

Pacific Ventures Group, Inc.
Form 10-K
April 02, 2013

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

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

For the transition period from _____ to _____

Commission File Number: 000-54584

Pacific Ventures Group, Inc.

(Exact name of registrant as specified in charter)

Delaware

75-2100622

State or other jurisdiction of

(I.R.S. Employer I.D. No.)

incorporation or organization

9160 South 300 West, Suite 101, Sandy, Utah

84070

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number, including area code: (801) 706-9429

Securities registered pursuant to section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---------------------|---|
|---------------------|---|

None

N/A

Securities registered pursuant to section 12(g) of the Act:

Common Stock, \$0.001 par value

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes []

No [X]

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act

Yes ☐

No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒

No ☐

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

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

Large Accelerated filer ☐

Accelerated filer ☐

..

Non-accelerated filer ☐ (Do not check if a smaller

Smaller reporting company ☒

reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ [X]

No ☐ []

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: The bid on June 30, 2012, was \$0.015 giving the shares held by non-affiliates a market value of \$1,859. The shares trade very sporadically and the bid price on any given day may not be indicative of the actual price a stockholder could receive for their shares.

As of March 19, 2013, the Registrant had 184,031 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the part of the Form 10-K (e.g., part I, part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or other information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) under the Securities Act of 1933:

NONE

PART I

ITEM 1. BUSINESS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This periodic report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, plans and objectives of management. Statements in this periodic report that are not historical facts are hereby identified as forward-looking statements.

BUSINESS

Organization and Corporate History

Pacific Ventures Group, Inc. (Pacific Ventures or the Company) was incorporated under the laws of the State of Delaware on October 3, 1986. Pacific Ventures operated as an insurance holding company that, through its subsidiaries, marketed and underwrote specialized property and casualty coverage in the general aviation insurance marketplace. Historically, the Company's business has been organized into three divisions. In 1997, after selling several of its divisions, the Company's remaining insurance operations were placed into receivership and the Company ceased operating its insurance business. Since the Company terminated its business operations, management has been focused on settling debts and closing outstanding operations.

Since the termination of its prior business, the Company has had no operations other than seeking an acquisition or merger to bring an operating entity into the Company. The Company does not propose to restrict its search for a business opportunity to any particular industry or geographical area and may, therefore, engage in essentially any business in any industry. The Company has unrestricted discretion in seeking and participating in a business opportunity, subject to the availability of such opportunities, economic conditions, and other factors.

The selection of a business opportunity in which to participate is complex and risky. Additionally, the Company has only limited resources and may find it difficult to locate good opportunities. There can be no assurance that the Company will be able to identify and acquire any business opportunity which will ultimately prove to be beneficial to the Company and its stockholders. The Company will select any potential business opportunity based on management's business judgment.

Currently, the Company is in the process of investigating potential business ventures which, in the opinion of management, will provide a source of eventual profit to the Company. Such involvement may take many forms, including the acquisition of an existing business or the acquisition of assets to establish subsidiary businesses. At this time, the Company's management has been focused on investigating whether there are merger and acquisition

activities in certain targeted industries. To this end, management has focused on the medical and green energy industries. These efforts have been focused on discussions with management in these industries and research.

The Company is not currently conducting any business, nor has it conducted any business for several years. Therefore, it does not possess products or services, distribution methods, competitive business positions, or major customers. The Company does not possess any unexpired patents or trademarks and any and all of its licensing and royalty agreements from the insurance it sought to market in the past have since expired, and are not currently valid. The Company does not employ any employees.

The activities of the Company are subject to several significant risks which arise primarily as a result of the fact that the Company has no specific business and may acquire or participate in a business opportunity based on the decision of management which potentially could act without the consent, vote, or approval of the Company's stockholders. The risks faced by the Company are further increased as a result of its lack of resources and its inability to provide a prospective business opportunity with significant capital.

ITEM 2. PROPERTIES

The Company owns no properties and utilizes space on a rent-free basis from Kip Eardley, the Company's officer and director. This arrangement is expected to continue until such time as the Company becomes involved in a business venture which necessitates its relocation, as to which no assurances can be given. The Company has no agreements with respect to the maintenance or future acquisition of the office facilities, however, if a successful merger/acquisition is negotiated, it is anticipated that the office of the Company will be moved to that of the acquired company.

The Company is not actively engaged in conducting any business. Rather, the Company is in the process of investigating potential business ventures which, in the opinion of management, will provide a source of eventual profit to the Company. Therefore, the Company does not presently intend to invest in real estate or real estate securities, nor have we formulated any investment policies regarding investments in real estate, real estate mortgages, or securities of or interests in persons engaged in real estate activities.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

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

The Company's Common Stock is quoted on the Pink Sheets, under the symbol PACV. The Company's Common Stock is traded sporadically with no significant volume. The Company's common stock has had only very limited activity.

Quarter Ended

High Bid

Low Bid

December 2012

\$1.25

\$0.50

September 2012

\$0.0355

\$0.013

June 2012

\$0.025

\$0.015

March 2012

\$0.025

\$0.015

December 2011

\$0.025

\$0.015

September 2011

\$0.025

\$0.011

June 2011

\$0.025

\$0.015

March 2011

\$0.06

\$0.04

December 2010

\$0.06

\$0.05

September 2010

\$0.06

\$0.04

June 2010

\$0.07

\$0.05

March 2010

\$0.02

\$0.008

The Company's Common Stock has very limited volume so the prices reflected above may not be indicative of actual prices if volume were to increase. At March 19, 2013, the bid and asked price for the Company's Common Stock was \$0.30 and \$0.55. All prices listed herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions with retail customers. Since its inception, the Company has not paid any dividends on its Common Stock, and the Company does not anticipate that it will pay dividends in the foreseeable future. At March 19, 2013, the Company had approximately 230 stockholders of record. As of March 19, 2013, the Company had 184,031 shares of its Common Stock issued and outstanding.

Recent Sales of Unregistered Securities

During the last three years, Pacific Ventures has not sold shares of its common stock or preferred stock.

ITEM 6. SELECTED FINANCIAL DATA

Summary of Financial Information

The Company had no revenues in 2012 or 2011. We had a net loss of \$32,008 for the year ended December 31, 2012. At December 31, 2012, we had cash and cash equivalents of \$383 and a working capital of \$(44,412).

The following table shows selected summarized financial data for the Company at the dates and for the periods indicated. The data should be read in conjunction with the financial statements and notes included herein beginning on page F-1.

STATEMENT OF OPERATIONS DATA:

| | <u>For the Year Ended</u> | | <u>For the Year Ended</u> | |
|---|---------------------------|----------|---------------------------|---------|
| | <u>December 31, 2012</u> | | <u>December 31, 2011</u> | |
| Revenues | \$ | - | \$ | - |
| General and Administrative Expenses | | | | |
| | | 31,480 | | 9,324 |
| Net Loss | | (32,008) | | (9,379) |
| Basic Income (Loss) per Share | | (.17) | | (.05) |
| Weighted Average Number of Shares Outstanding | | 184,031 | | 184,031 |

BALANCE SHEET DATA:

| | <u>December 31, 2012</u> | | <u>December 31, 2011</u> | |
|--------------------------------|--------------------------|----------|--------------------------|----------|
| Total Current Assets | \$ | 383 | \$ | 51 |
| Total Assets | | 383 | | 51 |
| Total Current Liabilities | | 44,795 | | 12,455 |
| Working Capital | | (44,412) | | (12,404) |
| Stockholders' Equity (Deficit) | | (44,412) | | (12,404) |

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

Plan of Operation.

The Company is in the process of investigating potential business ventures which, in the opinion of management, will provide a source of eventual profit to the Company. Such involvement may take many forms, including the acquisition of an existing business or the acquisition of assets to establish subsidiary businesses. The Company's management does not expect to remain involved as management of any acquired business.

As the Company possesses limited funds, the Company will be extremely limited in its attempts to locate potential business situations for investigation. Mr. Eardley intends to commence, on a limited basis, the process of investigating possible merger and acquisition candidates, and believes that the Company's status as a publicly-held corporation will enhance its ability to locate such potential business ventures. No assurance can be given as to when the manager may locate suitable business opportunities and such opportunities may be difficult to locate; however, the Company intends to actively search for potential business ventures for the foreseeable future.

Management anticipates that due to its lack of funds, and the limited amount of its resources, the Company may be restricted to participation in only one potential business venture. This lack of diversification should be considered a substantial risk because it will not permit the Company to offset potential losses from one venture against gains from another.

Business opportunities, if any arise, are expected to become available to the Company principally from the personal contacts of its officers and directors. While it is not expected that the Company will engage professional firms specializing in business acquisitions or reorganizations, such firms may be retained if funds become available in the future, and if deemed advisable. Opportunities may thus become available from professional advisors, securities broker-dealers, venture capitalists, members of the financial community, and other sources of unsolicited proposals. In certain circumstances, the Company may agree to pay a finder's fee or other form of compensation, including perhaps one-time cash payments, payments based upon a percentage of revenues or sales volume, and/or payments involving the issuance of securities, for services provided by persons who submit a business opportunity in which the Company shall decide to participate, although no contracts or arrangements of this nature presently exist. The Company is unable to predict at this time the cost of locating a suitable business opportunity.

The analysis of business opportunities will be undertaken by or under the supervision of the Company's management, none of whom is a professional analyst and none of whom have significant general business experience. Among the

factors which management will consider in analyzing potential business opportunities are the available technical, financial and managerial resources; working capital and financial requirements; the history of operation, if any; future prospects; the nature of present and anticipated competition; potential for further research, development or exploration; growth and expansion potential; the perceived public recognition or acceptance of products or services; name identification, and other relevant factors.

It is not possible at present to predict the exact matter in which the Company may participate in a business opportunity. Specific business opportunities will be reviewed and, based upon such review, the appropriate legal structure or method of participation will be decided upon by management. Such structures and methods may include, without limitation, leases, purchase and sale agreements, licenses, joint ventures; and may involve merger, consolidation or reorganization. The Company may act directly or indirectly through an interest in a partnership, corporation or reorganization. However, it is most likely that any acquisition of a business venture the Company would make would be by conducting a reorganization involving the issuance of the Company's restricted securities. Such a reorganization may involve a merger (or combination pursuant to state corporate statutes, where one of the entities dissolves or is absorbed by the other), or it may occur as a consolidation, where a new entity is formed and the Company and such other entity combine assets in the new entity. A reorganization may also occur, directly or indirectly, through subsidiaries, and there is no assurance that the Company would be the surviving entity. Any such reorganization could result in loss of control of a majority of the shares. The Company's present director may be required to resign in connection with a reorganization.

The Company may choose to enter into a venture involving the acquisition of or merger with a company which does not need substantial additional capital but desires to establish a public trading market of its securities. Such a company may desire to consolidate its operations with the Company through a merger, reorganization, asset acquisition, or other combination, in order to avoid possible adverse consequences of undertaking its own public offering. (Such consequences might include expense, time delays or loss of voting control.) In the event of such a merger, the Company may be required to issue significant additional shares, and it may be anticipated that control over the Company's affairs may be transferred to others.

As part of their investigation of acquisition possibilities, Mr. Eardley may meet with executive officers of the business and its personnel; inspect its facilities; obtain independent analysis or verification of the information provided, and conduct other reasonable measures, to the extent permitted by the Company's limited resources and management's limited expertise. Generally, the Company intends to analyze and make a determination based upon all available information without reliance upon any single factor as controlling.

In all likelihood, the Company's management will be inexperienced in the areas in which potential businesses will be investigated and in which the Company may make an acquisition or investment. Thus, it may become necessary for the Company to retain consultants or outside professional firms to assist management in evaluating potential investments. The Company can give no assurance that it will be able to find suitable consultants or managers. The Company has no policy regarding the use of consultants, however, if management, in its discretion, determines that it is in the best interests of the Company, management may seek consultants to review potential merger or acquisition candidates. There are currently no contracts or agreements between any consultant and any companies that are searching for shell companies with which to merge.

It may be anticipated that the investigation of specific business opportunities and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention, and substantial costs for accountants, attorneys and others. Should a decision thereafter be made not to participate in a specific business opportunity, it is likely that costs already expended would not be recoverable. It is likely, in the event a transaction should eventually fail to be consummated, for any reason, that the costs incurred by the Company would not be recoverable. The Company's officers and directors are entitled to reimbursement for all expenses incurred in their investigation of possible business ventures on behalf of the Company, and no assurance can be given that if the Company has available funds they will not be depleted in such expenses.

Based on current economic and regulatory conditions, management believes that it is possible, if not probable, for a company like the Company, without assets or many liabilities, to negotiate a merger or acquisition with a viable private company. The opportunity arises principally because of the high legal and accounting fees and the length of time associated with the registration process of going public. However, should any of these conditions change, it is very possible that there would be little or no economic value for anyone taking over control of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, the Company had \$383 in cash and \$44,795 liabilities. The Company has only incidental ongoing expenses primarily associated with maintaining its corporate status and maintaining the Company's reporting obligations to the Securities and Exchange Commission. Current management has indicated a willingness to help support the Company's ongoing expenses through loans to the Company.

For the twelve months ended December 31, 2012, the Company had \$31,480 in operating expenses related to maintaining its corporate status and paying accounting and legal fees. Management anticipates continuing expenses related to investigating business opportunities and legal and accounting costs. For the year ended December 31, 2012, the Company had a net loss of \$32,008 compared to a loss of \$9,379 for the year ended December 31, 2011. We would anticipate losses to be in line with 2012 numbers in the future until a business opportunity is identified.

Since the Company ceased operations, it has not generated significant revenue, and it is unlikely that any revenue will be generated until the Company locates a business opportunity with which to acquire or merge. Management of the Company will be investigating various business opportunities. These efforts may cost the Company not only out of pocket expenses for its management but also expenses associated with legal and accounting costs. There can be no guarantee that the Company will receive any benefits from the efforts of management to locate business opportunities.

Management does not anticipate employing any employees in the future until a merger or acquisition can be accomplished. Management will continue to rely on outside consultants to assist in its corporate filing requirements.

RESULTS OF OPERATIONS

The Company has not had any revenue since ceasing operations. The Company continues to suffer a small loss related to maintaining its corporate status and reporting obligations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENATRY DATA

The financial statements of the Company are set forth immediately following the signature page to this Form 10-K.

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

The Company has had no disagreements with its certified public accountants with respect to accounting practices or procedures or financial disclosure.

ITEM 9A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our President and Principal Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are designed to achieve their objectives and were effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our President and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure.

The evaluation was performed under the supervision and with the participation of our management, including our principal executive and financial officer, of the effectiveness of the design and operation of our disclosure controls and

procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive and financial officers, concluded that the design and operation of these disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management, with the participation of an outside CPA (not the company's auditor), evaluated the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Further, our management considered the lack of operations and revenue, the limited cash on hand, the limited transactions which occur on a monthly basis and the use of an outside CPA firm which reconciles all financial transactions prior to being delivered to our auditors. Based on this evaluation, our management concluded that, as of December 31, 2012, our internal control over financial reporting was effective.

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

Changes in internal control over financial reporting

There have been no changes in internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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The following table sets forth information with respect to the person expected to be named as a director of the Company. The Company's director serves for a term of one year and thereafter until his successors have been duly elected by the stockholders and qualified. The Company's officer serves for a term of one year and thereafter until his successors have been duly elected by the Board of Directors and qualified.

Name

Age

Positions

Kip Eardley

53

Director, President and Principal Accounting Officer

Mr. Eardley, age 53, is the president and sole shareholder of Capital Builders, Inc. which he formed in 1998. Since the formation of Capital Builders in 1998, Mr. Eardley has worked for Capital Builders which serves as the corporate entity for Mr. Eardley's business activities. In

addition to his activities in Capital Builders, Mr. Eardley has managed several public and private companies over his career which were primarily related to finance and real estate. The activities of Capital Builders have largely focused on aiding corporations in corporate restructuring, debt resolution, assisting with audits and other business planning activities. Through Capital Builders, Mr. Eardley has also bought and sold residential and commercial property.

Except as indicated below, to the knowledge of management, during the past five years, no present or former director, or executive officer of the Company:

(1)

filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

(2)

was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3)

was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting, the following activities:

(i)

acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliate person, director or employee of any investment company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii)

engaging in any type of business practice; or

(iii)

engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

(4)

was the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending, or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activity;

(5)

was found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated.

(6)

was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the

judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The following table identifies each person who, at any time during the fiscal year ended December 31, 2012, was a director, officer, or beneficial owner of more than 10% of our common stock that failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year:

| Name | Number of Late Reports | Number of Transactions Not Reported on a Timely Basis | Reports Not Filed |
|------------------------|------------------------|---|-------------------|
| M. Philip Guthrie | 1 | 1 | 0 |
| Capital Builders, Inc. | 1 | 1 | 0 |

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following tables set forth certain summary information concerning the compensation paid or accrued for each of the Company's last three completed fiscal years to the Company's or its principal subsidiaries' chief executive officer and each of its other executive officers that received compensation in excess of \$100,000 during such period (as determined at December 31, 2012, the end of the Company's last completed fiscal year):

Summary Compensation Table

| Name and | Non-Equity | | | Nonqualified Deferred Compensation | All |
|----------|------------|--------|----------------|------------------------------------|-----|
| | Stock | Option | Incentive Plan | <u>Earnings</u> | |

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| <u>Principal Position</u> | <u>Year</u> | <u>Salary</u> | <u>Bonus</u> | <u>Awards</u> | <u>Awards</u> | <u>Compensation</u> | | <u>Other Compensation</u> | <u>Total</u> |
|-------------------------------|-------------|---------------|--------------|---------------|---------------|---------------------|----|-------------------------------|--------------|
| Kip Eardley, President | 2012 | -- | -- | -- | -- | -- | -- | -- | -- |
| | 2011 | -- | -- | -- | -- | -- | -- | -- | -- |
| | 2010 | -- | -- | -- | -- | -- | -- | -- | -- |

Cash Compensation

There was no cash compensation paid to any director or executive officer of the Company during the fiscal years ended December 31, 2012, 2011, and 2010. There are no agreements or understandings with respect to the amount of remuneration that officers and directors are expected to receive in the future. Management takes no salaries from the Company and does not anticipate receiving any salaries in the foreseeable future. No present prediction or representation can be made as to the compensation or other remuneration which may ultimately

be paid to the Company's management, since upon the successful consummation of a business opportunity, substantial changes may occur in the structure of the Company and its salaries or other forms of compensation which cannot presently be anticipated. Use of the term "new management" is not intended to preclude the possibility that any of the present officers or directors of the Company might be elected to serve in the same or similar capacities upon the Company's decision to participate in one or more business opportunities.

The Company's management may benefit directly or indirectly by payments of consulting fees, payment of finders fees to others from consulting fees, sales of insider's stock positions in whole or part to the private company, the Company or management of the Company, or through the payment of salaries, or any other methods of payments through which insiders or current investors receive funds, stock, or other assets or anything of value whether tangible or intangible. There are no plans, proposals, arrangements or understandings with respect to the sale of additional securities to affiliates, current stockholders or others prior to the location of a business opportunity.

Bonuses and Deferred Compensation

None.

Compensation Pursuant to Plans.

None.

Pension Table

None.

Other Compensation

None.

Compensation of Directors.

None.

Termination of Employment and Change of Control Arrangement

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any person named in Cash Compensation set out above which would in any way result in payments to any such person because of his resignation, retirement, or other termination of such person's employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the person's responsibilities following a changing in control of the Company.

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

The following table sets forth certain information as of March 19, 2013, with respect to the beneficial ownership of the Company's Common Stock by each director of the Company and each person known by the Company to be the beneficial owner of more than 5% of the Company's outstanding shares of Common Stock. At March 19, 2013, there were 184,0318 shares of common stock outstanding.

For purposes of this table, information as to the beneficial ownership of shares of common stock is determined in accordance with the rules of the Securities and Exchange Commission and includes general voting power and/or investment power with respect to securities. Except as otherwise indicated, all shares of our common stock are beneficially owned, and sole investment and voting power is held, by the person named. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock, which such person has the right to acquire within 60 days after the date hereof. The inclusion herein of such shares listed beneficially owned does not constitute an admission of beneficial ownership.

| <u>Title of Class</u> | <u>Name of Beneficial Owner</u> | <u>Number of Shares Owned</u> | <u>Percent of Class</u> |
|-----------------------|--|-----------------------------------|-------------------------|
| Common | Principal Stockholders | | |
| | M. Philip Guthrie | 60,115 | 32.67% |
| | 5430 LBJ Freeway Suite 480 Dallas, TX 75240 | | |
| Preferred | Capital Builders, Inc. P.O. Box 901658 Sandy, Utah 84090 | 1,000,000 | 100% |
| Preferred | Director(s) Kip Eardley (1) | 1,000,000 | 100% |
| Preferred | All Officers and Director as a Group (one person) | 1,000,000 | 100% |

(1)

Kip Eardley is the sole shareholder, officer and director of Capital Builders, Inc. which owns 1,000,000 shares of preferred stock with such shares having a 10-to-1 voting preference where every one share of Preferred Stock is equivalent in votes to ten shares of common stock. As such, Capital Builders would have over 50% of the voting control of the issued and outstanding stock.

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

Transactions with Management and Others.

We believe that all purchases from or transactions with affiliated parties were on terms and at prices substantially similar to those available from unaffiliated third parties.

For 2012 and 2011, the sole officer and director of the Company has provided office space at no cost to the Company.

From September 30, 2011, to December 31, 2012, loans from Capital Builders converted into promissory notes have totaled \$39,235. All of the money was used to pay operating expenses. All of the notes accrue interest at 2% annually until repaid. Accrued interest on these notes at December 31, 2012, was \$583.

Between August 2005 and September 2006, a shareholder of the Company advanced \$50,000 to the Company. On October 23, 2006, the Company entered into a Debt Settlement Agreement with the shareholder whereby 100% of the debt was exchanged for 1,000,000 series E Preferred Shares. Each Series E Share has voting rights equal to 10 shares of common stock, is not convertible into any other class of stock of the Company and has no preference to dividends or liquidation rights.

Independence of Management

Except as set forth above, there were no material transactions, or series of similar transactions, during our Company's last fiscal year, or any currently proposed transactions, or series of similar transactions, to which our Company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last three completed fiscal years and in which any director, executive officer or any security holder who is known to us to own of record or beneficially more than five percent of any class of our common stock, or any member of the immediate family of any of the foregoing persons, had an interest.

We do not consider our director to be independent given Mr. Eardley's role as an officer of the Company and shareholder.

Transactions with Promoters

There have been no transactions between the Company and promoters during the last fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

1) Audit Fees - The aggregate fees incurred for each of the last two fiscal years for professional services rendered by our principal accountant for the audit of our annual financial statements and

review of our quarterly financial statements is approximately \$14,000 and \$6,626 during each of the years ending December 31, 2012 and 2011.

2) Audit-Related Fees. \$0 and \$0.

3) Tax Fees. \$0 and \$0.

4) All Other Fees. \$0.

5) Not applicable.

6) Not Applicable.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)(1)FINANCIAL STATEMENTS. The following financial statements are included in this report:

Title of Document

Page

Report of Independent Registered Public Accounting Firm

F-1

Balance Sheets

F-2

Statements of Operations

F-3

Statements of Stockholders' Equity (Deficit)

F-4

Statements of Cash Flows

F-5

Notes to Financial Statements

F-6

(a)(2)FINANCIAL STATEMENT SCHEDULES. The following financial statement schedules are included as part of this report:

None.

(a)(3)EXHIBITS. The following exhibits are included as part of this report:

SEC

Exhibit

Reference

Number

Number

Title of Document

Location

Item 3

Articles of Incorporation and Bylaws

3.01

3

Articles of Incorporation

Incorporated

by reference*

3.02

3

Bylaws

Incorporated

by reference*

Item 4

Instruments Defining the Rights of Security Holders

4.01

4

Specimen Stock Certificate

Incorporated

by reference*

31.01

31

CEO certification

This Filing

31.02

31

CFO certification

This Filing

32.01

32

CEO certification

This Filing

32.02

32

CFO certification

This Filing

* Incorporated by reference from the Company's registration statement on Form 10-SB filed with the Commission, SEC file no. 000-54584.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Pacific Ventures Group, Inc.

Date:

March 28, 2013

By: /s/Kip Eardley

Kip Eardley, President, Director, (Principal Executive Officer)

By: /s/Kip Eardley

Kip Eardley, Principal Financial Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature

Title

Date

/s/Kip Eardley

Kip Eardley

Director

March 28, 2013

Pacific Ventures Group, Inc.
(A Development Stage Company)
Financial Statements Table of Contents

| | |
|---|-----|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Balance Sheets as of December 31, 2012 and 2011 | F-2 |
| Statements of Operations for the years ended December 31, 2012 and 2011, and for the period from Reactivation on September 19, 2005 through December 31, 2012 | F-3 |
| Statements of Stockholders' Equity (Deficit) for the period from Reactivation on September 19, 2005 through December 31, 2012 | F-4 |
| Statements of Cash Flows for the years ended December 31, 2012 and 2011, and for the period from Reactivation on September 19, 2005 through December 31, 2012 | F-5 |
| Notes to Financial Statements | F-6 |

Russell E. Anderson, CPA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Russ Bradshaw, CPA

William R. Denney, CPA

Sandra Chen, CPA

To The Board of Directors and Stockholders of

Pacific Ventures Group, Inc.

We have audited the accompanying balance sheets of Pacific Ventures Group, Inc., (the Company) as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholders equity (deficit), and cash flows for each of the years ended December 31, 2012 and 2011, and the period from September 19, 2005 (date of reactivation) to December 31, 2012. 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 of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Pacific Ventures Group, Inc. as of December 31, 2012 and December 31, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, and the period from September 19, 2005 (date of reactivation) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue

5296 S. Commerce Dr

as a going concern. As discussed in Note 1 to the financial statements, the Company has an

Suite 300

accumulated deficit and has suffered recurring losses from operations. These factors, among

Salt Lake City, Utah

others, raise substantial doubt about the Company's ability to continue as a going concern.

84107

Management's plans in regard to this matter are also described in Note 1. The financial statements

USA do not include any adjustments that might result from the outcome of this uncertainty.

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Suite A, 5/F

Max Share Center

/s/Anderson Bradshaw PLLC

373 Kings Road

North Point

Anderson Bradshaw PLLC

Hong Kong

(T) 852.21.555.333

Salt Lake City, Utah

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March 28, 2013

abcpas.net

F-1

Pacific Ventures Group, Inc.

(A Development Stage Company)

Balance Sheets

| | December 31, | |
|--|---------------|--------------|
| | 2012 | 2011 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 383 | \$ 51 |
| Total Current Assets | 383 | 51 |
| TOTAL ASSETS | \$ 383 | \$ 51 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 4,977 | \$ - |
| Related party notes payable | 39,235 | 12,400 |
| Related party interest payable | 583 | 55 |
| Total Current Liabilities | 44,795 | 12,455 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Preferred stock, 10,000,000 shares authorized, \$0.001 par value | | |
| Series E Preferred stock, 1,000,000 shares authorized, issued and outstanding | 1,000 | 1,000 |
| Common stock, \$0.001 par value, 100,000,000 shares authorized and 184,031 and 184,031 shares issued and outstanding, respectively | 184 | 184 |
| Additional paid-in capital | 47,019,816 | 47,019,816 |
| Retained Earnings (Deficit) - prior to development stage | (46,974,719) | (46,974,719) |
| Accumulated Earnings (Deficit) - during development stage | (90,693) | (58,685) |
| Total Stockholder's Equity (Deficit) | (44,412) | (12,404) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$ 383 | \$ 51 |

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

F-2

Pacific Ventures Group, Inc.

(A Development Stage Company)

Statements of Operations

| | For the Years Ended December 31, | | From the Reactivation on September 19, 2005 through December 31, 2012 |
|-------------------------------|-------------------------------------|------------|--|
| | 2012 | 2011 | |
| REVENUES | \$ - | \$ - | \$ - |
| EXPENSES | | | |
| General and Administrative | 31,480 | 9,324 | 90,152 |
| Total Expenses | 31,480 | 9,324 | 90,152 |
| (LOSS) FROM OPERATIONS | (31,480) | (9,324) | (90,152) |
| OTHER INCOME (EXPENSE) | | | |
| Interest Income | - | - | 42 |
| Interest Expense | (528) | (55) | (583) |
| Total Other Income (Expense) | (528) | (55) | (541) |
| NET INCOME (LOSS) | \$ (32,008) | \$ (9,379) | \$ (90,693) |
| Basic Income (Loss) per Share | \$ (0.17) | \$ (0.05) | |
| Basic Weighted Average Shares | 184,031 | 184,031 | |

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

F-3

Pacific Ventures Group, Inc.
(A Development Stage Company)
Statements of Stockholders' Equity (Deficit)

| | Series B | | Series E | | Common | | Additional | | Deficit | | Total |
|---|------------|----------|-----------|-----------|-----------|--------|------------|------------------|-------------------|------------------|---------------|
| | Cumulative | | Preferred | | Preferred | | Paid | | Accumulated | | Stockholder's |
| | Shares | Amount | Shares | Amount | Shares | Amount | in Capital | Retained Deficit | Development Stage | Equity (Deficit) | |
| Balance, September 19, 2005 | 142,857 | \$ 1,429 | - | - | - | - | \$ 184 | \$ 46,974,387 | \$ (46,974,719) | \$ - | \$ 1,281 |
| Net loss for the year ended December 31, 2005 | - | - | - | - | - | - | - | - | - | (39,799) | (39,799) |
| Balance, December 31, 2005 | 142,857 | 1,429 | - | - | - | - | 184 | 46,974,387 | (46,974,719) | (39,799) | (38,518) |
| Series E Preferred issued for debt settlement agreement | - | - | 1,000,000 | 1,000,000 | - | - | 49,000 | - | - | - | 50,000 |
| Net loss for the year ended December 31, 2006 | - | - | - | - | - | - | - | - | - | (5,449) | (5,449) |
| Balance, December 31, 2006 | 142,857 | 1,429 | 1,000,000 | 1,000,000 | - | - | 184 | 47,023,387 | (46,974,719) | (45,248) | 6,033 |
| Net loss for the year ended December 31, 2007 | - | - | - | - | - | - | - | - | - | (448) | (448) |
| Balance, December 31, 2007 | 142,857 | 1,429 | 1,000,000 | 1,000,000 | - | - | 184 | 47,023,387 | (46,974,719) | (45,696) | 5,585 |

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| | | | | | | | | | | |
|--------------|-----------|------------|-----------|------------|---------|---------------|-----------------|--------------|-------------|----------|
| 31, 2007 | | | | | | | | | | |
| Net loss | | | | | | | | | | |
| for the year | | | | | | | | | | |
| ended | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2008 | - | - | - | - | - | - | - | - | (10) | (10) |
| Balance, | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2008 | 142,857 | 1,429 | 1,000,000 | 1,000 | 184,031 | 184 | 47,023,387 | (46,974,719) | (45,706) | 5,575 |
| Net loss | | | | | | | | | | |
| for the year | | | | | | | | | | |
| ended | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2009 | - | - | - | - | - | - | - | - | (2,200) | (2,200) |
| Balance, | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2009 | 142,857 | 1,429 | 1,000,000 | 1,000 | 184,031 | 184 | 47,023,387 | (46,974,719) | (47,906) | 3,375 |
| Net loss | | | | | | | | | | |
| for the year | | | | | | | | | | |
| ended | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2010 | - | - | - | - | - | - | - | - | (1,400) | (1,400) |
| Balance, | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2010 | 142,857 | 1,429 | 1,000,000 | 1,000 | 184,031 | 184 | 47,023,387 | (46,974,719) | (49,306) | 1,975 |
| Repurchase | | | | | | | | | | |
| of Series B | | | | | | | | | | |
| Preferred | | | | | | | | | | |
| Stock | (142,857) | (1,429) | - | - | - | - | (3,571) | - | - | (5,000) |
| Net loss | | | | | | | | | | |
| for the year | | | | | | | | | | |
| ended | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2011 | - | - | - | - | - | - | - | - | (9,379) | (9,379) |
| Balance, | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2011 | - | -1,000,000 | 1,000 | 184,031 | 184 | 47,019,816 | (46,974,719) | (58,685) | (12,404) | |
| Net loss | | | | | | | | | | |
| for the year | | | | | | | | | | |
| ended | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2012 | | | | | | | | | (32,008) | (32,008) |
| Balance, | | | | | | | | | | |
| December | | | | | | | | | | |
| 31, 2012 | - | -1,000,000 | \$ 1,000 | \$ 184,031 | \$ 184 | \$ 47,019,816 | \$ (46,974,719) | \$ (90,693) | \$ (44,412) | |

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

F-4

Pacific Ventures Group, Inc.

(A Development Stage Company)

Statements of Cash Flows

| | For the Years Ended December 31, | | From the Reactivation on September 19, 2005 through December 31, 2012 |
|--|-------------------------------------|------------|---|
| | 2012 | 2011 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Income (Loss) | \$ (32,008) | \$ (9,379) | \$ (90,693) |
| Reconciliation of net loss to net cash (used in) provided by operating activities: | | | |
| Increase (decrease) in accounts payable | 4,977 | - | 4,977 |
| Increase (decrease) in interest payable | 528 | 55 | 583 |
| Net Cash (Used by) Provided by Operating Activities | (26,503) | (9,324) | (85,133) |
| CASH FLOWS FROM INVESTING ACTIVITIES | - | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Purchase of Series B Preferred Stock | - | (5,000) | (5,000) |
| Proceeds from related party payable | 26,835 | 12,400 | 39,235 |
| Proceeds from notes payable | - | - | 50,000 |
| Net Cash Provided by Financing Activities | 26,835 | 7,400 | 84,235 |
| NET INCREASE (DECREASE) IN CASH | 332 | (1,924) | (898) |
| CASH AT BEGINNING OF PERIOD | 51 | 1,975 | 1,281 |
| CASH AT END OF PERIOD | \$ 383 | \$ 51 | \$ 383 |
| CASH PAID FOR: | | | |
| Interest | \$ - | \$ - | \$ - |
| Income Taxes | \$ - | \$ - | \$ - |
| SUPPLEMENTAL NON-CASH DISCLOSURES: | | | |
| Preferred stock issued for notes payable | \$ - | \$ - | \$ 50,000 |

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

F-5

Note 1: Basis of Presentation and Summary of Significant Accounting Policies

Organization Pacific Ventures Group, Inc. (the Company or Pacific Ventures) was incorporated under the laws of the State of Delaware on October 3, 1986, under the name AOA Corporation. On November 12, 1991, the Company changed its name to American Eagle Group, Inc. On October 22, 2012, the Company changed its name to Pacific Ventures Group, Inc.

Reorganization, Development Stage Company The Company is in the development stage since it is not currently conducting any business, nor has it conducted any business since current management was appointed in the reactivation on September 19, 2005. Since that time, the Company has been investigating potential business ventures which, in the opinion of management, will provide a source of eventual profit. Such involvement may take many forms, including the acquisition of an existing business or the acquisition of assets to establish subsidiary businesses.

Going Concern The Company's financial statements have been prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not generated any revenue for several years and the sole officer and director of the Company has provided capital to pay prior and current obligations. The Company requires additional capital to continue its limited operations. Furthermore, the Company's officer and director serves without compensation. The Company assumes that these arrangements and the availability of future capital sources will continue into the future, but no assurance thereof can be given. A change in these circumstances would have a material adverse effect on the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Income Taxes

The Company utilizes the liability method of accounting for income taxes as set forth in ASC 740-20, *Accounting for Income Taxes*. Under the liability method, deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

Estimates

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

F-6

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Company plans to recognize revenue when the following four conditions are present: (1) persuasive evidence of an agreement exists, (2) the price is fixed or determinable, (3) delivery has occurred or services are rendered, and (4) collection is reasonably assured.

Income (Loss) Per Common Share

Income (Loss) per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the periods presented. The Company has no potentially dilutive securities, in 2012 and 2011. Accordingly, basic and dilutive loss per common share are the same.

Fair Value

The carrying values of cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

Recently Issued Accounting Pronouncements

The Company has reviewed recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its results of operations, financial position or cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on its financial statements.

Note 2: Income Taxes

Due to losses at December 31, 2012 and 2011, the Company had no income tax liability. At December 31, 2012 and 2011, the Company had available unused operating loss carry forwards of approximately \$90,693 and \$58,685, respectively, which may be applied against future taxable income and which expire in various years through 2032.

The amount of and ultimate realization of the benefits from the operating loss carry forwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company and other future events, the effects of which cannot be determined at this time. Because of the uncertainty surrounding the realization of the loss carry forwards, the Company has established a valuation allowance equal to the tax effect of the loss carry forwards and, therefore, no deferred tax asset has been recognized for the loss carry forwards. The net deferred

tax assets are approximately \$33,828 and \$21,889 as of December 31, 2012 and 2011, respectively, with an offsetting valuation allowance of the same amount resulting in a change in the valuation allowance of approximately \$11,939 during the year ended December 31, 2012.

Components of income tax are as follows:

| | Years Ended December 31 | |
|----------|-------------------------|------|
| | 2012 | 2011 |
| Current | \$ - | \$ - |
| Federal | - | - |
| State | - | - |
| Deferred | - | - |
| | \$ - | \$ - |

A reconciliation of the provision for income tax expense with the expected income tax computed by applying the federal statutory income tax rate to income before provision for income taxes as follows:

| | Years Ended December 31 | |
|---|-------------------------|------------|
| | 2012 | 2011 |
| Income tax computed at | | |
| Federal statutory tax rate of 34% | \$ (10,883) | \$ (3,189) |
| State taxes (net of federal benefit) 3.3% for | | |
| 2012 and 2011 | (1,056) | (308) |
| Deferred taxes and other | 11,939 | 3,497 |
| | \$ - | \$ - |

The Company has no tax positions at December 31, 2012 and 2011, for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended December 31, 2012 and 2011, the Company recognized no interest and penalties. The Company had no accruals for interest and penalties at December 31, 2012 and 2011. Under the rules of the Internal Revenue Service, the Company's tax returns for the previous three years remain open for examination.

Note 3: Capital Stock

Preferred Stock and Common Stock The Company's Board of Directors is expressly granted the authority to issue, without stockholder action, the authorized shares of the Company's preferred and common stock. The Board of Directors may issue shares and determine the powers, preferences, limitations, and relative rights of any class of shares before the issuance thereof.

F-8

Preferred Stock On October 22, 2012, the Company filed a Restated and Amended Certificate of Incorporation increasing the authorized Preferred Stock to 10,000,000 shares, par value \$.001 per share.

The authorization to issue 162,857 shares of Series B Cumulative Preferred Stock was given on March 7, 1988, and 162,857 shares were issued June 21, 1990. Under the rights, preferences and privileges of the Series B Preferred Stock, the shares are non-voting, non-convertible, accrue \$.60 per share per year dividends as declared by the board of directors, \$10.00 per share liquidation preference over common stock, and can be redeemed by the Company for \$10.00 per share. The Company never declared dividends for the shareholders of the Series B Cumulative Preferred shares. The Company redeemed 20,000 shares in January 1997 and the remaining 142,857 shares were redeemed on April 20, 2011, for \$5,000. As of December 31, 2012 and 2011, there were zero Series B Cumulative Preferred shares outstanding.

Series E Preferred Stock was authorized October 2006 for up to 1,000,000 shares. Under the rights, preferences and privileges of the Series E Preferred Stock, the holders of the preferred stock receive a 10 to 1 voting preference over common stock. Accordingly, for every share of Series E Preferred Stock held, the holder received the voting rights equal to 10 shares of common stock. The Series E preferred Stock is not convertible into any other class of stock of the Company and has no preference to dividends or liquidation rights. As of December 31, 2012 and 2011, there were 1,000,000 Series E Preferred shares outstanding.

Common Stock On October 22, 2012, the Company filed a Restated and Amended Certificate of Incorporation increasing the authorized common stock to 100,000,000 shares, par value \$.001 per share. Effective November 8, 2012, there was reverse split of the issued and outstanding common stock of the Company on a basis of fifty (50) to one (1). All fractional shares were rounded up to the nearest whole share, with no shareholder falling below 100 shares. There were 43,089 shares issued for rounding. The effects of which have been included in these financial statements as if the split had occurred at the beginning of the first period presented.

As of December 31, 2012 and 2011, there were 184,031 and 184,031 shares, respectively, of common stock outstanding.

Note 4: Related Party Transactions

Between August 2005 and September 2006, Capital Builders, Inc., a company owned and controlled by Kip Eardley, who was also an officer and director of the Company, advanced \$50,000 to the Company. Mr. Eardley resigned in September 2006. On October 23, 2006, the Company entered into a Debt Settlement Agreement with Capital Builders whereby 100% of the debt was exchanged for 1,000,000 Series E Preferred Shares. Each Series E Share has voting

rights equal to 10 shares of common stock, are not convertible into any other class of stock of the Company and have no preference to dividends or liquidation rights.

Kip Eardley became the sole officer and director on December 31, 2008. On September 30, 2011, loans from Capital Builders in the total amount of \$10,900 were converted to a promissory

note. On December 30, 2011, funds loaned during the quarter from Capital Builders were converted to a promissory note in the amount of \$1,500. On March 31, 2012, funds loaned during the quarter from Capital Builders were converted to a promissory note in the amount of \$16,335. On June 30, 2012, funds loaned during the quarter from Capital Builders were converted to a promissory note in the amount of \$500. On July 23, 2012, funds were loaned by Capital Builders and converted to a promissory note in the amount of \$6,000. All of the money was used to pay operating expenses. On November 6, 2012, funds were loaned by Capital Builders and converted to a promissory note in the amount of \$4,000. All of the money was used to pay operating expenses. All of the notes accrue interest at 2% annually until repaid. Accrued interest on these notes at December 31, 2012 and 2011, was \$583 and \$55, respectively.

For 2012 and 2011, the sole officer and director of the Company has provided office space at no cost to the Company.

Note 5: Subsequent Events

ASC 855-16-50-4 establishes accounting and disclosure requirements for subsequent events. ASC 855 details the period after the balance sheet date during which we should evaluate events or transactions that occur for potential recognition or disclosure in the financial statements, the circumstances under which we should recognize events or transactions occurring after the balance sheet date in our financial statements and the required disclosures for such events. We have evaluated all subsequent events through the date these financial statements were issued and no subsequent events occurred that required disclosure.