GLOBAL HIGH INCOME FUND INC
Form N-Q
September 29, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-07540

Global High Income Fund Inc.

(Exact name of registrant as specified in charter)

1285 Avenue of the Americas, New York, New York 10019-6028

(Address of principal executive offices) (Zip code)

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UBS Global Asset Management

1285 Avenue of the Americas

New York, NY 10019-6028

(Name and address of agent for service)

Copy to:

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Washington, DC 20006

Registrant s telephone number, including area code: 212-821 3000

Date of fiscal year end: October 31

Date of reporting period: July 31, 2014

Item 1. Schedule of Investments

Global High Income Fund Inc.

Industry diversification (unaudited)

As a percentage of net assets

As of July 31, 2014

Bonds	
Corporate bonds	
Banks	8.26%
Building products	0.04
Capital markets	0.74
Chemicals	0.11
Construction materials	0.15
Diversified financial services	3.79
Electric utilities	1.96
Electrical equipment	1.19
Energy equipment & services	0.09
Food & staples retailing	0.09
Metals & mining	0.18
Oil, gas & consumable fuels	5.65
Road & rail	1.38
Specialty retail	0.14
Total corporate bonds	**23.77%**
Non-US government obligations	66.66
Structured notes	1.47
Total bonds	**91.90%**
Short-term investment	6.75
Total investments	**98.65%**
Cash and other assets, less liabilities	1.35
Net assets	**100.00%**

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

	Face amount	Value
Bonds: 91.90%		
Corporate bonds: 23.77%		
Azerbaijan: 0.61%		
International Bank of Azerbaijan OJSC Via Rubrika Finance Co., Ltd.,		
7.200%, due 10/31/16	$ 1,500,000	$ 1,537,500
Brazil: 2.31%		
Banco do Brasil SA,		
5.875%, due 01/26/22[1]	1,900,000	1,941,230
Caixa Economica Federal,		
2.375%, due 11/06/17[1]	200,000	192,940
Centrais Eletricas Brasileiras SA,		
5.750%, due 10/27/21[1]	500,000	505,000
5.750%, due 10/27/21[2]	2,200,000	2,222,000
Petrobras Global Finance BV,		
2.374%, due 01/15/19[3]	470,000	468,825
3.112%, due 03/17/20[3]	450,000	457,043
		5,787,038
China: 0.20%		
China Lesso Group Holdings Ltd.,		
7.875%, due 05/13/16[2]	99,567	103,052
China Shanshui Cement Group Ltd.,		
10.500%, due 04/27/17[2]	360,000	389,700
		492,752
Croatia: 0.09%		
Agrokor DD,		
8.875%, due 02/01/20[1]	200,000	221,850
Czech Republic: 0.21%		
EP Energy AS,		
5.875%, due 11/01/19[1]	EUR 350,000	532,608
Hungary: 0.13%		
Magyar Export-Import Bank Zrt,		
5.500%, due 02/12/18[2]	$ 300,000	320,601
India: 0.97%		
Canara Bank/London,		
6.365%, due 11/28/21[3]	650,000	665,190
ICICI Bank Ltd.,		
6.375%, due 04/30/22[2,3]	1,700,000	1,759,500
		2,424,690

Indonesia: 1.22%		
Majapahit Holding BV,		
7.250%, due 06/28/17[1]	100,000	113,000
Pertamina Persero PT,		
4.300%, due 05/20/23[1]	200,000	190,300
5.625%, due 05/20/43[1]	200,000	188,566
6.000%, due 05/03/42[1]	1,700,000	1,672,375
6.450%, due 05/30/44[1]	650,000	677,625
6.500%, due 05/27/41[2]	200,000	210,000
		3,051,866

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
Kazakhstan: 0.96%		
Development Bank of Kazakhstan JSC,		
5.500%, due 12/20/15[1]	$ 264,000	$ 274,560
Kazakhstan Temir Zholy Finance BV,		
6.950%, due 07/10/42[1]	750,000	838,125
6.950%, due 07/10/42[2]	350,000	391,125
KazMunayGas National Co. JSC,		
4.400%, due 04/30/23[2]	200,000	199,250
5.750%, due 04/30/43[1]	700,000	687,610
		2,390,670
Malaysia: 1.17%		
Malayan Banking Bhd,		
3.250%, due 09/20/22[2,3]	2,900,000	2,922,350
Mexico: 1.13%		
Comision Federal de Electricidad,		
4.875%, due 01/15/24[2]	1,450,000	1,532,501
5.750%, due 02/14/42[1]	500,000	524,570
Petroleos Mexicanos,		
6.625%, due 06/15/35	650,000	764,530
		2,821,601
Morocco: 0.11%		
OCP SA,		
6.875%, due 04/25/44[1]	250,000	265,000
Netherlands: 0.64%		
FBN Finance Co. BV,		
8.000%, due 07/23/21[1,3]	1,600,000	1,601,600
Peru: 0.17%		
Fondo MIVIVIENDA SA,		
3.500%, due 01/31/23[1]	450,000	429,570
Philippines: 1.19%		
Power Sector Assets & Liabilities Management Corp.,		
9.625%, due 05/15/28	2,000,000	2,967,500
Russia: 3.65%		
Evraz Group SA,		
6.500%, due 04/22/20[2]	250,000	222,500
Metalloinvest Finance Ltd.,		

5.625%, due 04/17/20[2]		250,000	227,500
RSHB Capital SA for OJSC			
Russian Agricultural Bank,			
5.298%, due 12/27/17[2]		1,000,000	964,145
8.700%, due 03/17/16	RUB	10,000,000	264,302
TMK OAO Via TMK Capital SA,			
6.750%, due 04/03/20[2]	$	250,000	228,750
Sberbank of Russia,			
5.717%, due 06/16/21[2]		580,000	570,355
6.125%, due 02/07/22[2]		700,000	700,000

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

	Face amount	Value
Bonds (continued)		
Corporate bonds (continued)		
VEB Finance Ltd.,		
5.375%, due 02/13/17[2]	$ 2,550,000	$ 2,511,750
5.942%, due 11/21/23[1]	500,000	453,750
6.025%, due 07/05/22[1]	200,000	183,750
6.025%, due 07/05/22[2]	1,400,000	1,286,250
6.800%, due 11/22/25[1]	1,000,000	942,500
6.902%, due 07/09/20[1]	200,000	197,500
6.902%, due 07/09/20[2]	400,000	395,000
		9,148,052
Singapore: 0.36%		
Oversea-Chinese Banking Corp., Ltd.,		
3.150%, due 03/11/23[2,3]	900,000	902,701
South Africa: 1.03%		
Edcon Pty Ltd.,		
9.500%, due 03/01/18[1]	350,000	341,251
Transnet SOC Ltd.,		
9.500%, due 05/13/21[1]	ZAR 12,660,000	1,173,013
10.000%, due 03/30/29	12,000,000	1,063,415
		2,577,679
Sri Lanka: 0.78%		
National Savings Bank,		
8.875%, due 09/18/18[1]	$ 900,000	1,027,125
8.875%, due 09/18/18[2]	800,000	913,000
		1,940,125
Turkey: 2.87%		
Export Credit Bank of Turkey,		
5.375%, due 11/04/16[1]	700,000	735,000
5.875%, due 04/24/19[1]	400,000	427,000
TC Ziraat Bankasi AS,		
4.250%, due 07/03/19[1,4]	900,000	893,250
Turkiye Halk Bankasi AS,		
3.875%, due 02/05/20[2]	1,900,000	1,805,000
4.875%, due 07/19/17[1]	800,000	824,000
Turkiye Vakiflar Bankasi Tao,		
3.750%, due 04/15/18[2]	1,300,000	1,272,375
5.000%, due 10/31/18[2]	800,000	816,248
5.750%, due 04/24/17[2]	400,000	420,500
		7,193,373

Ukraine: 0.47%		
Nak Naftogaz Ukraine,		
9.500%, due 09/30/14	1,220,000	1,186,450
United Arab Emirates: 0.74%		
IPIC GMTN Ltd.,		
5.500%, due 03/01/22[2]	1,620,000	1,854,900
Venezuela: 2.76%		
Petroleos de Venezuela SA,		
5.250%, due 04/12/17[2]	530,000	446,589
6.000%, due 11/15/26[2]	2,360,000	1,454,940
8.500%, due 11/02/17[1]	720,000	671,760
8.500%, due 11/02/17[2]	610,000	569,130
9.000%, due 11/17/21[2]	2,860,000	2,428,140
9.750%, due 05/17/35[2]	1,650,000	1,332,375

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

		Face amount	Value
Bonds (continued)			
Corporate bonds (concluded)			
			$ 6,902,934
Total corporate bonds			
(cost $59,035,482)			**59,473,410**
Non-US government obligations: 66.66%			
Albania: 1.02%			
Republic of Albania,			
7.500%, due 11/04/15	EUR	1,800,000	2,555,920
Argentina: 0.41%			
Republic of Argentina,			
0.000%, due 12/15/35[5]	$	520,000	48,100
0.000%, due 12/15/35[5]		501,737	45,658
7.000%, due 10/03/15		165,000	155,158
Series 1, 8.750%, due 06/02/17		872,897	772,514
			1,021,430
Belarus: 1.91%			
Republic of Belarus,			
8.750%, due 08/03/15[2]		4,550,000	4,618,250
8.950%, due 01/26/18[2]		150,000	159,000
			4,777,250
Brazil: 9.03%			
Federative Republic of Brazil,			
5.000%, due 01/27/45		800,000	770,000
6.000%, due 08/15/50[6]	BRL	1,000,000	1,071,188
Notas do Tesouro Nacional,			
Series B,			
6.000%, due 08/15/16[6]		4,100,000	4,498,149
6.000%, due 08/15/22[6]		2,720,000	2,960,891
6.000%, due 05/15/45[6]		7,950,000	8,530,225
Series F,			
10.000%, due 01/01/17		1,280,000	545,709
10.000%, due 01/01/21		6,428,000	2,609,724
State of Minas Gerais,			
5.333%, due 02/15/28[1]	$	1,600,000	1,600,000
			22,585,886
China: 0.21%			
China Government Bond,			
2.480%, due 12/01/20	CNY	3,500,000	532,219

Colombia: 3.54%			
Republic of Colombia,			
2.625%, due 03/15/23	$	580,000	543,750
4.375%, due 07/12/21		350,000	374,500
4.375%, due 03/21/23	COP	395,000,000	188,329
6.000%, due 04/28/28		484,000,000	233,573
6.125%, due 01/18/41	$	150,000	180,750
7.375%, due 09/18/37		575,000	782,000
7.750%, due 04/14/21	COP	2,530,000,000	1,509,737
8.125%, due 05/21/24	$	250,000	336,875
9.850%, due 06/28/27	COP	5,051,000,000	3,464,631
12.000%, due 10/22/15		2,130,000,000	1,235,652
			8,849,797
Costa Rica: 0.54%			
Banco Nacional de Costa Rica,			
4.875%, due 11/01/18[2]	$	600,000	615,000
6.250%, due 11/01/23[1]		500,000	517,500

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

		Face amount		Value
Bonds (continued)				
Non-US government obligations (continued)				
Republic of Costa Rica,				
7.000%, due 04/04/44[1]	$	200,000	$	213,000
				1,345,500
Dominican Republic: 0.09%				
Republic of Dominica,				
7.500%, due 05/06/21[1]		200,000		231,062
Ecuador: 0.13%				
Republic of Ecuador,				
7.950%, due 06/20/24[1]		300,000		310,349
El Salvador: 0.43%				
Republic of El Salvador,				
7.750%, due 01/24/23[2]		320,000		360,800
8.250%, due 04/10/32[2]		615,000		718,062
				1,078,862
Gabon: 0.24%				
Gabonese Republic,				
6.375%, due 12/12/24[1]		550,000		594,000
Ghana: 0.48%				
Republic of Ghana,				
7.875%, due 08/07/23[2]		700,000		678,125
8.500%, due 10/04/17[2]		500,000		527,500
				1,205,625
Honduras: 0.09%				
Republic of Honduras,				
8.750%, due 12/16/20[1]		200,000		218,056
Hungary: 2.22%				
Government of Hungary,				
5.375%, due 02/21/23		550,000		586,108
5.750%, due 11/22/23		800,000		870,224
6.500%, due 06/24/19	HUF	90,000,000		431,910
6.750%, due 02/24/17		70,000,000		326,990
7.500%, due 11/12/20		150,000,000		764,218
7.625%, due 03/29/41	$	900,000		1,144,422
Magyar Fejlesztesi Bank Rt,				
5.875%, due 05/31/16	EUR	1,000,000		1,433,944
				5,557,816

Indonesia: 6.84%			
Indonesia Treasury Bond,			
8.375%, due 03/15/34	IDR	1,210,000,000	101,782
9.000%, due 03/15/29		66,350,000,000	5,986,002
9.500%, due 07/15/23		29,400,000,000	2,747,919
11.750%, due 08/15/23		4,600,000,000	486,853
12.000%, due 09/15/26		12,215,000,000	1,349,263
Republic of Indonesia,			
3.375%, due 04/15/23[2]	$	300,000	283,875
3.750%, due 04/25/22[2]		430,000	422,475
4.875%, due 05/05/21[1]		1,080,000	1,142,100
5.875%, due 03/13/20[2]		1,000,000	1,118,750
6.625%, due 02/17/37[2]		920,000	1,061,450
7.750%, due 01/17/38[2]		1,235,000	1,596,237
8.500%, due 10/12/35[2]		400,000	552,500
11.625%, due 03/04/19[2]		200,000	271,000
			17,120,206
Iraq: 0.12%			
Republic of Iraq,			
5.800%, due 01/15/28[2]		350,000	309,750

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

	Face amount		Value
Bonds (continued)			
Non-US government obligations (continued)			
Kenya: 0.44%			
Republic of Kenya,			
5.875%, due 06/24/19[1]	$	600,000	$ 616,500
6.875%, due 06/24/24[1]		450,000	478,125
			1,094,625
Latvia: 0.11%			
Republic of Latvia,			
5.250%, due 02/22/17[2]		250,000	271,342
Lithuania: 0.47%			
Republic of Lithuania,			
6.125%, due 03/09/21[1]		250,000	292,813
6.125%, due 03/09/21[2]		450,000	527,062
6.625%, due 02/01/22[1]		300,000	362,249
			1,182,124
Malaysia: 2.77%			
Government of Malaysia,			
3.197%, due 10/15/15	MYR	4,100,000	1,284,136
3.580%, due 09/28/18		2,600,000	813,151
3.741%, due 02/27/15		450,000	141,336
3.835%, due 08/12/15		450,000	141,864
4.012%, due 09/15/17		9,200,000	2,917,675
4.262%, due 09/15/16		5,100,000	1,625,019
			6,923,181
Mexico: 3.60%			
Mexican Bonos,			
Series M,			
7.750%, due 11/13/42	MXN	4,800,000	403,785
10.000%, due 11/20/36		2,000,000	208,142
Mexican Udibonos,			
Series S,			
2.500%, due 12/10/20[6]		16,454,538	1,294,559
4.000%, due 11/15/40[6]		34,451,688	2,931,834
United Mexican States,			
4.750%, due 03/08/44	$	1,100,000	1,119,250
5.550%, due 01/21/45		800,000	912,000
6.050%, due 01/11/40		1,600,000	1,948,000
6.750%, due 09/27/34		150,000	195,000
			9,012,570

Mongolia: 1.25%			
Development Bank of Mongolia LLC,			
5.750%, due 03/21/17[2]		1,500,000	1,417,500
Mongolia Government International Bond,			
4.125%, due 01/05/18[1]		300,000	277,125
5.125%, due 12/05/22[1]		1,650,000	1,419,000
			3,113,625
Montenegro: 0.87%			
Republic of Montenegro,			
7.875%, due 09/14/15	EUR	1,550,000	2,185,427
Nigeria: 1.58%			
Nigeria Treasury Bills,			
11.648%, due 04/23/15[7]	NGN	117,000,000	670,280
12.323%, due 04/09/15[7]		170,000,000	977,909
Republic of Nigeria,			
5.125%, due 07/12/18[2]	$	200,000	208,000
6.375%, due 07/12/23[2]		200,000	216,500

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

		Face amount	Value
Bonds (continued)			
Non-US government obligations (continued)			
15.100%, due 04/27/17	NGN	280,000,000	$ 1,886,616
			3,959,305
Pakistan: 0.08%			
Islamic Republic of Pakistan,			
7.125%, due 03/31/16[2]	$	100,000	103,500
7.875%, due 03/31/36[2]		100,000	92,250
			195,750
Peru: 2.41%			
Peruvian Government International Bond,			
6.950%, due 08/12/31[2]	PEN	860,000	335,802
Republic of Peru,			
5.625%, due 11/18/50	$	850,000	952,756
6.900%, due 08/12/37[2]	PEN	1,250,000	469,407
6.950%, due 08/12/31[1]		1,750,000	683,318
7.840%, due 08/12/20[2]		7,150,000	2,951,970
8.200%, due 08/12/26		1,442,000	633,220
			6,026,473
Philippines: 1.44%			
Republic of the Philippines,			
3.900%, due 11/26/22	PHP	20,000,000	457,682
4.950%, due 01/15/21		128,000,000	3,142,594
			3,600,276
Poland: 3.90%			
Republic of Poland,			
4.750%, due 04/25/17	PLN	16,500,000	5,594,919
5.000%, due 04/25/16		5,300,000	1,771,253
5.000%, due 03/23/22	$	200,000	222,042
5.500%, due 10/25/19	PLN	6,000,000	2,162,676
			9,750,890
Romania: 1.24%			
Government of Romania,			
4.375%, due 08/22/23[1]	$	200,000	205,000
5.750%, due 01/27/16	RON	3,150,000	997,802
5.900%, due 07/26/17		3,050,000	1,000,432
6.125%, due 01/22/44[1]	$	800,000	909,000
			3,112,234

Russia: 3.81%			
Russian Federation,			
5.625%, due 04/04/42[1]		1,000,000	983,750
5.625%, due 04/04/42[2]		200,000	196,750
7.000%, due 01/25/23	RUB	25,100,000	610,640
7.050%, due 01/19/28		55,000,000	1,280,419
7.500%, due 03/31/30[1,8]	$	548,000	619,788
7.500%, due 03/31/30[2,8]		31,510	35,638
7.600%, due 04/14/21	RUB	155,000,000	4,027,357
8.150%, due 02/03/27		69,500,000	1,786,899
			9,541,241
South Africa: 3.05%			
Republic of South Africa,			
5.500%, due 03/09/20	$	100,000	108,625
5.875%, due 09/16/25		1,500,000	1,657,500
6.250%, due 03/31/36	ZAR	13,900,000	967,634
7.000%, due 02/28/31		14,000,000	1,106,709
7.750%, due 02/28/23		20,950,000	1,911,934
10.500%, due 12/21/26		11,050,000	1,202,258
13.500%, due 09/15/15		6,800,000	679,106
			7,633,766

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

	Face amount		Value
Bonds (continued)			
Non-US government obligations (concluded)			
Sri Lanka: 0.90%			
Republic of Sri Lanka,			
6.250%, due 10/04/20[1]	$	550,000	$ 583,000
6.250%, due 10/04/20[2]		1,000,000	1,060,000
7.400%, due 01/22/15[2]		600,000	613,500
			2,256,500
Thailand: 2.94%			
Government of Thailand,			
1.200%, due 07/14/21[2,6]	THB	161,146,050	4,876,815
3.775%, due 06/25/32		10,000,000	304,296
3.875%, due 03/07/18		2,100,000	67,579
3.875%, due 06/13/19		62,100,000	2,000,342
5.125%, due 03/13/18		3,400,000	113,931
			7,362,963
Turkey: 5.33%			
Republic of Turkey,			
5.125%, due 03/25/22	$	1,450,000	1,531,563
5.625%, due 03/30/21		1,000,000	1,090,000
6.250%, due 09/26/22		600,000	678,000
6.750%, due 05/30/40		500,000	590,000
6.875%, due 03/17/36		250,000	298,125
7.100%, due 03/08/23	TRY	3,250,000	1,355,057
7.250%, due 03/05/38	$	250,000	312,187
7.500%, due 11/07/19		200,000	236,250
8.000%, due 02/14/34		350,000	464,625
8.500%, due 09/14/22	TRY	1,500,000	682,326
10.500%, due 01/15/20		12,100,000	6,084,990
			13,323,123
Ukraine: 0.44%			
Financing of Infrastructural Projects State Enterprise,			
8.375%, due 11/03/17[1]	$	1,150,000	1,098,066
Uruguay: 0.08%			
Republic of Uruguay,			
4.500%, due 08/14/24		116,000	122,670
6.875%, due 09/28/25		60,000	73,746
			196,416
Venezuela: 2.25%			
Republic of Venezuela,			

7.650%, due 04/21/25	2,850,000	2,136,343
7.750%, due 10/13/19[2]	215,000	181,765
7.750%, due 10/13/19[2]	150,000	126,812
8.250%, due 10/13/24[2]	2,000,000	1,564,382
9.250%, due 05/07/28[2]	280,000	227,979
9.375%, due 01/13/34	1,700,000	1,379,552
		5,616,833
Zambia: 0.40%		
Republic of Zambia,		
5.375%, due 09/20/22[1]	400,000	381,000
8.500%, due 04/14/24[1]	550,000	622,875
		1,003,875
Total Non-US government obligations		
(cost $166,146,029)		**166,754,333**

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

	Face amount		Value
Bonds (concluded)			
Structured notes: 1.47%			
Bangladesh: 0.81%			
Standard Chartered Bank, 11.700%, due 06/05/18[1] (linked to People s Republic of Bangladesh Bonds, 11.700%, due 06/05/18)	$	1,985,909	$ 2,032,145
Ghana: 0.19%			
Citigroup Funding, Inc., 23.000%, due 08/23/17[1] (linked to Republic of Ghana, 23.000%, due 08/23/17)		1,750,000	474,006
Vietnam: 0.47%			
Citigroup Funding, Inc., 9.400%, due 07/03/15[1] (linked to Socialist Republic of Vietnam Bonds, 9.400%, due 07/03/15)	VND	24,000,000,000	1,178,147
Total structured notes (cost $4,085,260)			**3,684,298**
Total bonds (cost $229,266,771)			**229,912,041**
	Shares		
Short-term investment: 6.75%			
Investment company: 6.75%			
UBS Cash Management Prime Relationship Fund[9] (cost $16,875,974)		16,875,974	16,875,974
Total investments: 98.65% (cost $246,142,745)[10]			**246,788,015**
Cash and other assets, less liabilities 1.35%			3,383,806
Net assets 100.00%			**$ 250,171,821**

Notes to portfolio of investments

Aggregate cost for federal income tax purposes was substantially the same as for book purposes; and net unrealized appreciation consisted of:

Gross unrealized appreciation	$ 12,664,632
Gross unrealized depreciation	(12,019,362)
Net unrealized appreciation of investments	$ 645,720

For a listing of defined portfolio acronyms, counterparty abbreviations and currency abbreviations that are used throughout the Portfolio of investments as well as the tables that follow, please refer to the end of this report.

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

Forward foreign currency contracts

Counterparty	Contracts to deliver		In exchange for		Maturity date	Unrealized appreciation/ (depreciation)
BB	BRL	800,000	USD	350,800	09/17/14	$ 2,763
BB	EUR	7,035,000	USD	9,626,103	10/10/14	203,724
BB	INR	89,824,320	USD	1,486,748	09/17/14	18,402
BB	MXN	6,350,000	USD	487,169	09/17/14	8,448
BB	PEN	3,512,000	USD	1,243,758	09/17/14	(3,254)
BB	RUB	12,800,000	USD	358,493	09/17/14	4,308
BB	USD	2,078,911	CNY	12,830,000	09/17/14	(9,692)
BB	USD	148,216	IDR	1,758,586,958	09/17/14	2,442
BB	USD	2,588,716	PLN	7,895,000	09/17/14	(65,835)
BB	USD	2,757,487	RUB	96,207,999	09/17/14	(95,344)
BB	USD	3,196,022	TRY	6,874,324	09/17/14	(19,128)
BB	USD	4,289,772	ZAR	46,520,000	09/17/14	15,920
CSI	BRL	8,200,500	USD	3,584,448	09/17/14	16,850
CSI	INR	29,941,440	USD	496,212	09/17/14	6,764
CSI	MYR	900,000	USD	282,176	08/04/14	574
CSI	USD	154,122	CLP	86,339,400	09/17/14	(3,906)
CSI	USD	1,683,817	COP	3,150,000,000	09/17/14	(13,652)
CSI	USD	1,063,711	EUR	795,000	10/10/14	1,078
CSI	USD	1,243,243	MYR	3,950,000	09/17/14	(11,895)
CSI	USD	6,004,240	MYR	19,380,487	09/17/14	37,314
DB	BRL	9,084,494	USD	3,967,378	09/17/14	15,201
DB	INR	29,941,440	USD	496,130	09/17/14	6,681
DB	USD	2,501,157	INR	149,707,200	09/17/14	(53,914)
DB	USD	752,601	KRW	769,309,200	09/17/14	(5,899)
DB	USD	8,638,712	MXN	113,206,000	09/17/14	(104,222)
DB	USD	268,745	PHP	11,760,300	09/17/14	1,445
DB	USD	816,133	THB	26,638,590	09/17/14	11,686
GSI	COP	2,688,160,000	USD	1,412,591	09/17/14	(12,701)
GSI	MXN	6,350,000	USD	487,240	09/17/14	8,519
GSI	USD	5,515,706	HUF	1,250,217,499	09/17/14	(191,747)
GSI	USD	184,360	RON	600,000	09/17/14	(3,283)
MSCI	IDR	2,101,000,000	USD	177,975	09/17/14	(2,017)
Net unrealized depreciation on forward foreign currency contracts						**$ (234,370)**

Futures contracts

	Expiration date	Cost/ (proceeds)	Value	Unrealized depreciation
US Treasury futures buy contracts:				
US Long Bond, 20 contracts (USD)	September 2014	$ 2,755,861	$ 2,748,125	$ (7,736)

5 Year US Treasury Notes, 20 contracts (USD)	September 2014	2,397,461	2,376,719	(20,742)
10 Year US Treasury Notes, 45 contracts (USD)	September 2014	5,635,530	5,607,422	(28,108)
US Treasury futures sell contracts:				
US Ultra Bond, 15 contracts (USD)	September 2014	(2,261,763)	(2,262,656)	(893)
Net unrealized depreciation on futures contracts				**$ (57,479)**

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

Foreign exchange written option activity for the period ended July 31, 2014 was as follows:

	Premiums received
Foreign exchange options outstanding at October 31, 2013	$ 278,660
Foreign exchange options written	232,734
Foreign exchange options terminated in closing purchase transactions	(511,394)
Foreign exchange options expired prior to exercise	
Foreign exchange options outstanding at July 31, 2014	$

Global High Income Fund Inc.

Portfolio of investments July 31, 2014 (unaudited)

Currency swap agreements[11]

	Notional Amount							
Counterparty	**Pay contracts**	**Receive contracts**	**Termination date**	**Pay rate[12]**	**Receive rate[12]**	**Upfront payments**	**Value**	**Unrealized appreciation**
BB	PHP 85,653,500	USD 2,085,803	12/18/15	1.300%	6 month USD LIBOR	$	$ 110,431	$ 110,431

Interest rate swap agreements

Counterparty	**Notional amount**		**Termination date**	**Payments made by the Fund[12]**	**Payments received by the Fund[12]**	**Upfront payments**	**Value**	**Unrealized appreciation/ (depreciation)**
BB	KRW	3,250,000,000	08/19/16	3.530%	3 month CD KSDA	$	$ (71,417)	$ (71,417)
CITI	BRL	6,749,706	01/02/17	1 Day CDI	12.280%		77,663	77,663
CITI	BRL	2,814,422	01/04/21	12.570	1 Day CDI		(88,157)	(88,157)
CITI	KRW	2,900,000,000	08/26/16	3.410	3 month CD KSDA		(56,229)	

10.9	Exclusive Manufacturing Agreement between the Company and Spectrum Plastics incorporated by reference to Amendment No. 1 to Registration Statement on Form S-1 filed on September 25, 2008.
10.10	Office lease by and between Dryland 52, LLC and the Registrant dated October 1, 2008 incorporated by reference to Registrant's

	Quarterly Report on Form 10-Q filed on November 14, 2008.
10.11	Supply Agreement between Registrant and Star Funding, Inc. filed herein.
10.12	Factoring Agreement between Registrant and Star Funding, Inc. filed herein.
10.13	Security Agreement between Registrant and Star Funding, Inc. filed herein.

29

Exhibit	Description
10.14	Security Agreement between Perf-Go Green, Inc. and Star Funding, Inc. filed herein.
10.15	Subordination Agreement between the Registrant, Star Funding, Inc. and the holders of the Company's promissory notes filed herein.
10.16	Warrant to purchase common stock issued to Star Funding, Inc. filed herein.
10.17	Distributor/Blenders Agreement between the Registrant and Inventek Colloidal Cleaners, Inc. filed herein.
16	Letter regarding change in certifying account incorporated by reference to Current Report on Form 8-K filed May 21, 2008.
23.1	Consent of Berman & Company, P.A. filed herein.
31.3	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.4	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer.
32.2	Section 1350 Certification of Principal Financial Officer.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PERF-GO GREEN HOLDINGS, INC.

By: /s/ Michael Caridi
Michael Caridi
Acting Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1933, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Anthony Tracy Anthony Tracy	Chairman of the Board and Chief Executive Officer and Director (Principal Officer)	July 14, 2009
/s/ Michael Caridi Michael Caridi	Acting Chief Financial Officer, Chief Operating Officer and Director	July 14, 2009
David Bach	Director	July 14, 2009
Charles Gargano	Director	July 14, 2009
Robert Dubner	Director	July 14, 2009
George E. Pataki	Director	July 14, 2009
/s/ Linda Daniels Linda Daniels	Director, Chief Marketing Officer and Secretary	July 14, 2009

31

PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

FINANCIAL STATEMENTS

MARCH 31, 2009 (CONSOLIDATED) AND 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of:
Perf-Go Green Holdings, Inc.

We have audited the accompanying balance sheets of Perf-Go Green Holdings, Inc. and Subsidiary as of March 31, 2009 (Consolidated) and 2008, and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the year ended March 31, 2009 and for the period from November 15, 2007 (inception) to March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 audit 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 control over financial reporting. Our audits included considerations 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 financial statement presentation. 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 Perf-Go Green Holdings, Inc. and Subsidiary as of March 31, 2009 (Consolidated) and 2008, and the results of its operations and its cash flows for the years ended March 31, 2009 (Consolidated) and for the period from November 15, 2007 (inception) to March 31, 2008, 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 3 to the financial statements, the Company has a net loss of $32,876,813 and net cash used in operations of $7,359,939 for the year ended March 31, 2009; and has a working capital deficit of $15,345,579 and a stockholders’ deficit of $13,925,803. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plan in regards to these matters is also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Berman & Company, P.A.

Boca Raton, Florida
July 13, 2009

Perf-Go Green Holdings, Inc. and Subsidiary
Balance Sheets

		March 31, 2009 (Consolidated)		March 31, 2008
Assets				
Current Assets:				
Cash and cash equivalents	$	—	$	270,185
Accounts receivable - net		481,614		—
Due from factor		92,106		
Deposits		1,533,047		—
Prepaid and other current assets		61,328		32,615
Total Current Assets		2,168,095		302,800
Debt issue costs - net		1,272,971		—
Equipment - net		285,397		2,460
Total Assets	$	3,726,463	$	305,260
Liabilities and Stockholders' (Deficit) Equity				
Current Liabilities:				
Cash overdraft	$	67,811	$	—
Accounts payable		964,836		199,645
Accrued expenses		84,668		55,270
Deferred revenue		22,050		—
Derivative liabilities		15,381,809		—
Registration rights liability		892,500		—
Common stock payable		100,000		—
Total Current Liabilities		17,573,674		254,915
Long Term Liabilities				
Convertible debt - net		138,592		—
Total Liabilities		17,652,266		254,915
Commitments and Contingencies				
Stockholders' (Deficit) Equity:				
Preferred stock, ($0.0001 par value, 5,000,000 shares authorized, none issued and outstanding)		—		
Common stock, ($0.0001 par value, 250,000,000 shares authorized, 34,265,368 and 11,200,005 shares issued and outstanding)		3,427		1,120

Additional paid in capital		20,372,598		1,474,240
Accumulated deficit		(34,301,828)		(1,425,015)
Total Stockholders' (Deficit) Equity		(13,925,803)		50,345
Total Liabilities and Stockholders' (Deficit) Equity	$	3,726,463	$	305,260

See accompanying notes to financial statements

Perf-Go Green Holdings, Inc. and Subsidiary
Statements of Operations

	For the Year Ended March 31, 2009 (Consolidated)	For the Period from November 15, 2007 (inception) to March 31, 2008
Sales	$ 1,743,340	$ —
Cost of sales	1,219,683	—
Gross profit	523,657	—
General and administrative	22,734,129	627,025
Loss from operations	(22,222,472)	(627,025)
Other income (expense)		
Derivative liabilities expense	(27,980,162)	—
Change in fair value of derivative liabilities	26,217,330	—
Registration rights damages	(892,500)	—
Amortization of debt discount	(2,234,441)	—
Amortization of debt issue costs	(715,296)	—
Loss on extinguisment of debt due to repricing	(4,578,112)	—
Interest expense	(521,200)	(798,381)
Interest income	38,040	391
Total other income (expense)	(10,666,341)	(797,990)
Net loss	$ (32,876,813)	$ (1,425,015)
Net loss per share - basic and diluted	$ (0.99)	$ (0.05)
Weighted average number of shares outstanding during the period - basic and diluted	33,344,841	29,664,000

See accompanying notes to financial statements

Perf-Go Green Holdings, Inc. and Subsidiary
Statement of Changes in Stockholders' Equity (Deficit)
For the Year Ended March 31, 2009 (Consolidated) and for the Period from November 15, 2007 (inception) to March 31, 2008

	Common Stock		Additional Paid -in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Contributed capital - related party	—$	—$	100	$ —$	100
Common stock issued for compensation	10,360,798	1,036	844	—	1,880
Conversion of bridge notes to stock	839,207	84	761,299	—	761,383
Warrants paid as direct offering costs in connection with debt financing	—	—	711,997	—	711,997
Net Loss, period from November 15, 2007 (inception) to March 31, 2008	—	—	—	(1,425,015)	(1,425,015)
Balance, March 31, 2008	11,200,005	1,120	1,474,240	(1,425,015)	50,345
Issuance of shares in reverse acquisition treated as a recapitalization	21,079,466	2,108	2,047,440	—	2,049,548
In-kind contribution in connection with recapitalization	—	—	51,088	—	51,088
Cash paid as direct offering costs in connection with debt financing	—	—	(210,000)	—	(210,000)
Warrants paid as direct offering costs in connection with debt financing	—	—	(480,246)	—	(480,246)
Debt converted to equity	1,046,703	105	759,424	—	759,529
Stock issued as compensation	10,000	1	25,699	—	25,700
Stock issued for consulting	929,194	93	2,288,699	—	2,288,792
Recognition of stock based consulting	—	—	856,483	—	856,483
Recognition of stock based compensation	—	—	13,148,682	—	13,148,682
Reclassification of derivative liability at fair value in connection with conversion of convertible debt	—	—	363,953	—	363,953
Ratchet warrant expense	—	—	47,136	—	47,136

Net Loss - 2009	—		—		—		(32,876,813)		(32,876,813)
Balance, March 31, 2009	34,265,368	$	3,427	$	20,372,598	$	(34,301,828)	$	(13,925,803)

4

Perf-Go Green Holdings, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	For the Year Ended March 31, 2009	For the Period from November 15, 2007 (inception) to March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (32,876,813)	$ (1,425,015)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt issue costs	715,296	75,000
Amortization of debt discount	2,234,441	—
Loss on extingusihment of debt	4,578,112	—
Depreciation	40,756	85
Derivative expenses - at commitment date	27,980,162	—
Change in fair value remeasurement - embedded conversion option and warrants	(26,217,330)	—
Warrants issued as compensation in connection with convertible debt funding	244,985	711,997
Stock issued for compensation	25,700	1,880
Stock issued for consulting	2,288,792	—
Stock issued for compensation - consultants	856,483	—
Stock issued for consulting - employees	13,148,682	—
Ratchet warrant expense	47,136	—
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(481,614)	—
Due from factor	(92,106)	—
Prepaids and other current assets	(28,713)	(32,615)
Product deposit	(1,533,047)	—
Increase (Decrease) in:		
Accounts payable	765,191	199,645
Accrued expenses	29,398	66,653
Deferred revenue	22,050	—
Registration rights payable	892,500	—
Net Cash Used In Operating Activities	(7,359,939)	(402,370)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in reverse acquisition with Esys	2,100,636	—
Cash paid to acquire equipment	(323,693)	(2,545)
Net Cash Provided By (Used In) Investing Activities	1,776,943	(2,545)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributed capital - related party	—	100
Proceeds from sale of convertible debt	5,950,000	750,000
Proceeds from common stock payable	100,000	—
Cash overdraft	67,811	—

Cash paid as offering costs for debt and equity based financing		(805,000)		(75,000)
Net Cash Provided By Financing Activities		5,312,811		675,100
Net Increase (Decrease) in Cash and Cash Equivalents		(270,185)		270,185
Cash and Cash Equivalents - Beginning of Period		270,185		—
Cash and Cash Equivalents - End of Period	$	—	$	270,185
SUPPLEMENTARY CASH FLOW INFORMATION:				
Cash Paid During the Year/Period for:				
Income taxes	$	—	$	—
Interest	$	582,523	$	—
SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Derivative liabilities recorded at commitment date in conneciton with issuance of convertible debt with warrants	$	5,950,000	$	—
Derivative liability recorded in connection with placement agent warrants and debt & equity financing	$	1,873,513	$	—
Conversion of debt and accrued interest to common stock	$	759,529	$	761,383
Reclassification of derivative liability to additional paid in capital in connection with conversion of debt to common stock	$	363,953	$	—
Debt discount and derivative liability recorded in connection with issuance of warrants to placement agent	$	1,336,320	$	—

See accompanying notes to financial statements

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Note 1 Organization and Nature of Operations

Perf-Go Green Holdings, Inc., ("Holdings") formerly known as ESYS Holdings, Inc. ("ESYS") and La Solucion, Inc., (the "Company") was incorporated in Delaware in April 2005. Its business was originally intended to provide assistance to the non-English speaking Hispanic population in building and maintaining a life in North Carolina but it did not establish operations in connection with its business plan.

On May 13, 2008, Holdings, a then public shell corporation, in a share exchange transaction with the stockholders of Perf-Go Green, Inc. ("Perf-Go Green"), a privately-owned Delaware corporation pursuant to which Holdings acquired all of the outstanding shares of common stock of Perf-Go Green. Perf-Go Green was originally incorporated as a limited liability company on November 15, 2007 and converted to a "C" corporation on January 7, 2008. Upon the consummation of the transaction, Perf-Go Green became a wholly-owned subsidiary of Holdings.

Perf-Go Green became the surviving corporation, in a transaction treated as a reverse acquisition. Holdings did not have any operations and majority-voting control was transferred to Perf-Go Green. The transaction also requires a recapitalization of Perf-Go Green.

Since Perf-Go Green acquired a controlling voting interest, it was deemed the accounting acquirer, while Holdings was deemed the legal acquirer. The historical financial statements of the Company are those of Perf-Go Green, and of the consolidated entities from the date of merger and subsequent.

Since the transaction is considered a reverse acquisition and recapitalization, the guidance in SFAS No. 141 does not apply for purposes of presenting pro-forma financial information.

Pursuant to the merger, Holdings issued 21,079,466 shares of common stock to Perf-Go Green in exchange for Perf-Go Green's 20,322,767 shares outstanding (1.03:1 exchange ratio). Upon the closing of the reverse acquisition, Perf-Go Green and its stockholders held 65% of the issued and outstanding shares of common stock. The remaining 11,200,004 shares of Holdings commons stock was a deemed issuance to the former shareholders of Holdings.

The Company is focused on the development and global marketing of eco-friendly, non-toxic, food contact compliant, biodegradable plastic products. The Company's biodegradable plastic products offer a practical and viable solution for reducing plastic waste from the environment. The Company believes that its plastic products will break down in landfill environments within twelve (12) to twenty four (24) months, leaving no visible or toxic residue. The Company's activities have included capital raising to support its business plan, recruiting board and management personnel, establishing sources of supply and customer relationships. During the year ended March 31, 2009, the Company commenced principal operations with the initiation of significant revenues and exited the development stage.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Note 2 Summary of Significant Accounting Policies

Principles of consolidation

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

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

Significant estimates in 2009 included the valuation of stock issued for compensation and services, stock based compensation arrangements with employees and third parties, warrants issued as compensation, fair value of derivative financial instruments, estimated useful life of equipment, and a 100% valuation allowance for deferred taxes due to the Company’s continuing and expected future losses.

Risks and uncertainties

The Company operates in an industry that is subject to intense competition and change in consumer demand. The Company's operations are subject to significant risk and uncertainties including financial and operational risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in sales and earnings. The factors expected to contribute to this variability include, among others, (i) the cyclical nature of the industries we sell and cater to, (ii) general economic conditions in the various local markets in which the Company competes, including the general downturn in the economy over the past year, and (iii) the volatility of prices pertaining to our vendors and suppliers. These factors, among others, make it difficult to project the Company’s operating results on a consistent basis.

Cash and cash equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at March 31, 2009 and 2008, respectively.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At March 31, 2009 and 2008, the balance exceeding the insured limits were $0 and approximately $185,000, respectively.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents trade obligations from customers that are subject to normal trade collection terms. The Company periodically evaluates the collectability of its accounts receivable and considers the need to adjust an allowance for doubtful accounts based upon historical collection experience and specific customer information. Actual amounts could vary from the recorded estimates.

At March 31 2009 and 2008, the Company recorded an allowance for doubtful accounts receivable of $4,033 and $0, respectively.

Due from Factor

On March 20, 2009, the Company entered into an agreement with a factor, who will provide, on a discretionary basis, a combined credit facility of $10 million for purchase order financing and factoring. Under the agreement, the Company agreed to pay the factor a commission of 1.0% to 1.5% of the gross amount of each receivable. In addition, the Company agreed that the factor will receive a minimum of $100,000 in commissions in the first 12 months. As collateral for the Company's obligations under this agreement, the Company has granted the factor a security interest in all of the company's assets. The factor advances 80% of the factored receivables and pays a percentage of the 20% when the factored receivable is collected.

Deposits

The manufacturing of our biodegradable plastic products is outsourced to a sole supplier ("supplier). In order to secure initial product shipments expected, we have deposits of $1,533,047 and $0 with the supplier at March 31, 2009 and 2008, respectively. In order to secure our full payment, the supplier retains title and risk of loss to the related inventory until we make final payment which occurs shortly before shipment to the customer. As such, we do not currently carry inventory for any significant period of time and had no inventory at March 31, 2009 and 2008, respectively.

Long Lived Assets

In accordance with Statement of Financial Statements SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets", the Company carries long-lived assets at the lower of the carrying amount or fair value. Impairment is evaluated by estimating future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flow is less than the carrying amount of the assets, an impairment loss is recognized. Fair value, for purposes of calculating impairment, is measured based on estimated future cash flows, discounted at a market rate of interest. At March 31, 2009 and 2008, the Company did not record any impairment losses.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Equipment

Equipment is stated at cost, less accumulated depreciation computed on a straight-line basis over the estimated useful life, which is three to seven years.

Debt Discount and Debt Issue Costs

These amounts are amortized over the life of the debt to interest expense.

Fair value of financial instruments

Statement of Financial Accounting Standards No. 107, “Disclosures about Fair Value of Financial Instruments,” requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The carrying amount reported in the balance sheet for accounts receivable, due from factor, deposits, prepaids, accounts payable and accrued expenses, deferred revenues, and common stock payable approximates its fair market value based on the short-term maturity of these instruments.

Derivative Financial Instruments

SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” requires bifurcation of embedded derivative instruments such as conversion options and warrants, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option-pricing model. In assessing the convertible debt instruments, management first reviews the guidance of EITF No.’s 98-5, 00-27 and 05-2 as well as SFAS No. 150 to determine if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. In addition, the fair value of freestanding derivative instruments such as warrants, are also valued using the Black-Scholes option-pricing model. In assessing the nature of a financial instrument as freestanding, the Company has applied the guidance pursuant to EITF No.’s 00-19. Finally, the Company has applied the related guidance in EITF No.’s 00-19-2 and 05-4 as well as SFAS No. 5 when determining the existence of liquidated damage provisions. At March 31, 2009, the Company had various derivative instruments.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Segment information

The Company follows Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." During 2009 and 2008, the Company only operated in one segment; therefore, segment information has not been presented.

Revenue recognition

The Company follows the guidance of the Securities and Exchange Commission’s Staff Accounting Bulletin No. 104 for revenue recognition. The Company records revenue when the risks and rewards of ownership have transferred to customers which generally occurs when products are shipped and all of the following have occurred; (1) persuasive evidence of an arrangement exists, (2) product delivery has occurred, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured. In arriving at net sales, the Company estimates the amount of deductions that are likely to be taken by customers and adjusts that periodically based on historical experience.

The Company records revenues upon shipment.

Cost of Sales

Cost of sales represents the purchase of the Company’s products.

Advertising

In accordance with Accounting Standards Executive Committee Statement of Position 93-7, costs incurred for producing and communicating advertising for the Company are charged to operations as incurred.

Advertising expense for the year ended March 31, 2009 and for the period November 15, 2007 (inception) to March 31, 2008 was $908,004 and $2,840, respectively.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Earnings per share

Basic earnings (loss) per share is computed by dividing net income (loss) by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

At March 31, 2009 and 2008 the Company's common stock equivalents consisted of the following:

	2009	2008
Shares underlying convertible debt	10,380,942	—
Stock options	7,723,600	—
Warrants	40,338,340	1,650,000
Total common stock equivalents	58,442,882	1,650,000

Since the Company reflected a net loss in 2009 and 2008, the effect of considering any common stock equivalents, if outstanding, would have been anti-dilutive. A separate computation of diluted earnings (loss) per share is not presented.

Stock-based compensation

All share-based payments to employees are recorded and expensed in the statement of operations as applicable under SFAS No. 123(R) "Share-Based Payment". SFAS No. 123(R) requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, directors and third parties, including grants of stock options based on estimated fair values. The Company has used certain weighted average assumptions and applied these to the Black-Scholes option-pricing model to estimate grant date fair value for all option grants.

Share-based compensation expense is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the year, less expected forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary in subsequent periods if actual forfeitures differ from those estimates.

Non-employee equity based compensation

Equity-based compensation awards issued to non-employees for services will be recorded at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in Emerging Issues Task Force Issue EITF No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ("EITF 96-18").

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Income Taxes

The Company accounts for income taxes under the liability method in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company adopted the provisions of FASB Interpretation No. 48; "Accounting for Uncertainty in Income Taxes-An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition 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 the Company's tax positions and tax benefits, which may require periodic adjustments. At March 31, 2009 and 2008, the Company did not record any liabilities for uncertain tax positions.

Recent accounting pronouncements

In December 2007, the FASB issued SFAS 141R, Business Combinations ("SFAS 141R"), which replaces FASB SFAS 141, Business Combinations. This Statement retains the fundamental requirements in SFAS 141 that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141R defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. SFAS 141R will require an entity to record separately from the business combination the direct costs, where previously these costs were included in the total allocated cost of the acquisition. SFAS 141R will require an entity to recognize the assets acquired, liabilities assumed, and any non-controlling interest in the acquired at the acquisition date, at their fair values as of that date. This compares to the cost allocation method previously required by SFAS No. 141. SFAS 141R will require an entity to recognize as an asset or liability at fair value for certain contingencies, either contractual or non-contractual, if certain criteria are met. Finally, SFAS 141R will require an entity to recognize contingent consideration at the date of acquisition, based on the fair value at that date. This Statement will be effective for business combinations completed on or after the first annual reporting period beginning on or after December 15, 2008. Early adoption of this standard is not permitted and the standards are to be applied prospectively only. Upon adoption of this standard, there would be no impact to the Company's results of operations and financial condition for acquisitions previously completed. The adoption of SFAS No. 141R is not expected to have a material effect on its financial position, results of operations or cash flows.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No 51” (“SFAS 160”). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, changes in a parent’s ownership of a noncontrolling interest, calculation and disclosure of the consolidated net income attributable to the parent and the noncontrolling interest, changes in a parent’s ownership interest while the parent retains its controlling financial interest and fair value measurement of any retained noncontrolling equity investment. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of SFAS No. 160 is not expected to have a material effect on its financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161 “Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133.” (“SFAS 161”). SFAS 161 establishes the disclosure requirements for derivative instruments and for hedging activities with the intent to provide financial statement users with an enhanced understanding of the entity’s use of derivative instruments, the accounting of derivative instruments and related hedged items under Statement 133 and its related interpretations, and the effects of these instruments on the entity’s financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company does not expect its adoption of SFAS 161 to have a material impact on its financial position, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position (“FSP”) SFAS No. 142-3, “ Determination of the Useful Life of Intangible Assets” . This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R, and other GAAP. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company does not expect the adoption of SFAS FSP 142-3, to have a material impact on its financial position, results of operations or cash flows.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

In May 2008, the FASB issued FSP Accounting Principles Board ("APB") 14-1 "Accounting for Convertible Debt instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis. The Company does not expect the adoption of FSP APB 14-1, to have a material impact on its financial position, results of operations or cash flows.

In October 2008, the FASB issued FSP FAS 157-3, " Determining the Fair Value of a Financial Asset When the Market For That Asset Is Not Active" ("FSP FAS 157-3"), with an immediate effective date, including prior periods for which financial statements have not been issued. FSP FAS 157-3 amends FAS 157 to clarify the application of fair value in inactive markets and allows for the use of management's internal assumptions about future cash flows with appropriately risk-adjusted discount rates when relevant observable market data does not exist. The objective of FAS 157 has not changed and continues to be the determination of the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date. The adoption of FSP FAS 157-3 is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP SFAS 157-4, "Determining Whether a Market Is Not Active and a Transaction Is Not Distressed," which further clarifies the principles established by SFAS No. 157. The guidance is effective for the periods ending after June 15, 2009 with early adoption permitted for the periods ending after March 15, 2009. The adoption of FSP FAS 157-4 is not expected to have a material effect on the Company's financial position, results of operations, or cash flows.

In May 2009, the FASB issued SFAS No. 165 "Subsequent Events" ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The Company is evaluating the impact the adoption of SFAS 165 will have on its financial statements.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

In June 2009, the FASB issued SFAS No. 166 “Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140” (“SFAS 166”). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 166 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 167 “Amendments to FASB Interpretation No. 46(R)” (“SFAS 167”). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities”, as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166 and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise’s involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 168 “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162”. The FASB Accounting Standards Codification (“Codification”) will be the single source of authoritative nongovernmental U.S. generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in SFAS 168. All other accounting literature not included in the Codification is nonauthoritative. The Codification is not expected to have a significant impact on the Company’s financial statements.

Other accounting standards have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date and are not expected to have a material impact on the financial statements upon adoption.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Note 3 Going Concern and Liquidity

As reflected in the accompanying consolidated financial statements, the Company has a net loss of $32,876,813 and net cash used in operations of $7,359,939 for the year ended March 31, 2009; and has a working capital deficit of $15,345,579 and a stockholders' deficit of $13,925,803.

Further, losses from operations are continuing subsequent to March 31, 2009 and the Company anticipates that it will continue to generate significant losses from operations for the near future. The Company believes its current available cash along with anticipated revenues may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue its operations is dependent on Management's plans, which include the raising of capital through debt and/or equity markets with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur additional liabilities with certain related parties to sustain the Company's existence.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 Due from Factor

Due from factor at March 31, 2009 is as follows:

Accounts Receivable	$	253,272
Less: Advances		(156,216)
Less: Commissions		(2,829)
Less: Other Factoring Expenses		(2,121)
Due From Factor	$	92,106

Note 5 Equipment

Equipment at March 31, 2009 and 2008 consist of the following:

	2009		2008	
Furniture and fixtures	$	171,181	$	—
Computer equipment		71,665		2,545
Software		83,392		—
		326,238		2,545
Less: accumulated depreciation		(40,841)		(85)
Equipment – net	$	285,397	$	2,460

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Note 6 Convertible Debt, Warrants, Derivative Liabilities and Registration Rights Liability

(A) Senior Secured Convertible Debentures and Warrants

During May and June 2008, the Company issued $5,950,000 of senior secured convertible debentures with five-year detachable warrants to purchase shares of the Company's common stock. The convertible debt issued is secured by all assets of the Company. The convertible debt bears interest at 10%, and is payable quarterly in arrears in cash or equity.

During fiscal year 2009, $759,529 of the convertible debentures was converted into 1,046,703 shares of common stock. The remaining face amount of the debentures is $5,190,471 as of March 31, 2009, and are due in May 2011, with respect to $2,250,000 of principal amount, and in June 2011, with respect to $2,940,471 of principal amount. There were no debentures outstanding at March 31, 2008.

The Convertible Debentures contain various covenants which, among other things, restrict the Company's ability to incur additional debt or liens or engage in certain transactions as specified therein. Additionally, the Convertible Debentures define various events of default including non-payment of interest or principal when due, failure to comply with covenants, breach of representations or warranties, failure to obtain effective registration of the common stock underlying the conversion feature or failure to deliver registered common stock, when requested, within a specified timeframe as well as other matters discussed therein. Various remedies exist for an event of default including the acceleration of the maturity of the obligation, an increase in the interest rate to 15%, accrual of certain costs of the debt holders and a reduction of the conversion rate, among other things. The Convertible Debentures also provide that in the event of a "fundamental transaction" such as a change in control, the holder may require that such holder's Convertible Note be redeemed at an "alternative consideration" which can be, among other things, 135% of the principal amount of the Convertible Note or 130% of the equity conversion value of the Convertible Note. For the period ended March 31, 2009, there were no defaults as defined above.

The Convertible Debentures are convertible at the option of the Investors into shares of our common stock at the lower of the (a) "fixed conversion price" of $0.50 per share. As of March 31, 2009, the debentures can be converted into 10,380,942 shares of common stock based on the $0.50 per share conversion price, subject to adjustment for stock splits, stock dividends, or similar transactions, (b) "lowest conversion price" representing the lowest price, conversion price or exercise price offered by the Company in a subsequent equity financing, convertible security (subject to certain exceptions) or derivative instruments or (c) "mandatory default amount" representing the amount necessary to convert 110% of the face amount of the Convertible Debentures plus accrued interest and costs at the lower of the price of the common stock on the date of demand or the date of payment. The Company's common stock price at the time of issuance of both the May and June 2008 Convertible Debentures exceeded the relevant conversion price (the fixed conversion price). As a result, the Company assessed the applicability of EITF No.'s 98-5 and 00-27 to determine if this constitutes a beneficial conversion feature. However, since the conversion feature can result in a variable amount of shares being issued, the conversion feature is considered an embedded derivative liability, not a beneficial conversion feature, that needs to be separated from the "host contract" as described further below.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

The Warrants entitled the Investors to purchase approximately 7,933,333 ("initial warrants") shares of common stock at $1.00 per share subject to certain anti-dilution provisions to adjust the shares and exercise price in the event of (a) stock dividends, splits or similar recapitalizations or (b) a rights offering at less than market value to all stockholders, (c) certain dividends or distributions and (d) the offering or issuance of common stock or derivative instruments (warrants, options or conversion features), subject to certain exceptions, at a price that is less than the exercise price of the Warrants.

In March 2009, for no additional consideration, the Company issued an additional 10,800,000 and issued 7,933,333 detachable warrants, at an exercise price of $0.50 per share, and lowered the exercise price for the 7,933,333 initial warrants to $0.50 per share. The 7,933,333 warrants were issued as a result of certain anti-dilution provision discussed above. The Company is obliged to issue registered shares of common stock upon the exercise of all the above warrants and if it cannot do so within three business days, it is obliged to pay in cash the market value, plus brokerage commissions, of the common stock. Because of the "pay in cash" feature and the variability of the exercise price, the warrants above are considered to be a derivative liabilities as discussed further below. The Company performed a present value calculation of the new debt immediately before and after the modification above (including the fair value of the additional warrants). The modification of the convertible debentures or repricing (including the fair value of the additional warrants) of the exercise price resulted in a fair value of the new debt that was substantially in excess of the old debt. As a result, the Company determined that a substantial modification of the debentures had occurred, and recorded a loss on debt extinguishment of $4,578,112 for the period ended March 31, 2009. The fair value of the 10,800,000 and 7,933,33 warrants related to this modification were recorded as a derivative liabilities, as these warrants have the same net cash settlement features as the initial warrants. In determining the loss on extinguishment, at the modification date, the unamortized discount associated with the convertible debt was subtracted from the face amount of the convertible debt, and a debt discount of $1,336,320 was recorded. As a result, the carrying value of the new debt was reduced to zero, and the excess fair value of the additional warrants was recorded as a loss on debt extinguishment of $4,578,112 for the period ended March 31, 2009. Additionally, the Company recorded $1,670,276 in derivative expense related to the debt extinguishment.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

(B) Derivative Liabilities

Embedded conversion option in the Convertible Debentures and the detachable Warrants are deemed “freestanding financial instruments” that cannot be classified as equity instruments at the commitment date related to their issuance and instead are classified as “derivative liabilities subject to fair value accounting.”

Because the Convertible Debentures were issued with a variable conversion feature and with detachable Warrants, the fair value of these attributes are calculated and assigned before a value is assigned to the Convertible Debentures.

The Company computed the fair value by using a Black Scholes calculation assuming the following assumptions

Expected dividends	0%
Expected volatility	93% - 150%
Expected term – embedded conversion option	3 years
Expected term – warrants	5 years
Risk free interest rate	1.39% - 3.2%

The following is a summary of the Company’s derivative financial instruments associated with the convertible debt and warrants issued in May and June 2008, at the commitment date:

Fair value – debt	$ 13,739,000
Fair value – warrants	13,718,000
Derivative fair value at commitment date	27,457,000
Less: face amount of debt	(5,950,000)
Derivative expense at commitment date	$ 21,507,000

The fair value of the conversion feature of the Convertible Debentures and the initial warrants that is assigned to debt discount (originally $5,950,000) is being amortized over the life of the Convertible Debentures (three years).

The debt discount is amortized to interest expense for any conversions of the debentures based on the pro-rata amount of debenture converted to total debt. For the period ended March 31, 2009, the Company amortized $759,529 to interest expense for conversions during 2009. For the period ended March 31, 2009, the Company recognized $2,234,441 in interest expense related to debt discount amortization.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

During 2009, the Debt holders converted $759,529 of Convertible Debentures into 1,046,703 shares of common stock of the Company (the "Conversion"). In connection with the Conversion, the Company recorded the face amount of these Convertible Debentures at the date of conversion ($759,529) plus the proportionate share of the related derivative liability, as remeasured on the conversion date, of $363,953 (for a total recorded of $1,123,482) to shareholders equity.

Convertible debt at March 31, 2009 is as follows:

	At inception
Face amount of Debentures	$ 5,950,000
Less:	
Debt converted to equity	(759,529)
Face amount of debentures at March 31, 2009	5,190,471
Less:	—
Value assigned to conversion feature and warrants as debt discount	(5,950,000)
Value assigned to additional warrants in repricing as debt discount	(1,336,320)
Add:	
Amortization of debt discount	2,234,441
Convertible debt – net at March 31, 2009	$ 138,592

(C) Placement Agent Warrants

In connection with the issuance of the Convertible Debentures and Warrants, the company paid a placement agent (the "Placement Agent") a cash fee of $595,000 and issued them warrants, on the same terms as the Warrants, to purchase 793,333 shares (subject to adjustment) of common stock at $1.00 for five years. In March 2009, for no additional consideration to the Placement Agent, the Company repriced the above warrants to $0.50 per share and issued an additional 1,213,333 warrants for $0.50 per share. These warrants have the same anti-dilution provisions as the warrants issued to the convertible debt investors, and accordingly, this issuance relates to that provision. Because the above warrants have the same variable exercise price feature, and cash settlement provisions, as the Investor Warrants described above, these warrants are also considered derivative liabilities. As such, their fair value at inception of approximately $1,394,000 was charged to derivative liability expense and this amount is required to be marked-to-market at each reporting period. The additional warrants and re-pricing resulted in additional derivative expense of $374,372 for the period ended March 31, 2009. The Company recorded the aggregate of the cash and warrant compensation of approximately $1,873,513 as debt issue costs. For the year ended March 31, 2009, total amortization expense was $715,296 (including $228,099 from the above conversions). At March 31, 2009, unamortized debt issue costs was $1,272,971.

In March 2009,the Company issued 800,000 warrants at $1.00 per share as part of the negotiations of a non-binding credit facility to a potential lender. The Company is currently negotiating this credit facility. These warrants have the same net cash settlement features as the above warrants issued to the investors, and were recorded as a derivative liability. ***repricing discussion needed in more detail???

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

The Company computed the fair value of the Placement Agent warrants and the non-binding credit facility warrants by using a Black Scholes calculation assuming the following assumptions

Expected dividends	0%
Expected volatility	150%
Expected term	4.19 – 4.97 years
Risk free interest rate	1.39%

In May 2008, the Company issued 4,200,000 warrants at $1.00 per share with immediate vesting to certain investors unrelated to the investors of the convertible debentures. The warrants have the same net cash settlement provisions as the investor warrants above, and accordingly, were recorded as derivative liability and derivative expense at the commitment date. In March 2009, the Company issued 4,200,000 warrants at $.50 per share to these equity investors. The warrants have immediate vesting, and the same net cash settlement provisions as the above warrants. As a result, the Company recorded $1,295,904 in derivative expense for the period ended March 31, 2009 related to these warrants.

The Company computed the fair value of the 4,200,000 warrants by using a Black Scholes calculation assuming the following assumptions

Expected dividends	0%
Expected volatility	150%
Expected term	4.19 years
Risk free interest rate	1.39%

(D) Registration Rights Liability

The Company also granted the Debt holders registration rights for the common stock underlying the embedded conversion feature in the Convertible Debentures and the Warrants. The Company can be assessed liquidated damages, as defined in the related agreements, for the failure to file a registration statement in a certain timeframe or for the failure to obtain or maintain effectiveness of such registration statement. Such penalties shall not exceed, in the aggregate, 15% of the aggregate Purchase Price (as defined in the Convertible Debentures). In assessing the likelihood and amount of possible liability for liquidated damages, the Company considered the guidance of EITF No.'s 00-19-2 and 05-04 as well as SFAS No. 5. Because obtaining and maintaining effectiveness of the registration statement is not within the Company's control, the Company has concluded that it is probable that a liability will be incurred and therefore recorded a liability for $892,500 representing its estimate that such liability will be 15% of the proceeds of the Convertible Debentures as registration rights liability. The Company's registration statement was declared effective on February 10, 2009 and approximately $75,000, plus interest, of liquidated damages had been incurred as of March 31, 2009 and approximately $225,000, plus interest, as of February 10, 2009. The Company continues to be exposed to further registration rights liquidated damages if it does not maintain the effectiveness of such registration statement. At such time as it becomes clear that such effectiveness can be maintained, the remaining liability would be reversed.

21

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Other - In connection with the issuance of the Convertible Debentures and the related reverse acquisition transaction, the Company agreed to pay a total of approximately $750,000 in investor relations cost, all of which costs have been paid at March 31, 2008.

(E) Derivative Liabilities As Remeasured – Summary at March 31, 2009

Fair value of embedded conversion feature – convertible debt	$ 2,738,529
Fair value of warrants – convertible debt	2,588,093
Fair value of warrants - placement agent – in convertible debt offering	260,557
Fair value of warrant issued in connection with reverse acquisition	136,070
Fair value of warrants issued to reverse acquisition equity debt holders	1,366,781
Fair value of additional warrants issued to equity debt holders	3,668,806
Fair value of warrants issued to factoring agent	259,484
Fair value of additional warrants to debt holders	4,363,489
Total derivative liabilities – March 31, 2009	$ 15,381,809

In connection with the Share Exchange discussed in Note 1, the Company paid the Placement Agent a cash fee of $210,000 and issued them warrants to purchase common stock on the same terms as the Warrants treated as derivatives. As such these warrants entitle the holder to purchase approximately 420,000 shares common stock at $.50 per share subject to adjustment of the shares and exercise price in the event of (a) stock dividends, splits or similar recapitalizations or (b) a rights offering at less than market value to all stockholders, (c) certain dividends or distributions and (d) the offering or issuance of common stock or derivative instruments (warrants, options or conversion features), subject to certain exceptions, at a price that is less than the exercise price of the warrants. The Company is obliged to issue registered shares of common stock upon the exercise of the Warrants and if it cannot do so within three business days, it is obliged to pay in cash the market value, plus brokerage commissions, of the common stock. Because of the cash settlement feature and the variability of the exercise price, the warrant is considered to be a derivative liability Under SFAS No. 133 and EITF No. 00-19. Such warrants had a fair value at inception of approximately $480,000, which amount was charged to derivative liabilities expense.

At the time of the Share Exchange, certain debt holders in a prior private placement of common stock and warrants were granted the right to exchange their existing warrants for new warrants on the same terms as the Warrants discussed above. Because of the variability of the exercise price feature and the settlement in cash provisions, the warrant is considered to be a derivative liability Under SFAS No. 133 and EITF No. 00-19. Such warrants had a fair value at inception of approximately $4,801,000, which amount was charged to derivative liabilities expense.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Pursuant to fair value accounting, the derivative liabilities for the conversion feature, the Warrants, the placement agent warrants and the warrants issued to equity debt holders are required to be marked-to-market at each reporting period during their term, with the resulting difference reported as a component of income or expense. During the period ended March 31, 2009, the Company recorded a total change in fair value due to remeasurement of derivative liabilities of $26,217,330 that is included as income in the consolidated statement of operations.

The Company computed the fair value of the above derivatives as of March 31, 2009 by using a Black Scholes calculation assuming the following assumptions

Expected dividends	0%
Expected volatility	150%
Expected term – embedded conversion option	2.12 – 2.19 years
Expected term – warrants	4.12 – 4.97 years
Risk free interest rate	1.39%

Note 7 Bridge Notes and Warrants

In January and February 2008 Perf-Go Green sold an aggregate $750,000 of secured convertible notes, due in January 2009 (with respect to $350,000) and February 2009 (with respect to $400,000) and bearing interest at 10% per year, together with warrants to purchase Perf-Go Green's common stock. The notes were convertible at $0.48 per share and, together with approximately $11,000 of accrued interest, were converted into 1,579,466 shares of the Company's common stock on March 27, 2008.

The detachable warrants permit the holders to purchase an aggregate of 1,500,000 shares of common stock of the Company at a price of $0.75 until January 2013 (with respect to 700,000 shares) or February 2013 (with respect to 800,000 shares). Under EITF No. 00-19, the Company concluded that these warrants met the definition of a freestanding financial instrument that could be classified as equity. The Company determined the fair value of these warrants based upon a Black Scholes valuation calculation with the following assumptions: one and one half year expected life, 150% volatility, 2.11% risk free interest rate and a market price of $0.48 for the underlying common stock. The market price was determined based on the ultimate conversion of these notes into common stock at that price shortly after issuance. The fair value, $669,000 was recorded to deferred finance costs and then, upon the conversion of the notes in March 2008, written off.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

In March 2009, the Company issued an additional 145,010 detachable warrants, and lowered the exercise price of the warrants from $0.75 to $0.69. At the March 2009 modification date, the Company re-measured the above warrants, and recorded additional interest expense of $47,136, and a corresponding credit to additional paid-in capital. The conversion option and warrants associated with the bridge notes were deemed to be equity as discussed below. The carrying value of the debt was zero at the re-measurement date, and accordingly, the fair value of the additional warrants was recorded as additional interest expense. The $47,136 represents additional incremental fair value associated with re-pricing the warrants at the re-measurement date.

The Company computed the fair value of the repriced warrants as of the re-measurement date assuming the following assumptions

Expected dividends	0%
Expected volatility	149%
Expected term	3.95 years
Risk free interest rate	1.39%

Pursuant to EITF No.'s 98-5 and 00-27 and APB No. 14, the Company determined that the exercise price of the convertible debt of $0.50 exceeded the market price of the common stock at each commitment date. As a result, no allocation of fair value was required amongst the convertible notes and warrants. The Company also determined that SFAS No. 133 and EITF 00-19 were not applicable, as the embedded conversion option did not require bifurcation.

In connection with raising these proceeds, Perf-Go Green paid $75,000 as direct offering costs to the placement agent. The Company also issued, as an additional placement agent fee, warrants to purchase 150,000 shares of the Company's common stock.

The Company determined the valuation of these warrants as follows:

The Company computed the fair value of the these warrants assuming the following assumptions

Expected dividends	0%
Expected volatility	150%
Expected term	5 years
Risk free interest rate	1.9 – 2.7%

Upon conversion of the notes on March 27, 2008, the remaining unamortized portion of debt issue costs was charged to interest expense on the statement of operations.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Note 8 Stockholders' Equity (Deficit)

(A) Issuance of Common Stock

(1) For the Period from November 15, 2007 (inception) to March 31, 2008

The Company issued 10,260,798 shares of common stock for officer compensation, having a fair value of $1,880, based upon the fair value of the services provided.

The Company issued 839,207 shares of common stock in connection with the conversion of debt and related accrued interest aggregating $761,383. There was no gain or loss recorded upon conversion.

(2) For the Year Ended March 31, 2009

(A) Stock Issued in Debt Conversions

During 2009, the Company issued 1,046,703 shares of common stock, having a fair value of $759,529 as follows:

In November 2008, the Company issued 733,332 shares of common stock in connection with the conversion of debt totaling $550,000 ($0.75/share). There was no gain or loss recorded upon conversion.

In February 2009, the Company issued 212,705 shares of common stock in connection with the conversion of debt totaling $159,529 ($0.75/share). There was no gain or loss recorded upon conversion.

In March 2009, the Company issued 100,667 shares of common stock in connection with the conversion of debt totaling $50,000 ($0.50/share). There was no gain or loss recorded upon conversion. The exercise price associated with this debt conversion was reduced from $0.75/share in connection with the repricing from March 20, 2009.

(B) Stock Issued for Compensation

In June 2008, the Company issued 10,000 shares of common stock to an employee, having a fair value of $25,700 ($2.57/share), based upon the quoted closing trading price at the grant date.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

(C) Stock Issued for Consulting

During 2009, the Company issued 929,194 shares of common stock, having a fair value of $2,288,792 as follows:

In June 2008, the Company issued 874,194 shares of common stock to third party consultants for services rendered, having a fair value of $2,237,547 ($2.56/share), based upon the quoted closing trading price at the grant date.

In July 2008, the Company issued 11,000 shares of common stock to third party consultants for services rendered, having a fair value of $13,860 ($1.26/share), based upon the quoted closing trading price at the grant date.

In August 2008, the Company issued 11,000 shares of common stock to third party consultants for services rendered, having a fair value of $14,740 ($1.34/share), based upon the quoted closing trading price at the grant date.

In September 2008, the Company issued 11,000 shares of common stock to third party consultants for services rendered, having a fair value of $12,100 ($1.10/share), based upon the quoted closing trading price at the grant date.

In October 2008, the Company issued 11,000 shares of common stock to third party consultants for services rendered, having a fair value of $7,150 ($0.65/share), based upon the quoted closing trading price at the grant date.

In November 2008, the Company issued 11,000 shares of common stock to third party consultants for services rendered, having a fair value of $3,410 ($0.31/share), based upon the quoted closing trading price at the grant date.

(B) Stock Options

In June 2008, the Company adopted the 2008 Share Incentive Plan (the "Plan") which permits the granting of stock options and other forms of stock based compensation to employees and consultants of the Company. Under the Plan, the Company has reserved 10,000,000 shares of common stock for issuance under the Plan. There were no stock options outstanding at March 31, 2008.

The fair value of each option grant under SFAS No. 123R is estimated on the date of the grant using the Black-Scholes option pricing model with weighted average assumptions as determined in part by management. The expected volatility for the current period was developed by using historical volatility of the Company's stock history since the reverse acquisition. The risk-free interest rate was developed using the U.S. Treasury yield curve for periods equal to the expected term of the options grant date.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

The total grant date fair value of options issued to employees, directors, officers and consultants during fiscal year end 2009 was $15,459,094, based upon the use of a Black-Scholes option-pricing model using the following management assumptions:

Risk-free interest rate	0.57% - 3.2%
Expected dividend yield	0%
Expected volatility	93% - 150%
Expected term	5 years
Expected forfeitures	0%

The following is a summary of the Company's stock option activity:

	Options	Weighted Average Exercise Price
Outstanding – March 31, 2008	—	—
Granted	7,723,600	$ 1.51
Exercised	—	$ —
Forfeited	—	$ —
Outstanding – March 31, 2009	7,723,600	$ 1.51
Exercisable – March 31, 2009	6,929,472	$ 1.45

Options Outstanding

Range of Exercise price	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$ 0.50-$2.00	7,723,600	4.47 years	$ 1.51

Options Exercisable

Range of Exercise price	Number Exercisable	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price
$ 0.50 - $2.00	6,929,472	4.47 years	$ 1.45

At March 31, 2009 the total intrinsic value of options outstanding and exercisable was $0.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

The following summarizes the activity of the Company's stock options that have not vested for the year ended March 31, 2009:

	Options	Weighted Average Grant Date Fair Value	
Outstanding – March 31, 2008	—		—
Granted	7,723,600	$	2.00
Vested	(6,929,472)		2.00
Cancelled or forfeited	—		—
Outstanding – March 31, 2009	794,128	$	2.05

Total unrecognized share-based compensation expense from stock options at March 31, 2009 was $1,629,074, which is expected to be recognized over a weighted average period of approximately of 0.47 years.

The following table summarizes information about the exercise prices, grant date fair value, weighted average life, and exercisability of warrants granted.

The total grant date fair value of warrants issued to investors and consultants during 2009 ranged from $0.33 to $1.01 per share based upon the use of a Black-Scholes option-pricing model using the following management assumptions:

Risk-free interest rate	1.39%
Expected dividend yield	0%
Expected volatility	109% - 149%
Expected term	4 - 5 years
Expected forfeitures	0%

28

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

The following is a summary of the Company's warrant activity:

	Warrants		Weighted Average Exercise Price
Outstanding – March 31, 2008	1,650,000	$	. .69
Granted	38,688,340	$	.51
Exercised	—	$	—
Forfeited	—	$	—
Outstanding – March 31, 2009	40,338,340	$	.51
Exercisable - March 31, 2009	40,338,340	$	.51

Warrants Outstanding and Exercisable

Range of exercise price		Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life (in years)		Weighted Average Exercise Price
$	0.50-$.69	40,338,340	4.19 years	$	.51

At March 31, 2009 and 2008, the total intrinsic value of warrants outstanding and exercisable was $0.

Note 9 Income Taxes

SFAS No. 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carryforwards. SFAS No. 109 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

The Company has a net operating loss carryforward for tax purposes totaling approximately $10,501,000 at March 31, 2009, expiring through the year 2028. Internal Revenue Code Section 382 places a limitation on the amount of taxable income that can be offset by carryforwards after a change in control (generally greater than a 50% change in ownership). Temporary differences, which give rise to a net deferred tax asset, are as follows:

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Significant deferred tax assets at March 31, 2009 and 2008 are as follows:

Deferred tax assets (liabilities), current:		
Allowance for doubtful accounts	$ 96,265	$ —
Valuation allowance	(96,265)	—
	$ —	$ —
Deferred tax assets (liabilities), noncurrent:		
Debt discount	$ 840,820	$ —
Accrued warrant registration	335,848	—
Derivative liability	(8,142,838)	—
Stock compensation	5,270,144	—
Net operating loss	3,951,402	536,233
Valuation allowance	(2,255,376)	(536,233)
	$ —	$ —

The valuation allowance at March 31, 2009 was $2,351,641. The net change in valuation allowance during the year ended March 31, 200, was an increase of $1,815,407.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of March 31, 2009.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

The actual tax benefit differs from the expected tax benefit for the period ended March 31, 2009 and 2008 (computed by applying the U.S. Federal Corporate tax rate of 34% to income before taxes and 7.5% for State income taxes, a blended rate of 38.95% as follows:

	2009	2008
Tax expense (benefit) at U.S. statutory rate	$ (11,178,116)	$ (484,505)
State income tax expense (benefit), net of federal benefit	(175,124)	(51,728)
Derivative expense	9,513,255	—
Effect of non-deductible expenses	24,578	—
Change in valuation allowance	1,815,407	536,233
	$ —	$ —

Note 10 Concentrations

Statement of Position 94-6 (SOP 94-6), “Disclosure of Certain Significant Risks and Uncertainties,” addresses corporate vulnerability to concentrations.

(A) Accounts Receivable

Customer	March 31, 2009	March 31, 2008
A	64%	—%

(B) Sales

Customer	March 31, 2009	March 31, 2008
A	50%	—%
B	23%	—%

(C) Purchases

Vendor	March 31, 2009	March 31, 2008
A	77%	—%

Note 11 Commitments

(A) Litigations, Claims and Assessments

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business. The Company is currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse affect on its business, financial condition or operating results.

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

(B) Employment Agreements

During the period ended March 31, 2009, the Company entered into employment agreements with four officers and four employees. The significant terms of the agreements are as follows::

(1) Officers

- 3 year terms
- Aggregate annual base salaries of $575,000
- Eligibility of bonus up to 20% of base compensation
- Annual salary increase of 20%

(2) Employees

- 1 to 2 year terms
- Aggregate annual base salaries of $366,000
- Eligibility of bonus up to 20% of base compensation
- Annual salary increase of 20%

(C) Operating Lease

On October 1, 2008, the Company entered into a five year, non-cancelable operating lease agreement for its executive offices, expiring in February 2013. In connection with the lease, the Company paid a security deposit of $45,000.

Future minimum annual rental payments are as follows:

Year Ended March 31 2009,

2009	$ 149,820
2010	208,293
2011	214,536
2012	220,968
2013	222,588
Total	$ 1,016,205

32

Perf-Go Green Holdings, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2009 and for the Period from
November 15, 2007 (inception) to March 31, 2008

Rent expense for the years ended March 31, 2009 and for the period November 15, 2007 (inception) to March 31, 2008 was $137,535 and $0 respectively.

Note 12 Subsequent Events

The Company entered a distribution agreement in March 2009, with a third-party granted the Company a perpetual royalty free license and exclusive right to sell certain products owned by the third-party. As consideration, the Company will grant the third-party $1,000,000 of the Company's common stock, and 2,000,000 common stock warrants at $.50 per share . However, payment of the common stock and warrants is contingent upon the Company increasing its authorized shares, and the agreement becomes effective upon this event. As of March 31, 2009, the Company had not increased its authorized shares, and the transaction has not been consummated as of this date.

Subsequent to March 31, 2009, the Company granted certain common stock options and warrants to various consultants, as well as common stock. Related to these agreements the Company granted 300,000 shares of common stock, as well as 325,000 common stock options and warrants at exercise prices ranging from $0.50 to $0.75 per share. Additionally, the Company granted 150,000 common stock warrants at $0.50 per share to a consultant (the warrants are payable in monthly increments of 25,000 over six months).

On May 18, 2009, the Company increased its authorized shares of common stock to 250,000,000 shares.

In May 2009, the Company issued 90,000 shares of common stock in connection with the conversion of debt totaling $45,000 ($.50/share). There was no gain or loss recorded upon conversion.

During the three months ended June 30, 2009. the Company received $425,000 from a third party as a non-interest, unsecured, due on demand loan. The third party has indicated that these funds are to be used to purchase $425,000 of common stock once terms have been approved.