain equity or debt financing and to merge with a company which will generate cash flows from operating activities. Management is unable to determine whether it will be successful in obtaining such equity or debt financing and whether it will be successful in completing a merger with a company generating cash flows.

#### Liquidity

We did not have any assets with carrying value at December 31, 2010. Our cash balance will be not sufficient meet our obligations for the next twelve months.

During 2010, we used cash flows of approximately \$926,000 in our operating activities. This is primarily due to our net loss of approximately \$3.9 million, adjusted by the following non-cash transactions or changes in operating activities:

- Increase in fair value of derivative liabilities of approximately of approximately \$880,000, which is related to an increase of the underlying value of the derivative, our price per share of common stock;
- Fair value of derivative liabilities upon issuance of approximately \$224,000 for services performed by consultants to market our product and support our operations;
-

Amortization of debt discount of approximately \$547,000 resulting from the grant of discount and embedded conversion features issued during 2010;

- Increased accrued interest payable aggregating approximately \$118,000 due to our inability to pay such interest during 2010;
- Increased accrued compensation of approximately \$1.0 million due to our inability to pay such compensation as incurred;
- Increased accounts payable and accrued expenses of approximately \$208,000 due to our inability to pay such expenses as incurred.

During 2010, we generated proceeds of approximately \$900,000 by issuing notes payable, of which approximately \$153,000 were issued to related parties by means of common ownership and management. The proceeds were primarily used to pay compensation to officers and consultants, which devoted a significant amount of time in connection with developing strategic alliances to 1) expand the technological delivery of our digital trading card platform and 2) expand and implement a referral system and marketing programs with certain organizations and associations to ultimately market our digital trading card platform to young sport participants and their parents as well as a one-time payment for the licensing of CAPSA..

During 2009, we used cash flows of approximately \$170,000 in our operating activities. This is primarily due to our net loss of approximately \$770,000, adjusted by the following non-cash transactions or changes in operating activities:

- Increase of accrued compensation of approximately \$472,000, of which \$100,000 was satisfied by issuing a convertible promissory note, and accrued interest of \$82,000;

During 2009, we generated proceeds of approximately \$170,000 by issuing notes payable.

## Critical Accounting Policies

### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States 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 periods. Significant estimates made by management include, but are not limited to the realization of accounts receivables. Actual results will differ from these estimates. Present below are those accounting policies that we believe require subjective and complex judgments that could affect reported results:

### Derivative liabilities

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional (as that term is described).

The Company believes that certain conversion features embedded in certain of its convertible notes payable and rights to the Company's common stock and preferred stock are not clearly and closely related to the economic characteristics of the Company's stock price. The Company does not have a sufficient amount of authorized shares to satisfy its obligations under the convertible promissory notes and rights to the shares of common stock. Additionally, while rights to preferred stock have been granted to the Company's chief executive officer, substantially all the terms were finalized in January 2011. Accordingly, the Company has recognized derivative liabilities in connection with such instruments. The Company uses judgment in determining the fair value of derivative liabilities at the date of issuance at every balance sheet thereafter. The Company uses judgment in determining which valuation is most appropriate for the instrument (e.g., Black Scholes), the expected volatility, the implied risk free interest rate, as well as the expected dividend rate.

### Income Tax

We account for income taxes under the asset and liability approach for the financial accounting and reporting of income taxes. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets when we determine realization is not currently judged to be more likely than not.

We follow the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") No. 740, Income Taxes ("ASC 740"). ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition purposes by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not

accurately anticipate actual outcomes. Accordingly, we report a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken on a tax return and recognizes interest and penalties, if any, related to uncertain tax positions as an as interest expense.

Impact of Recently Issued Accounting Standards

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements, including supplementary data and the accompanying report of independent registered public accounting firm filed as part of this Annual Report on Form 10-K, are listed in the Index to Consolidated Financial Statements and Financial Statement Schedules on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of Disclosure Controls

We evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) or Rule 15a-15(e) under the Exchange Act) as of December 31, 2007. This evaluation (the “disclosure controls evaluation”) was done under the supervision and with the participation of management, including our chief executive officer (“CEO”) and chief financial officer (“CFO”). Based upon the disclosure controls evaluation, our CEO and CFO have concluded that, as of December 31, 2010, our disclosure controls and procedures were not effective to provide reasonable assurance that the foregoing objectives are achieved.

Objective of Controls

Our disclosure controls and procedures are designed so that after the Company completes its filings for 2009 and 2010 that future information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable

assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including the CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2010, based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation under the framework in Internal Control — Integrated Framework, management concluded that our internal control over financial reporting were not effective as of December 31, 2010. We used to have sufficient staff for an operating company but no longer have the internal resources to do so.



This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report.

#### ITEM 9B. OTHER INFORMATION

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our directors and executive officers, and their ages and positions, as of December 31, 2010, are set forth below:

| Name | Positions with the Company |
|------|----------------------------|
|------|----------------------------|

|                   |   |
|-------------------|---|
| Joseph R. Cellura | Chief Executive Officer, Director and Chairman of the Board |
|-------------------|---|

|             |                 |
|-------------|-----------------|
| Rachel Baer | General Counsel |
|-------------|-----------------|

JOSEPH CELLURA, 55. Mr. Cellura serves as our Chief Executive Officer since March 2008. He also serves as the Chief executive Officer of TriPacific Capital Corporation, a privately-held consulting company, specializing in providing advice on strategic transactions to small and medium size companies since 2003, and Chairman of the Board and Chief executive Officer of Malibu Entertainment Company, specializing in providing strategic support to entertainment companies.

RACHEL BAER, 37. Ms. Baer serves as our General Counsel since March 2008. She also practices corporate law at the Law offices of Rachel Baer since 2007. Prior to that, she was an associate at the law offices of Travis Whitfield in 2006 and 2007. Ms. Baer graduated from University of California- Santa Cruz in 2002 and received her Juris Doctorate from Golden Gate University School of Law in 2006. Ms. Baer is licensed to practice law in California.

#### Audit Committee

Our Board of directors serves as our audit committee. Our current board member, Mr. Cellura is not independent. Until we have sufficient resources, we do not intend to create an audit committee. Our Board of Directors has the following oversight of:

- our accounting, financial reporting processes, audits and the integrity of our financial statements;
- our independent auditor's qualifications, independence and performance;
- our compliance with legal and regulatory requirements;
- our internal accounting and financial controls; and
- our audited financial statements and reports, and the discussion of the statements and reports with management, including any significant adjustments, management judgments

and estimates, new accounting policies and disagreements with management.

The Board of Directors has the sole and direct responsibility for appointing, evaluating and retaining our independent auditors and for overseeing their work. All audit and non-audit services to be provided to us by our independent auditors must be approved in advance by our Board of Directors, other than de minimis non-audit services that may instead be approved in accordance with applicable rules of the SEC.

#### Section 16(a) Beneficial Ownership Reporting Compliance

We are not subject to Section 16(a) of the Exchange Act.

#### Code of Business Conduct and Ethics

Our Board of Directors has approved and we have adopted a Code of Business Conduct and Ethics, or the Code of Conduct, which applies to all of our directors, officers and employees. Our Board of Directors has also approved and we have adopted a Code of Ethics for Senior Financial Officers or the Code for SFO, which applies to our chief executive officer and chief financial officer. The Code of Conduct and the Code for SFO are available for review on our website at [www.mediaexchange.com](http://www.mediaexchange.com). We will provide a copy of our Code of Conduct and Code for SFO without charge, upon written request to Media Exchange Group, Inc., Attention: Secretary, 101 Church Street, Suite 14, Los Gatos, California 95030. Our Board of Directors is responsible for overseeing the Code of Conduct and the Code for SFO. Our Board of Directors must approve any waivers of the Code of Conduct for directors and executive officers and any waivers of the Code for SFO.

#### Change in Nominating Process

There are no material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

### ITEM 11. EXECUTIVE COMPENSATION

#### EXECUTIVE COMPENSATION

##### Summary Compensation Table

The following table sets forth information regarding compensation earned in or with respect to our fiscal year 2010 and 2009 by:

- each person who served as our chief executive officer in 2009; and
- each person who served as our chief financial officer in 2009.

##### Summary Compensation Table

| Name and Principal Position                | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity                       |                             | Total (\$) |
|--|------|-------------|------------|-------------------|--------------------|----------------------------------|-----------------------------|------------|
|  |      |             |            |                   |                    | Incentive Plan Compensation (\$) | All Other Compensation (\$) |            |
| Patrick Shuster<br>Chief Financial Officer | 2009 | 8,500       | -          | -                 | -                  | -                                | -                           | 8,500      |
|  | 2010 | -           | -          | -                 | -                  | -                                | -                           | -          |

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|   |      |         |        |   |   |   |         |         |
|---|------|---------|--------|---|---|---|---------|---------|
| Joseph R. Cellura<br>Former President,<br>Chief<br>Executive Officer, | 2009 | 400,000 | 18,515 | - | - | - | -       | 418,515 |
| Chief Financial<br>Officer<br>and Director                            | 2010 | 450,000 | -      | - | - | - | 108,000 | 576,511 |
| Rachel Baer<br>General Counsel  | 2009 | 204,000 | 3,390  | - | - | - | -       | 207,390 |
|   | 2010 | 204,000 | 18,511 | - | - | - | -       | 222,511 |

## Narrative Disclosure to Summary Compensation Table

### Executive Employment Arrangements

During 2008, we issued 5,081,300 shares of our common stock to an affiliate of Mr. Racelis in consideration for his compensation aggregating \$41,667. Mr. Racelis served as our Chief Executive Officer through March 2008.

We paid Mr. Shuster \$8,500 during 2009.

The compensation of Mr. Cellura, our Chief Executive Officer is effective March 2008 through December 2009 and is as follows:

- Base annual compensation of \$400,000;
- 7% of the authorized shares of the Company;
- 7% of all capital raised by the Company;
- 7% of the disposition proceeds upon the sale of the Company;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
  - \$275,000 upon the performance of specific performances, which were accomplished during March 2008.

This agreement was modified effective January 1, 2010 as follows:

- Base annual compensation of \$450,000;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
  - Monthly stipend for office and residence of \$9,000 per month;
  - 2% of all capital raised by the Company;
  - 5% of the disposition proceeds upon the sale of the Company.

The Compensation of Ms. Baer, our General Counsel is effective January 1, 2009 and is as follows:

- Base annual compensation of \$204,000;
- Incentive compensation based on revenues ranging from \$10,400 if revenues range between \$0-2 million to \$102,000 if revenues are in excess of \$10 million;
  - 2% of all capital raised by the Company;
  - 5% of the disposition proceeds upon the sale of the Company;
  - Monthly stipend for office of \$3,000 per month.

During 2010, M. Cellura and Ms. Baer waive their rights to obtain the equivalent of 8 years of service in a retirement plan until the plan is established and/or approved by the shareholders.

### Outstanding Equity Awards as Of December 31, 2010

None.

### Potential Payments upon Termination or Change in Control

Upon termination without cause, Mr. Cellura and Ms. Baer are entitled to a severance payment amounting to their compensation for their remainder of their contract and a one-time payment of \$1.5 million, each. In the event of

non-renewal of their contract, they are entitled to \$900,000 each.

Director Compensation

We did not compensate any individuals as directors during 2010.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance Under Equity Compensation Plans

The Company had no executory contracts in place requiring equity compensation in 2010 until approved by the shareholders.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information known to us regarding beneficial ownership of shares of our common stock as of May 25, 2011, by:

- each of our directors;
- each of our named executive officers;
- all of our executive officers and directors as a group; and
- each person, or group of affiliated persons, known to us to be the beneficial owner of more than 5% of our outstanding shares of common stock.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting and investment power with respect to the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of May 19, 2011 are deemed outstanding. Such shares, however, are not deemed outstanding for purposes of computing the percentage ownership of any other person. To our knowledge, except as indicated in the footnotes to this table and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown opposite such person's name. The percentage of beneficial ownership is based on 498,922 shares of our common stock outstanding as of May 19, 2011. Unless otherwise noted below, the address of the persons and entities listed in the table is c/o Attention: Secretary, 101 Church Street, Suite 14, Los Gatos, California 95030.

| Name and Address of Beneficial Owner   | Number of<br>Shares<br>Beneficially<br>Owned(#) | Percent of<br>Outstanding<br>Shares(%) |   |
|--|---|--|---|
| Five percent stockholders:   |   |  |   |
| Pedro E. Racelis III ( former chief executive officer)<br>101 Church Street<br>Suite 14<br>Los Gatos, CA 95030 | 79,242  | 6.6                                    | % |
| Henry Zaks (former director)<br>101 Church Street<br>Suite 14  | 26,438  | 5.3                                    | % |

Los Gatos, CA 95030

Named Executive Officers and Directors:

Joseph Cellura (Chief Executive Officer and Director)

101 Church Street

Suite 14

Los Gatos, CA 95030

Rachel Baer (General Counsel)

101 Church Street

Suite 14

Los Gatos, CA 95030

Executive Officers and Directors as a group (3 persons)

|   |   |   |
|---|---|---|
| - | - | % |
| - | - | % |

Excluded from the beneficial ownership schedule are 20,000 shares held by Ms. Cynthia Baer, a relative of our Chief Executive Officer and our General Counsel. Also excluded are shares of common stock that the Company intends to issue to Mr. Cellura in satisfaction of a \$275,000 promissory note payable by us to two companies in which Mr. Cellura exercises significant influence as officer and shareholder ( Malibu Beach Beverage LLC and TriPacific Consulting, Inc.). Furthermore, excluded from the beneficial ownership are 150, 000 shares of our Preferred Stock, issued to Mr. Cellura. Such shares provide voting rights amounting to 450,000,000 votes.



#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Since the beginning of our fiscal year 2009, there has not been, with the exception of the following, , and there is not currently proposed any transaction or series of similar transactions in which the amount involved exceeded or will exceed the lesser of \$120,000 and in which any related person, including any director, executive officer, holder of more than 5% of our capital stock during such period, or entities affiliated with them, had or will have a direct or indirect a material interest and is outside of the scope of our operations.

In May 2010, the Company formalized an Assignment Agreement with Malibu Entertainment Group, Inc., a privately-held company controlled by Mr. Joseph Cellura, the CEO of the Company, pursuant to which Malibu Entertainment Group assigned its rights under a certain Master Distributor Agreement dated January 20, 2010 between Malibu Entertainment Group and aVinci Media, LC. The Master Distributor Agreement grants Malibu (and by way of the Assignment the Company) the non-exclusive right to sell aVinci products in the United States directly to any municipality, school, school district, club, organization or sports team, or through such organizations or associations to any end consumer.

##### Review, Approval or Ratification of Transactions with Related Parties

Our audit committee's charter requires review and discussion of any transactions or courses of dealing with parties related to us that are significant in size or involve terms or other aspects that differ from those that would be negotiated with independent parties. Our nominating and governance committee's charter requires review of any proposed related party transactions, conflicts of interest and any other transactions for which independent review is necessary or desirable to achieve the highest standards of corporate governance. It is also our unwritten policy, which policy is not otherwise evidenced, for any related party transaction that involves more than a de minimis obligation, expense or payment, to obtain approval by our Board of Directors prior to our entering into any such transaction. In conformity with our various policies on related party transactions, each of the above transactions discussed in this Item 13, "Certain Relationships and Related Transactions, and Director Independence," section has been reviewed and approved by our Board of Directors.

##### Director Independence

Our Board Members are not independent directors as provided in the listing standard of the Nasdaq Global Market.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

For 2010 and 2009, fees for services provided by Sherb & Co., LLP were as follows:

|  | 2010            | 2009            |
|--|-----------------|-----------------|
| Audit Fees   | \$45,000        | \$15,000        |
| Audit Related Fees (review of annual reports and other SEC filings)  | 21,000          | 5,400           |
| Tax Fees (tax-related services, including income tax advice regarding income taxes within the United States) | --              | --              |
| All other fees (acquisition due diligence services)  | --              | --              |
| <b>Total Fees</b>  | <b>\$66,000</b> | <b>\$20,400</b> |

## Pre-Approval Policies and Procedures

The audit committee has a policy for the pre-approval of all auditing services and any provision by the independent auditors of any non-audit services the provision of which is not prohibited by the Exchange Act or the rules of the SEC under the Exchange Act. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the audit committee, if it is to be provided by the independent auditor. All fees for independent auditor services will require specific pre-approval by the audit committee. Any fees for pre-approved services exceeding the pre-approved amount will require specific pre-approval by the audit committee. The audit committee will consider whether such services are consistent with the SEC's rules on auditor independence.

All services provided by and all fees paid to Sherb Company LLC in fiscal 2009 were pre-approved by our board of directors, in accordance with its policy. None of the services described above were approved pursuant to the exception provided in Rule 2-01(c)(7)(i)(C) of Regulations S-X promulgated by the SEC.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Annual Report on Form 10-K:

## (a)(1) List of Financial Statements Filed as Part of this Annual Report on Form 10-K:

A list of the consolidated financial statements, notes to consolidated financial statements, and accompanying report of independent registered public accounting firm appears on page F-1 of the Index to Consolidated Financial Statements and Financial Statement Schedules, which is filed as part of this Annual Report on Form 10-K.

## (a)(2) Financial Statement Schedules:

All other schedules are omitted because they are not applicable, the amounts are not significant, or the required information is shown in our consolidated financial statements

or the notes thereto.

(a)(3) Exhibits:

See the Exhibit Index filed as part of this Annual Report on Form 10-K.



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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Media Exchange Group, Inc.:

We have audited the accompanying balance sheets of Media Exchange Group, Inc. as of December 31, 2010 and 2009, and the related statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Media Exchange Group, Inc. at December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has negative working capital and a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sherb & Co., LLP

New York, New York  
May 26, 2011

Media Exchange Group, Inc.  
BALANCE SHEETS

| ASSETS  | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
| <b>Current Assets:</b>  |                      |                      |
| Cash  | \$-                  | \$200                |
| <b>Total assets</b>   | <b>\$-</b>           | <b>\$200</b>         |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                      |                      |
| <b>Current Liabilities:</b>   |                      |                      |
| Accounts payable and accrued expenses   | \$276,418            | \$163,093            |
| Accrued compensation  | 1,261,351            | 696,942              |
| Convertible notes payable and accrued interest- related parties, net of debt discount of \$121,477 and \$-                              | 604,661              | 455,865              |
| Convertible notes payable and accrued interest, net of debt discount of \$101,749 and \$-   | 2,199,684            | 856,170              |
| Derivative liabilities  | 804,367              | 22,945               |
| <b>Total current liabilities</b>  | <b>5,146,481</b>     | <b>2,195,015</b>     |
| <b>Stockholders' Deficit:</b>   |                      |                      |
| Preferred stock, \$0.01 par value, 1,000,000 shares authorized:<br>none issued and outstanding  | -                    | -                    |
| Common stock, par value \$0.001 per share, 250,000,000 shares of common stock authorized,<br>498,921 and 468,521 issued and outstanding | 499                  | 469                  |
| Additional paid-in capital  | 16,241,276           | 15,338,195           |
| Accumulated deficit   | (21,388,256 )        | (17,533,479 )        |
| <b>Total stockholders' deficit</b>  | <b>(5,146,481 )</b>  | <b>(2,194,815 )</b>  |
| <b>Total liabilities and stockholders' deficit</b>  | <b>\$-</b>           | <b>\$200</b>         |

See Notes to Financial Statements.

Media Exchange Group, Inc.  
STATEMENTS OF OPERATIONS

|  | Year Ended<br>December 31, |              |
|--|----------------------------|--------------|
|  | 2010                       | 2009         |
| Operating expenses:  |                            |              |
| Research and development                                     | \$284,912                  | \$-          |
| Selling, general and administrative                          | 2,025,572                  | 679,414      |
| Total operating expenses                                     | 2,310,484                  | 679,414      |
| Operating loss   | (2,310,484 )               | (679,414 )   |
| Other income(expenses):                                      |                            |              |
| Change in fair value of derivative liabilities               | (879,519 )                 | (8,825 )     |
| Interest expense related parties                             | (73,167 )                  | (28,795 )    |
| Interest expense, net  | (591,607 )                 | (53,171 )    |
|  | (1,544,293 )               | (90,791 )    |
| Net loss   | \$(3,854,777 )             | \$(770,205 ) |
| Basic and diluted loss per common share                      | \$(8.05 )                  | \$(1.64 )    |
| Basic and diluted weighted average common shares outstanding | 478,655                    | 468,521      |

See Notes to Financial Statements.



Media Exchange Group, Inc.  
 STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT  
 From January 1, 2009 to December 31, 2010

|  | Common Stock<br>Shares | \$     | Additional<br>Paid-in Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity<br>(Deficit) |
|--|------------------------|--------|-------------------------------|------------------------|---|
| Balance, January 1, 2009                                       | 468,521                | \$ 469 | \$ 15,338,195                 | \$ (16,763,274)        | \$ (1,424,610)                                |
| Net loss   | -                      | -      | -                             | (770,205 )             | (770,205 )                                    |
| Ending balance, December 31,<br>2009                           | 468,521                | 469    | 15,338,195                    | (17,533,479)           | (2,194,815)                                   |
| Conversion of notes payable into<br>shares of common stock     | 30,400                 | 30     | 60,770                        | -                      | 60,800  |
| Reclassification of liability<br>contracts to equity contracts | -                      | -      | 842,311                       | -                      | 842,311                                       |
| Net loss   | -                      | -      | -                             | (3,854,777 )           | (3,854,777)                                   |
| Ending balance, December 31,<br>2010                           | 498,921                | \$ 499 | \$ 16,241,276                 | \$ (21,388,256)        | \$ (5,146,481)                                |

See Notes to Financial Statements.

Media Exchange Group, Inc.  
STATEMENTS OF CASH FLOWS

|   | Year Ended<br>December 31, |              |
|---|----------------------------|--------------|
|   | 2010                       | 2009         |
| Cash flows from operating activities:   |                            |              |
| Net loss  | \$(3,854,777 )             | \$(770,205 ) |
| Adjustments to reconcile net loss to net cash used in operating activities:     |                            |              |
| Change in fair value of derivative liabilities                                  | 879,519                    | 8,825        |
| Fair value of derivative liabilities upon issuance                              | 224,043                    | -            |
| Amortization of debt discount   | 546,945                    | -            |
| Changes in operating assets and liabilities:                                    |                            |              |
| Accrued interest  | 83,410                     | 53,171       |
| Accrued interest-related parties  | 34,417                     | 28,795       |
| Accrued compensation  | 952,409                    | 472,041      |
| Accounts payable and accrued expenses   | 232,978                    | 37,799       |
| Net cash used in operating activities   | (901,056 )                 | (169,574 )   |
| Cash flows from financing activities:   |                            |              |
| Proceeds from notes payable-related parties                                     | 152,856                    | -            |
| Proceeds from notes payable   | 748,000                    | 169,500      |
| Net cash provided by financing activities                                       | 900,856                    | 169,500      |
| Net decrease in cash  | (200 )                     | (74 )        |
| Cash, beginning of year   | 200                        | 274          |
| Cash, end of year   | \$-                        | \$200        |
| Supplemental disclosures of cash flow information:                              |                            |              |
| Cash paid for interest  | \$-                        | \$-          |
| Cash paid for income taxes  | \$-                        | \$-          |
| Non-cash investing and financing activities:                                    |                            |              |
| Issuance of convertible notes payable to satisfy liabilities to related parties | \$123,000                  | \$100,000    |
| Issuance of convertible notes payable to satisfy liabilities                    | \$265,000                  | \$-          |
| Debt discount issued upon issuance of convertible notes payable                 | \$250,000                  | \$-          |
| Fair value of deliverative liabilities upon issuance of debt                    | \$520,172                  | \$-          |
| Reclassification of liability contracts to equity contracts                     | \$842,311                  | \$-          |
| Conversion of notes payable into shares of common stock                         | \$60,800                   | \$-          |

See Notes to Financial Statements.

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MEDIA EXCHANGE GROUP, INC.

Notes to Consolidated Financial Statements

Note 1. Organization, Basis of Presentation and Accounting Policies.

Media Exchange Group, Inc. formerly known as China Wireless Communications, Inc. (the "Company") is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People's Republic of China ("China"). In March 2008, the Company discontinued its operations in China.

The Company's current plan of operations consists of capitalizing on its digital sport cards delivery to youth and acquiring an operating business. The Company has identified an acquisition target but has not reached any final agreement.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced substantial losses since its inception (\$21.1 million) as well as negative cash flows from its current operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue in existence as a going concern is dependent upon its ability to obtain equity or debt financing and to merge with a company which will generate cash flows from operating activities. Management is unable to determine whether it will be successful in obtaining such equity or debt financing or merge with a company generating cash flows from operations.

Accounting Policies

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 certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on the knowledge of current events and actions the Company may undertake in the future, they will differ from actual results. Included in these estimates are assumptions about derivative liabilities, such as expected volatility, risk-free interest rate, and expected terms of liability contracts.

Cash and Cash Equivalents

The Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2010 and 2009.

Concentration of Credit Risk

The Company's US cash and cash equivalents accounts are held at financial institutions and are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. To reduce its risk associated with the failure

of such financial institutions, the Company periodically evaluates the credit quality of the financial institutions in which it holds deposits. As of December 31, 2010 and December 31, 2009, the Company had no deposits in excess of FDIC limits in the US.

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### Share-Based Compensation

Share-based compensation expenses are reflected in the Company's consolidated statement of operations under selling, general and administrative expenses.

The Company's computation of fair value of shares issued is based on the price per share as quoted on the over-the-counter bulletin or the pink sheets, as applicable, at the date of grant.

### Income Taxes

The Company accounts for income taxes under the asset and liability approach for the financial accounting and reporting of income taxes. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets when the Company determines realization is not currently judged to be more likely than not.

The Company follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") No. 740, Income Taxes ("ASC 740"). ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition purposes by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Accordingly, the Company reports a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken on a tax return and recognizes interest and penalties, if any, related to uncertain tax positions as interest expense.

### Loss per Common Share and Common Share Equivalent

The Company presents "basic: income (loss) per common share and, if applicable "diluted" income (loss) per share, pursuant to the provisions of ASC 260 "Earnings Per Share". Basic income (loss) per common share is based on the weighted average number of common shares outstanding in each year and after preferred stock dividend requirements. The calculation of diluted income (loss) per common share assumes that any dilutive convertible shares outstanding at the beginning of each year or the date issued were convertible at those dates, with outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options and warrants for which average period market price exceeds exercise price, less shares that could have been purchased by the Company with related proceeds.

There were no outstanding stock option grants as of December 31, 2010 and 2009 . The outstanding warrants amounted to 50,000 at December 31, 2010. The outstanding common share equivalents issuable pursuant to conversion of notes payable amounted to 335,854 and 97,380 as of December 31, 2010 and 2009, respectively. The conversion feature of such notes lapses between January 2011 and 2012. Additionally, the chief executive officer obtained rights to 7% of the authorized shares of common stock of the Company which amounted to approximately 35,000 shares at December 31, 2010 and 2009 and 150,000 shares of Preferred Stock, which includes, among other things voting rights equivalent to 90,000 shares of the Company's common stock. The outstanding warrants and common share equivalents issuable pursuant to convertible notes and other rights have been excluded from the earnings per share computation due to their anti-dilutive effect.



## Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of December 31, 2010 and December 31, 2009, which consist of convertible instruments and rights to shares of the Company's common stock and to shares of the Company's Preferred Stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional (as that term is described).

The Company believes that certain conversion features embedded in certain of its convertible notes payable and rights to the Company's common stock and preferred stock are not clearly and closely related to the economic characteristics of the Company's stock price. The Company does not have a sufficient amount of authorized shares to satisfy its obligations under the convertible promissory notes and rights to the shares of common stock. Additionally, while rights to preferred stock have been granted to the Company's chief executive officer, substantially all the terms were finalized in January 2011. Accordingly, the Company has recognized derivative liabilities in connection with such instruments. The Company uses judgment in determining the fair value of derivative liabilities at the date of issuance at every balance sheet thereafter. The Company uses judgment in determining which valuation is most appropriate for the instrument (e.g., Black Scholes), the expected volatility, the implied risk free interest rate, as well as the expected dividend rate.

Certain conversion features of the convertible promissory notes outstanding at December 31, 2010 have lapsed between February 2008 and January 2011 without conversion or additional consideration provided to the note holders. Accordingly, the Company did not issue additional considerations to such instruments and it believes that there is no liability associated with them. However, the rights to the shares of common stock and preferred stock have not lapsed and are still outstanding. The Company estimates its liability under such rights using its traded price per share.

## Fair Value of Financial Instruments

The Company records or discloses fair value of financial instruments pursuant to FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:





Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of December 31, 2010 and 2009, with the exception of its convertible promissory notes. The carrying amounts of the convertible promissory notes and the derivative liability associated with certain notes payable. The carrying amounts of the convertible promissory notes at December 31, 2010 and 2009 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of December 31, 2010 and 2009, respectively. The derivative liabilities are primarily based on the Company's quoted trade price per share as traded on the Pink Sheets. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

#### Impact of Recently Issued Accounting Standards

None.

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## Note 2. Notes Payable and Notes Payable to Related Parties

|  | December 31,<br>2010 | December 31,<br>2009 |
|--|----------------------|----------------------|
| \$654,949 and \$415,000 Notes payable to related parties, interest rate ranging from 5% to 8% per annum, unsecured and maturing between March 2009 and January 2012. At the Company's option, the principal is convertible for \$275,856 of such notes into shares of the Company's common stock at a price ranging between \$2 and \$2.50 per share. Includes accrued interest of \$71,189 and \$40,865 and debt discount of \$121,477 and \$0.   | \$ 604,661           | \$ 455,865           |
| \$2,113,910 and \$749,500 Notes payable, interest rate ranging from 5% to 8% interest per annum- except for two notes aggregating \$750,000 which bear interest at 10% per month 120 days after their issuance, unsecured and maturing between February 2008 and January 2012. At the Company's option, the principal is convertible for \$620,652 of such notes into shares of the Company's common stock at a prices ranging between \$2 to \$25 per share, including accrued interest of \$187,523 and \$53,499 and debt discount of \$101,749 and \$0. | 2,199,684            | 856,170              |
|  | \$ 2,804,345         | \$ 1,312,035         |

During 2009, the Company issued a note payable to its General Counsel amounting to \$100,000 to satisfy compensation liabilities.

During 2010, the Company issued a note payable to a relative of the Company's Chief Executive Officer and its General Counsel amounting to \$123,000 to satisfy compensation liabilities.

During 2010, the Company issued notes payable to consultants aggregating \$265,000 to satisfy compensation liabilities.

During 2010 and 2009, the Company generated proceeds by issuing \$900,856 and \$169,500 notes payable, respectively. During 2010, the Company issued two notes at a discount of \$250,000 which was recognized as debt discount during 2010.

Notes payable aggregating \$1.6 million were past due at December 31, 2010.

## Note 3. Derivative Liabilities

The Company estimated its derivative liabilities under its outstanding contracts at December 31, 2008. The Company is unable to ascertain that it had a sufficient amount of authorized shares to satisfy its obligations under existing convertible promissory notes and rights held by its chief executive officer pursuant to his employment contract with the Company. Additionally, the Company has granted 150,000 shares of its Preferred Stock without finalizing the terms of such preferred stock until January 2011.

The conversion feature of certain convertible promissory notes outstanding at December, 2010 have lapsed between December 2008 and January 2011 without conversion or additional consideration provided to the note holders. Accordingly, the Company did not issue additional considerations to such instruments and it believes that there is no liability associated with them. However, the conversion feature of certain notes payable amounting to approximately \$341,000 and convertible into approximately 68,000 shares of the Company's common stock, the rights to the shares of common stock and preferred stock have not lapsed and were still outstanding at December 31, 2010. The Company estimates its liability under such rights primarily using its traded price per share and under the convertible notes payable using the binomial method.

The aggregate fair value of derivative liabilities at December 31, 2010 and December 31, 2009 amounted to approximately \$804,000 and \$23,000, respectively.

During 2010, the Company issued approximately \$746,000 notes payable which were convertible into approximately 220,255 shares of the Company's common stock. The fair value of the embedded conversion features for notes payable issued pursuant to services provided, amounted to approximately \$225,000 at their respective date of issuance and was recorded as research and development expense and general and administrative expenses for approximately \$1,000 and \$224,000, respectively, as additional consideration provided for the services of a software engineer and other consultants. The fair value of the embedded conversion features for notes payable issued for cash consideration amounted to approximately \$243,000 and was recognized as debt discount.

The fair value of the warrants issued to the noteholder during 2010 amounted to approximately \$220,000 and was recognized as debt discount.

The fair value of the rights and embedded conversion feature were based on the Company's quoted traded price and the binomial method, respectively, at each measurement date.

The fair value of the derivative instruments were based on the following assumptions:

The increase in fair value of in the derivative liabilities of approximately \$880,000 and \$9,000 during 2010 and 2009, respectively has been recorded as other expense and income in the accompanying statement of operations. The fair value of the 7% rights and rights to 150,000 shares of Preferred Stock was based on the quoted traded price per share of the Company's stock at each measurement date.

|   | 2010       | 2010      | 2009    |
|---|------------|-----------|---------|
| <b>Rights:</b>                            |            |           |         |
| market value                              | \$ 7.5     | N/A       | \$ 0.65 |
| <b>Embedded Conversion Feature:</b>       |            |           |         |
| Weighted-average effective exercise price | \$ 5-12.5  | \$ 5-12.5 | N/A     |
| Effective Market price                    | \$ 7.5     | \$ 2-9.5  | N/A     |
| Volatility                                | 116 %      | 116 %     | N/A     |
| Risk-free interest                        | 0.30 %     | 0.3-0.4 % | N/A     |
| Terms                                     | 1 year     | 1 year    | N/A     |
| Expected dividend rate                    | 0 %        | 0 %       | N/A     |
| <b>Warrants</b>                           |            |           |         |
| Effective exercise price                  | \$ 5       | \$ 5      | N/A     |
| Effective Market price                    | \$ 8.5     | \$ 7.5-10 | N/A     |
| Volatility                                | 116 %      | 116 %     | N/A     |
| Risk-free interest                        | 0.30 %     | 0.27-.30% | N/A     |
| Terms                                     | 1.75 years | 2 years   | N/A     |
| Expected dividend rate                    | 0 %        | 0 %       |         |

At December 31, 2010, the Company reclassified certain contracts which were previously accounted for as liability contracts to equity contracts. Such contracts were convertible through May 2011 and the conversion feature of such notes payable have lapsed as of the date of these financial statements. The Company recorded an increase in additional paid-in capital of approximately \$842,000 in connection with such reclassification.

#### Note 4. Stockholder's Deficit.

##### Common Stock

The Company issued 30,400 shares of its common stock in consideration of the conversion of an aggregate of \$60,800 in principal and interest during 2010.

The Company declared a reverse stock-split of 500-to -1, effective May 6, 2011. The number of issued and outstanding shares of common stock, common share equivalents, such as shares issuable pursuant to rights, warrants, and convertible promissory notes, and net loss per share and convertible or exercise price have been restated to reflect the reverse stock split.

##### Warrants

During 2010, the Company issued 50,000 warrants to certain noteholders. The exercise price of the warrants amounted to \$5 per share and expired between July and October 2012.

## Note 5. Income Taxes.

The Company accounts for income taxes under the asset and liability approach. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets where the Company determines realization is not currently judged to be more likely than not.

The tax effects of temporary differences and carry forwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

|  | December 31, |             |
|--|--------------|-------------|
|  | 2010         | 2009        |
| Deferred tax assets (liabilities):   |              |             |
| Accrued expenses, accrued compensation and notes payable issued for services | \$1,085,000  | \$676,000   |
| Net operating loss carryforwards   | 1,096,000    | 711,000     |
| Gross deferred tax assets  | 2,181,000    | 1,387,000   |
| Valuation allowance  | (2,181,000 ) | 1,387,000 ) |
| Net deferred taxes   | \$-          | \$-         |

The valuation allowance at December 31, 2010 and 2009, has primarily been provided for net U.S. deferred tax assets.

The difference between the effective rate reflected in the provision for income taxes on loss before taxes from continuing operations and the amounts determined by applying the applicable statutory U.S. tax rate are analyzed below:

|  | 2010    | 2009    |
|--|---------|---------|
|  | %       | %       |
| Statutory tax benefit                      | (35.0 ) | (35.0 ) |
| State income taxes, net of federal effects | (3.4 )  | (3.4 )  |
| Valuation allowance                        | 22.0    | 38.4    |
| Permanent differences                      | 16.4    | -       |
|  | -       | -       |

On December 31, 2010, the Company had U.S. federal net operating loss carry forwards of approximately \$2.9 million for income tax purposes that expire in various amounts through 2010.

The utilization of the Company's US net operating losses will be limited due to possible changes in ownership resulting from a reverse merger, as defined under section 382 of the Internal Revenue Code.

## Note 6. Commitments and Contingencies.

## Legal proceedings

The Company is not a party to certain legal actions, as either plaintiff or defendant, arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company's business, financial condition or results of operations. However, litigation is inherently unpredictable, and the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings, whether civil or criminal, settlements, judgments and investigations, claims or charges in any such matters, and developments or assertions by or against us relating to the Company or to the Company's intellectual property rights and intellectual property licenses could have a material adverse effect on the Company's business, financial condition and operating results.

#### Compensation-Chief Executive Officer

The compensation of the Company's Chief Executive Officer is effective March 2008 through December 2009 and is as follows:

- Base annual compensation of \$400,000;
- 7% of the authorized shares of the Company;
- 7% of all capital raised by the Company;
- 7% of the disposition proceeds upon the sale of the Company;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
  - \$275,000 upon the performance of specific performances, which were accomplished during March 2008.

This agreement was modified effective January 1, 2010 as follows:

- Base annual compensation of \$450,000;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
  - Monthly stipend for office and residence of \$9,000 per month;
  - 2% of all capital raised by the Company;
  - 5% of the disposition proceeds upon the sale of the Company.

#### Compensation-General Counsel

The Compensation of the Company's General Counsel is effective January 1, 2009 and is as follows:

- Base annual compensation of \$204,000;
- Incentive compensation based on revenues ranging from \$10,400 if revenues range between \$0-2 million to \$102,000 if revenues are in excess of \$10 million;
  - 2% of all capital raised by the Company;
  - 5% of the disposition proceeds upon the sale of the Company;
  - Monthly stipend for office of \$3,000 per month.

#### Note 7. Segments.

##### Segment reporting

The Company operated in one segment, information technology systems integration and internet protocol services. The Company's chief operating decision-making evaluated the performance of the Company based upon revenues and expenses by functional areas, as disclosed in the Company's statements of operations.

#### Note 8. Subsequent Events

The Company declared a reverse stock-split of 500-to -1, effective May 6, 2011. The number of issued and outstanding shares of common stock, common share equivalents, such as shares issuable pursuant to rights, warrants, and convertible promissory notes, and net loss per share and convertible or exercise price have been restated to reflect the reverse stock split.





EXHIBIT INDEX

| Exhibit No. | Description  |
|-------------|--|
| 2.1         | Share Exchange Agreement dated as of March 17, 2003 by and between i-Track, Inc. and Strategic Communications Partners, Inc. (1) |
| 3.1         | Articles of Incorporation (2)  |
| 3.2         | Bylaws (2)   |
| 3.3         | Certificate of Amendment to Articles of Incorporation (3)  |
| 3.4         | Certificate of Amendment to Articles of Incorporation (4)  |
| 10.1        | 2003 Stock Plan, as amended (5)  |
| 10.2        | Employment Agreement dated April 23, 2004 with Pedro E. Racelis III (6)  |
| 10.3        | Consulting Agreement with Jiaxin Consulting Group, Inc. dated December 8, 2004 (8)   |
| 10.4        | Letter agreement with Tianjin Create IT Company Ltd. dated May 24, 2005 (9)  |
| 10.5        | Employment Agreement dated July 20, 2005 with Michael A. Bowden (10)   |
| 10.6        | Promissory Note, dated August 1, 2005 in the amount of \$12,698 payable to Michael Bowden (10)                                   |
| 10.7        | Employment Agreement dated March 1, 2006 with Michael A. Bowden (10)   |
| 10.8        | Employment Agreement dated March 1, 2006 with Pedro E. Racelis III (10)  |
| 10.9        | Amendment to Letter agreement with Tianjin Create IT Company Ltd. dated May 18, 2006 (10)  |
| 10.10       | Promissory Note, dated May 3, 2006 in the amount of \$15,500 payable to Pedro E. Racelis III (10)                                |
| 10.11       | Promissory Note, dated May 3, 2006 in the amount of \$23,217 payable to Henry Zaks (10)  |
| 10.12       | Promissory Note, dated May 3, 2006 in the amount of \$73,059 payable to Michael Bowden (10)                                      |
| 10.13       | Promissory Note, dated May 30, 2006 in the amount of \$3,612 payable to Pedro E. Racelis III (11)                                |
| 10.14       | Promissory Note, dated June 16, 2006 in the amount of \$2,000 payable to Henry Zaks (11)   |
| 10.15       | Promissory Note, dated June 16, 2006 in the amount of \$1,612 payable to Michael A. Bowden (11)                                  |
| 10.16       | Promissory Note, dated June 26, 2006 in the amount of \$10,000 payable to Michael A. Bowden (11)                                 |
| 10.17       | Promissory Note, dated June 27, 2006 in the amount of \$7,680 payable to Henry Zaks (11)   |

- 10.18 Forgiveness of Promissory Note, dated July 5, 2006 in the amount of \$73,059 payable to Michael A. Bowden (12)
  - 10.19 Promissory Note, dated July 27, 2006 in the amount of \$6,300 payable to Michael A. Bowden (12)
  - 10.20 Promissory Note, dated September 26, 2006 in the amount of \$5,000 payable to Michael A. Bowden (12)
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- 10.21 Promissory Note, dated September 28, 2006 in the amount of \$4,708 payable to Henry Zaks (12)
- 10.22 Conversion Election Letter dated October 5, 2006 from Pedro E. Racelis III (12)
- 10.23 Conversion Election Letter dated October 30, 2006 from Henry Zaks (12)
- 10.24 Amendment to Letter Agreement Tianjin Create IT Company Ltd. dated November 7, 2006 (12)
- 10.25 Conversion Election Letter dated November 7, 2006 from Henry Zaks (14)
- 10.26 Conversion Election Letter dated November 7, 2006 from Henry Zaks (14)
- 10.27 Promissory Note, dated November 8, 2006 in the amount of \$30,000 payable to Michael A. Bowden (14)
- 10.28 Promissory Note, dated November 8, 2006 in the amount of \$6,000 payable to Michael A. Bowden (14)
- 10.29 Forgiveness of Promissory Note, dated November 8, 2006 in the amount of \$30,000 payable to Michael A. Bowden (14)
- 10.30 Promissory Note, dated November 10, 2006 in the amount of \$20,000 payable to Henry K. Zaks (14)
- 10.31 Conversion Election Letter dated November 13, 2006 from Michael A. Bowden (14)
- 10.32 Conversion Election Letter dated November 13, 2006 from Michael A. Bowden (14)
- 10.33 Conversion Election Letter dated November 13, 2006 from Michael A. Bowden (14)
- 10.34 Promissory Note, dated November 14, 2006 in the amount of \$3,900 payable to Michael A. Bowden (14)
- 10.35 Forgiveness of Promissory Note, dated November 17, 2006 in the amount of \$6,300 payable to Michael A. Bowden (14)
- 10.36 Forgiveness of Promissory Note, dated November 17, 2006 in the amount of \$5,000 payable to Michael A. Bowden (14)
- 10.37 Forgiveness of Promissory Note, dated November 17, 2006 in the amount of \$6,000 payable to Michael A. Bowden (14)
- 10.38 Forgiveness of Promissory Note, dated November 30, 2006 in the amount of \$3,900 payable to Michael A. Bowden (14)
- 10.39 Promissory Note, dated December 11, 2006 in the amount of \$4,800 payable to Michael A. Bowden (14)
- 10.40 Forgiveness of Promissory Note, dated December 15, 2006 in the amount of \$4,800 payable to Michael A. Bowden (14)
- 10.41 Promissory Note, dated December 27, 2006 in the amount of \$5,200 payable to Michael A. Bowden (14)
- 10.42 Promissory Note, dated December 2, 2006 in the amount of \$3,200 payable to Michael A. Bowden (14)

- 10.43 Forgiveness of Promissory Note, dated December 29, 2006 in the amount of \$5,200 payable to Michael A. Bowden (14)
  - 10.44 Forgiveness of Promissory Note, dated December 31, 2006 in the amount of \$3,200 payable to Michael A. Bowden (14)
  - 10.45 Forgiveness of Promissory Note, dated December 31, 2006 in the amount of \$3,200 payable to Michael A. Bowden (14)
-

- 10.46 Revolving Line of Credit Agreement and Promissory Note, dated January 1, 2007 in the amount of \$30,000 payable to Pedro E.Racelis III (14)
- 10.47 Revolving Line of Credit Agreement and Promissory Note, dated January 1, 2007 in the amount of \$30,000 payable to Henry Zaks (14)
- 10.48 Assignment Agreement, dated May 1, 2010, between Malibu Entertainment Group, Inc. and Media Exchange Group.
- 10.49 OEM License Terms and Conditions, dated January 1, 2010, between Tarsin (Europe) Limited and Media Exchange Group, Inc.
- 14.1 Code of Ethics
- 16.1 Letter from Bongiovanni and Associates, dated January 11, 2007 (13)
- 21.1 Subsidiaries of the registrant (14)
- 31.1 Certification by Joseph R. Cellura, Chief Executive Officer, pursuant to Exchange Act Rules 13A-14(a) and 15d-14(a)
- 31.2 Certification by Charles P. Shuster, Chief Financial Officer, pursuant to Exchange Act Rules 13A-14(a) and 15d-14(a)
- 32.1 Certification by Joseph R. Cellura, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification by Charles P. Shuster, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (1) Incorporated by reference to the exhibits to the registrant's current report on Form 8-K dated March 17, 2003 filed with the SEC on March 18, 2003.
- (2) Incorporated by reference from the exhibits to the Registration Statement on Form SB-1 filed with the SEC on November 6, 2000, File No. 333-49388.
- (3) Incorporated by reference to the exhibits to the registrant's current report on Form 8-K dated March 22, 2003, filed with the SEC on March 31, 2003.
- (4) Incorporated by reference to the exhibits to the registrant's current report on Form 8-K dated November 22, 2004, filed with the SEC on November 24, 2004.
- (5) Incorporated by reference to the exhibits to the registrant's annual report on Form 10-KSB for the year ended December 31, 2002, filed with the SEC on April 9, 2003.
- (6) Incorporated by reference to the exhibits to the registrant's registration statement on Form S-8, File No. 333-104457, filed with the SEC on April 27, 2004.
- (7)

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Incorporated by reference to the exhibits to the registrant's current report on Form 8-K dated April 15, 2003, filed with the SEC on April 22, 2003.

- (8) Incorporated by reference to the exhibits to the registrant's annual report on Form 10-KSB for the year ended December 31, 2004, filed with the SEC on April 15, 2005.
- (9) Incorporated by reference to the exhibits to the registrant's amended current report on Form 8-K dated May 24, 2005, filed with the SEC on June 6, 2005.
- (10) Incorporated by reference to the exhibits to the registrant's annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on May 22, 2006.
- (11) Incorporated by reference to the exhibits to the registrant's quarterly report on Form 10-QSB for the quarter ended June 30, 2006, filed with the SEC on August 4, 2006.
- (12) Incorporated by reference to the exhibits to the registrant's quarterly report on Form 10-QSB for the quarter ended September 30, 2006, filed with the SEC on November 14, 2006.
- (13) Incorporated by reference to the exhibits to the registrant's current report on Form 8-K/A dated January 3, 2007, filed with the SEC on January 11, 2007.
- (14) Incorporated by reference to the exhibits to the registrant's annual report on Form 10-K filed, filed with the SEC on April 13, 2007.