

Elevate, Inc.
Form 10-Q
April 23, 2012

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

Form 10-Q

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

For the quarterly period ended February 29, 2012

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

Commission file number 001-34642

ELEVATE, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

26-1607874
(I.R.S. Employer Identification No.)

180 Avenida La Pata, Suite 200, San Clemente, California
(Address of principal executive offices)

92673
(Zip Code)

(805) 910-5369
(Registrant's telephone number, including area code)

Copies of Communications to:
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San Diego, CA 92101
(619) 704-1310
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Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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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 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 reporting company)

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

Yes No

The number of shares of Common Stock, \$0.001 par value, outstanding on April 13, 2012 was 27,941,404 shares.

ELEVATE, INC.
QUARTERLY PERIOD ENDED FEBRUARY 29, 2012

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

ELEVATE, INC. AND SUBSIDIARIES
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
CONSOLIDATED BALANCE SHEETS

	February 29 2012 (Unaudited)	May 31, 2011 (Audited)
ASSETS		
CURRENT ASSETS		
Cash	\$-	\$-
Accounts receivable	32,524	685
Prepaid expenses	427,620	44,257
Inventory	29,187	8,616
Total current assets	489,331	53,558
Property & equipment, net	25,856	21,118
Other assets	12,619	10,800
TOTAL ASSETS	\$527,806	\$85,476
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$384,828	\$200,568
Cash overdraft	21,203	3,300
Accrued expenses	149,054	22,499
Loans payable	-	144,240
Loan payable - related party	1,512,311	1,050,558
Total current liabilities	2,067,396	1,421,165
Total liabilities	2,067,396	1,421,165
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, 0 and 0 shares issued and outstanding as of February 29, 2012, and May 31, 2011 respectively	-	-
Common stock, \$.001 par value, 100,000,000 authorized, 26,661,404 and 24,686,600 shares issued and outstanding as of February 29, 2012, and May 31, 2011, respectively.	26,661	24,687
Additional paid-in capital	3,003,166	112,974
Stock payable	15,973	-
Notes receivable - related party	(102,893)	(141,358)
Accumulated deficit	(4,482,497)	(1,331,992)
Total stockholder's deficit	(1,539,590)	(1,335,689)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$527,806	\$85,476
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See Accompanying Notes to Consolidated Financial Statements.

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ELEVATE, INC. AND SUBSIDIARIES
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For three months ended		For nine months ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
OPERATING REVENUES				
Revenues	\$299,895	\$77,531	\$485,095	\$162,201
OPERATING EXPENSES				
Direct cost of services	15,853	12,048	89,735	13,831
Other costs	157,800	-	390,118	-
Total direct cost of services	173,653	12,048	479,853	13,831
Gross Profit	126,242	65,483	5,242	148,370
Legal and professional	63,928	46,131	222,630	81,291
Selling, general and administrative	438,378	189,727	1,300,882	461,466
Consulting expense - stock based	79,885	-	930,957	-
Consulting expense	277,453	-	644,325	-
Depreciation	1,564	1,786	4,399	1,786
Total operating expenses	861,208	237,644	3,103,193	544,543
Net loss from operations	(734,966)	(172,161)	(3,097,951)	(396,173)
OTHER INCOME AND (EXPENSE)				
Interest expense	(6,950)	(4,113)	(57,350)	(4,113)
Other income	1,585	-	4,796	-
Total other income (expense)	(5,365)	(4,113)	(52,554)	(4,113)
Net loss	(740,331)	(176,274)	(3,150,505)	(400,286)
Basic loss per common share outstanding	\$(0.03)	\$(0.01)	\$(0.13)	\$(0.02)
Basic weighted average number Shares outstanding	25,693,402	19,000,000	25,070,599	19,000,000

See Accompanying Notes to Consolidated Financial Statements.

ELEVATE, INC. AND SUBSIDIARIES
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
CONSOLIDATED STATEMENT OF CASH FLOWS(UNAUDITED)

	For nine months ended	
	February 29, 2012	February 28, 2011
Cash flows from operating activities:		
Net loss	\$(3,150,505)	\$(400,286)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4,399	1,786
Stock issued for compensation	272,273	-
Stock issued for services	254,702	-
Stock option amortization	649,106	-
Stock issued for interest expense	46,477	-
Changes in operating assets and liabilities		
Accounts receivable	(31,839)	-
Prepaid expenses	(19,135)	-
Inventory	(20,571)	(57,657)
Other assets	(1,819)	-
Accounts payable	184,260	167,573
Accrued expenses	130,668	15,900
Net cash used in operating activities	(1,681,984)	(272,684)
Cash flows from investing activities:		
Repayment of notes receivable, related party	(86,014)	(79,109)
Purchase of equipment	(9,137)	(169,881)
Net cash used in investing activities	(95,151)	(248,990)
Cash flows from financing activities:		
Bank overdraft	17,903	3,300
Proceeds from loans payable	126,000	126,000
Repayment of loans payable	(146,001)	(11,322)
Proceeds from loans payable, related party	751,000	473,659
Repayment of loans payable, related party	(588,767)	(72,213)
Member Investment	-	88
Stock to be issued for cash	12,000	-
Payment for the cancellation of shares - related party	(30,000)	-
Proceeds from issuance of common stock	1,635,000	-
Net cash provided by financing activities	1,777,135	519,512
Net increase (decrease) in cash	-	(2,162)
Cash, beginning of year	-	4,563
Cash, end of year	\$-	\$2,401

Supplemental Information:

Cash paid for:		
Taxes	\$-	\$-
Interest Expense	\$-	\$-
Non-cash changes in investment and financing activities:		
Deemed distributions to shareholders	\$749,520	\$-
Non cash increase in prepaid expenses	\$(430,747)	\$-
Shares issued as repayment of convertible notes	\$574,240	\$-

See Accompanying Notes to Consolidated Financial Statements.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. The Company

The Company and Nature of Business

Elevate Marketing Group, LLC (“Elevate”) was founded in 2008. Elevate began selling its wireless broadband service together with a fully integrated VoIP telecommunications service in the fall of 2008. Elevate’s broadband provides internet access with data transfer speeds up to 10 mbps, offers wireless distribution and is connected to a 4G hybrid mesh network. Elevate’s Stack (five premium digital services bundled into one premium service) expanded in 2009 by adding monitored cellular two-way voice home security. In April, 2009, IALARM, LLC was created as a wholly owned subsidiary of Elevate. In June 2010, IALARM was incorporated as a Utah corporation.

On February 2, 2011, Elevate Marketing Group, LLC (“Elevate”), a Utah limited liability company entered into a reverse triangular merger by and among HGLB Sub Co. (“SUB CO”), a Nevada corporation and Highland Business Services, Inc. (“HGLB”), a Nevada corporation. Highland Business Services, Inc. (“HGLB”) was incorporated under the laws of the State of Nevada on February 24, 2006. Pursuant to the terms of the merger, SUB CO was merged with Elevate wherein SUB CO ceased to exist and Elevate became a wholly owned subsidiary of the HGLB.

On March 2, 2011, the HGLB completed the reverse triangular merger whereby Elevate became a wholly owned subsidiary of the Company. HGLB issued 19,000,000 shares to the members of Elevate in exchange for 100% interest in Elevate. As part of the merger, former management of HGLB agreed to cancel 36,000,000 shares of common stock. For accounting purposes, the acquisition of Elevate by HGLB has been recorded as a reverse acquisition of a public company and recapitalization of Elevate based on the factors that Elevate represents the accounting acquirer. The prior period historical information has been replaced by Elevate’s financial information for comparability purposes.

As a result of the merger, the Company’s main focus has been redirected to the operations of Elevate. The Company now owns 100% of Elevate, which is a premier digital services provider with an array of IP and wireless residential services. Elevate Broadband offers wireless residential Internet service with up to 10 mbps service. Elevate also offers a fully integrated suite of home security products and services that include Elevate Interactive, a complete home security management system operated online or through a wireless mobile App. Elevate Entertainment is both an IP based TV and Satellite TV service offered in cooperation with DirecTV™ and DISH Network™. Elevate Mobile provides mobile services that offer the latest smart phone technologies.

Through its carrier-level agreements with many of the nation’s major infrastructure providers, Elevate is able to offer technologically agnostic product ‘Stacks’ – product configurations that are not limited to a single delivery infrastructure. Elevate Certifiable Geniuses can choose component products from among all locally available carriers and infrastructure technologies to create cost-effective custom product packages that meet the unique needs of each of their customers. Independent Elevate owners bring made-to-order digital services to local communities - one living room at a time. Elevate provides digital services to 22 major U.S. markets and will open 28 more in 2012.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

On May 2, 2011, HGLB entered into a triangular merger by and among HSB Sub Co., (“HSB SUB CO”), a Nevada corporation and wholly owned subsidiary of the Company, and Rite Wire, Inc. (“RITEWIRE”), a Nevada corporation. Pursuant to the terms of the merger, HSB SUB CO would be merged with RITEWIRE wherein SUB CO shall cease to exist and RITEWIRE would become a wholly owned subsidiary of the Company.

On September 12, 2011, HGLB and RITEWIRE mutually agreed to rescind the triangular merger.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated interim financial statements include the accounts of Elevate Marketing Group, LLC (Utah Limited Liability Company), IALARM, Inc. (Utah Corporation) and Elevate, Inc (Nevada Corporation). All significant intercompany balances and transactions have been eliminated. Elevate Marketing Group, LLC, IALARM, Inc. and Elevate, Inc. will be collectively referred herein to as the “Company”.

The consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented to not be misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the financial statements of the Company for the years ended May 31, 2011 and 2010 and notes thereto included in the Company’s 10-K filed on September 20, 2011. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim period are not indicative of annual results.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Fair Value of Financial Instruments

Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, requires disclosing fair value to the extent practicable for financial instruments that are recognized or unrecognized in the balance sheet. Fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing parties. The Company considers the carrying amounts of cash, certificates of deposit, accounts receivable, accounts payable, notes payable, related party and other payables, customer deposits, and short term loans approximate their fair values because of the short period of time between the origination of such instruments and their expected realization. The Company considers the carrying amount of long term bank loans to approximate their fair values based on the interest rates of the instruments and the current market rate of interest.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Generally, matters subject to estimation and judgment include amounts related to asset impairments, useful lives of fixed assets and capitalization of costs for software developed for internal use. Actual results could differ from those estimates.

Earnings Per Share

The Company reports both basic and diluted earnings per share. Basic earnings per share are calculated using the weighted average number of common shares outstanding in the period. Diluted earnings per share includes potentially dilutive securities such as outstanding options and warrants using the “treasury stock” method and convertible securities using the “if-converted” method. Potentially dilutive common shares consist of employee stock options, warrants, and other convertible securities, and are excluded from the diluted earnings per share computation in periods where the Company has incurred net loss.

Cash and Cash Equivalents

The Company considers highly liquid investments with insignificant interest rate risk and original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of interest-bearing bank accounts and money market funds. The Company’s cash position represent cash on deposit in checking accounts. These assets are generally available on a daily basis and are highly liquid in nature.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Accounts Receivable

Accounts receivable are reported at the customers' outstanding balances less any allowance for doubtful accounts. Interest is not accrued on overdue accounts receivable. The Company evaluates receivables on a regular basis for potential reserve. Beginning in the three months ended August 31, 2011, the Company began invoicing an estimated 10% of the sales. The invoices are generated at time of sale and recorded as a receivable. The other 90% of the sales are automatically deducted from or charged to each customer's bank or credit card account. The accounts receivable balance was \$32,524 as of February 29, 2012 and \$685 as of May 31, 2011.

Inventory

The Company purchases ready to sell inventory directly from manufacturers. Inventory is stated at the lower of cost (first-in, first-out) or net realizable value.

Revenue Recognition

For recognizing revenue, the Company applies the provisions of the Revenue Recognition Topic of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605 Revenues are generated from digital IP and wireless residential services and products and from commercial video and audio integration projects. The Company recognized revenue from sales of \$485,095 and \$162,201 for the nine months ended February 29, 2012 and February 28, 2010, respectively.

Recent Pronouncements

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. Management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

Note 3. Going Concern

The financial statements have been presented on a going concern basis, which contemplates, but does not include adjustments for the realization of assets and satisfaction of liabilities in the normal course of business. The Company has a limited operating history and limited funds. As shown in the financial statements, the Company incurred a net loss of \$3,150,505 and cash used by operations of \$1,681,984 for the nine months ended February 29, 2012, and had a working capital deficit of \$1,578,065 as of February 29, 2012. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company believes that it is appropriate for the financial statements to be prepared on a going concern basis. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities that might result from the outcome of this uncertainty.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The Company is dependent upon debt and equity financing to continue operations. It is management's plans to raise necessary funds via private placements of its common stock to satisfy the capital requirements of the Company's business plan. There is no assurance that the Company will be able to obtain the necessary funds through continuing debt and equity financing to have sufficient operating capital to support a level of operations to obtain a level of cash flow to sustain continuing operations. If the Company is successful in raising the necessary funds, there is no assurance that the Company will successfully implement its business plan. The Company's continuation as a going concern is dependent on the Company's ability to raise additional funds through a private placement of its common stock or debt sufficient to meet its obligations on a timely basis and ultimately to attain profitable operations.

Note 4. Changes in Management

On October 11, 2011, the Company entered into a separation agreement and release with Mr. Alex Chester wherein he agreed that as of October 10, 2011, he shall cease to be employed by the Company and any of its subsidiaries. Pursuant to the separation agreement, the Company agreed to pay Mr. Chester a severance payment. In addition, the Company agreed to pay health insurance premium payments for nine months for him and his eligible dependents. The Company also agreed that Mr. Chester would be vested with a portion of his common stock as part of his severance with the remaining unvested shares being returned to the Company treasury. Pursuant to the agreement Mr. Chester has an obligation to properly follow the parameters of market sales that are included in the agreement. If he breaches or threatens to breach any such obligation or restriction pursuant to the agreement, he will immediately forfeit any remaining shares not previously released and will forfeit the ability to earn any additional shares. As additional consideration, Mr. Chester will have the ability to receive additional shares of the Company's common stock if certain parameters are met regarding new equity or convertible debt funding being invested into the Company on or before December 31, 2012

Note 5. Prepaid Expense

During the nine months ended February 29, 2012, the Company had an increase in prepaid expense totaling \$383,363 as follows:

	February 29, 2012	May 31, 2011
Platform Fees	3,542	7,709
Executive Expense Account	4,654	7,486
Consulting	10,000	29,062
Employee Advances	16,810	
Consulting Stock Option	78,713	
Consulting Stock Based	285,515	
Dues & Subscriptions	6,143	
Professional Fees	15,467	
Licensing	2,600	
Liability Insurance	4,176	

427,620 44,257

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ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 6. Loans Payable

Loans Payable consist of the following:

	February 29, 2012	May 31, 2011
Convertible debt with investor 10% interest rate until Dec 2010, conversion at value determined at date of conversion, due on demand	\$-	\$86,000
Convertible debt with investor 10% interest rate until Dec 2010, conversion at value determined at date of conversion, due on demand	-	38,240
Note payable with a marketing company, no interest rate, payable upon demand	-	20,000
	\$-	\$144,240

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 7. Loans Payable – Related Party

Loans payable with related parties consist of the following:

	February 29, 2012	May 31, 2011
Convertible debt with related party (company in which the CFO was also serving as CFO of the Company for the period represented by this report), no interest rate, conversion at market value on date of conversion, unsecured, due on demand	\$1,082,170	\$1,050,558
Note payable to related party (CEO of a Company in which the CFO was serving as CFO of the Company for the period represented by this report), no interest rate unsecured, payable upon demand	105,000	
Note payable with related party (company in which the owner is the spouse of the CEO of the Company), 5% interest, unsecured, due upon demand	173,729	-
Note payable with related party (company in which the owner is also serving as an officer of the Company), no interest rate, unsecured, due upon demand	6,540	-
Note payable to an employee, no interest rate, unsecured, due upon demand	811	-
Note payable for an asset purchase agreement with a related party (company in which the owner is also serving as an officer of the Company), no interest rate, unsecured, due upon demand.	144,061	-
	\$1,512,311	\$1,050,558

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 8. Related Party Transactions

The Company has a note receivable with a company owned by an executive officer of the Company in the amount of \$96,115. This note increased \$57,557 during the nine month period ended February 29, 2012. The Company also has a note receivable with a company in which an executive officer of the Company is also serving as a officer in the amount of \$6,778. This note increased \$6,778 during the nine month period ended February 29, 2012.

On May 20, 2011, the Company entered into an asset purchase agreement with Elevate Communications, LLC, a Utah limited liability company and related party of the Company wherein the Company purchased various intangible assets with no carrying value for the value of \$400,000. The excess of the purchase price over the historical cost basis was recorded as a deemed distribution to the related party. On June 28, 2011, the Company closed the agreement and made a down payment of \$195,029. The remainder of the purchase price of \$144,061 was to be paid on or before November 1, 2011. A verbal agreement during the period ended February 29, 2012 was made that the remaining balance would be paid when sufficient funds are available.

On August 1, 2011, the Company signed a convertible promissory note in the amount of \$450,000 with a shareholder of the Company for the purchase of various intangible assets consisting of developed software and other assets with no carrying value. The excess of the purchase price over the historical cost basis was recorded as a deemed distribution to the shareholder. The note is to be paid on or before December 31, 2011 with interest accruing at .37% per annum, due and payable upon maturity. The Company shall have the right, at its option, to convert the entire outstanding principal amount of the note and accrued interest thereon into fully paid and non-assessable shares of common stock, \$0.001 par value of the Company at the conversion price at any time before the maturity date by providing five (5) days' notice to lender. The "conversion price" shall be determined by the fourteen (14) day average closing price based on the Company's notice of conversion to the lender. On November 23, 2011, the shareholder agreed to convert the balance of the loan plus interest in the amount of \$450,564 into common shares at a value of \$1.00 per share. On January 9, 2012, 450,564 shares were issued.

Note 9. Preferred Stock

On August 31, 2011, the Board of Directors of the Company authorized, subject to stockholder approval, an amendment to the Articles of Incorporation to authorize 10,000,000 shares of Preferred Stock at \$0.001 par value. At the Annual Meeting of the Stockholders meeting held on October 6, 2011, this amendment to the Articles of Incorporation was approved.

On November 14, 2011, the Board of Directors of the Company approved the Certificate of Designation of Series A Convertible Preferred Stock and authorized the issuance of 425,000 shares of Preferred Stock at \$0.001 par value designated as "Series A Convertible Stock" to an accredited investor for \$500,000. The holder of the Series A Preferred Stock shall have the right to convert each share into two (2) shares of the Company's common stock, \$0.001 par value per share. The holder of the Series A Preferred Stock exercised the right of conversion on December 13, 2011, and 850,000 shares of common stock, \$0.001 par value, were issued.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 10. Stockholders' Deficit

During the nine months ended February 29, 2012, the Company issued the following shares of \$0.001 par value common stock:

- o On June 17, 2011, 350,000 units to an accredited investor for a total purchase price of \$700,000, all of which was paid in cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On June 21, 2011, per terms of the Employment Agreement with Rod Place, Chief Operating Officer, 50,000 common shares valued at \$87,500.
- o On August 17, 2011, per the terms of an investor relations contract, 150,000 shares of restricted common stock. These shares were held in escrow until January 16, 2012 when the shares were distributed to the investor relations company and a value of \$142,500..
- o On October 11, 2011, the Company entered into a separation agreement and release with Mr. Alex Chester wherein he agreed that as of October 20, 2011, he shall cease to be employed by the Company and any of its subsidiaries. Pursuant to the separation agreement, the Company agreed to pay Mr. Chester a severance payment. As a result of the severance agreement the net shares returned and cancelled were 546,240 and the Company paid \$30,000 in severance payment. The net value of the cancelled shares was based on the \$30,000 severance payment made. (See Note 4 "Changes in Management" for further information)
- o On November 3, 2011, per the terms of a consulting agreement, 150,000 shares of restricted common stock were issued. The terms of the agreement stipulated that 50,000 shares would be earned upon full completion of three benchmarks. The first benchmark was completed on August 2, 2011 of which 50,000 shares were valued based on the closing price of \$1.20. The second was completed on October 13, 2011, 50,000 shares were valued based on the closing price of \$1.05. The third benchmark was completed on November 16, 2011, 50,000 shares were valued at \$1.22. The total value of shares issued was determined to be \$173,500 and was recorded as consulting expense.
- o On November 3, 2011, 50,000 units to an accredited investor for a total purchase price of \$100,000, all of which was paid in cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On November 23, 2011, 40,000 units to an accredited investor for a total purchase price of \$40,000, all of which was paid in cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

- o On November 23, 2011, 25,000 units to an accredited investor for a total purchase price of \$25,000, all of which was paid in cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On November 14, 2011, the Board of Directors of the Company approved the Certificate of Designation of “Series “A” Convertible Preferred Stock” and authorized the issuance of 425,000 shares of Preferred Stock at \$0.001 par value designated as “Series “A” Convertible Preferred Stock” and 850,000 common stock purchase warrants exercisable at \$3.00 to an accredited investor for \$500,000. The holder of the “Series “A” Convertible Preferred Stock” shall have the right to convert each share into two (2) shares of the Company’s common stock, \$0.001 par value per share. The investor has since agreed to convert the preferred stock to 850,000 shares of common stock and the share issued on December 13, 2011
- o On December 15, 2011, 124,240 shares of common stock for conversion of notes payable valued at \$124,240 plus accrued interest of \$4,113. The shares were valued at \$129,210.
- o On December 15, 2011, 124,240 shares of common stock for consulting services valued at \$121,755 to be expensed over one year beginning in December, 2011. The Company expensed \$27,020 for the consulting services during the three month period ended February 29, 2012.
- o On December 15, 2011, 10,000 shares of common stock to employees valued at \$10,000 issued as a one time year-end bonus.
 - o On January 9, 2012, 450,564 shares of common stock to settle a \$495,620 stock payable.
- o On January 26, 2012, 150,000 units to an accredited investor for \$150,000 cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On January 26, 2012, 10,000 units to an accredited investor for \$10,000 cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On January 26, 2012, 10,000 units to an accredited investor cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On February 17, 2012, 100,000 units to an accredited investor for \$50,000 cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

- o On February 17, 2012, 100,000 units to an accredited for \$50,000 cash. Each unit consisted of one share of common stock and one three year warrant with an exercise price of \$3.00.
- o On February 17, 2012, per consulting agreement, 177,000 shares of restricted common stock valued at \$173,460 to be expensed over one year. The Company recorded \$28,514 of consulting expense during the three month period ended February 29, 2012.
- o On February 17, 2012, 40,000 shares of restricted stock to two independent contractors for consulting services, 20,000 each, valued at \$40,000.
- o On February 29, 2012, 10,000 shares of restricted stock to an employee as a one-time bonus valued at \$9,800.
- o On February 29, 2012, 50,000 shares of restricted stock to an independent contractor for consulting services valued at \$50,000 to be expensed over one year. The Company recorded \$4,167 in consulting expense during the three month period ended February 29, 2012.

Stock Payable

During the nine months ended February 29, 2012, the Company received \$12,000 cash for 13,500 shares of common stock that have not yet been issued. The Company also recorded \$3,973 for shares to be issued to an independent contractor per a year agreement. These amounts were recorded to stock payable.

Deemed Distribution

On May 20, 2011, the Company entered into an asset purchase agreement with Elevate Communications, LLC a related party of the Company wherein the Company purchased various intangible assets with no carrying value for the value of \$400,000. The excess of the purchase price over the historical cost basis was recorded as a deemed distribution to the related party. The Company offset the purchase price of \$400,000 against a note receivable from the related party. The Company recorded a \$100,480 reduction to additional paid in capital during the period ended May 31, 2011, which represents the receivable due from the related party on May 31, 2011.

On August 1, 2011, the Company signed a convertible promissory note in the amount of \$450,000 with a shareholder of the Company for the purchase of various intangible assets consisting of developed software and other assets with no carrying value. The excess of the purchase price over the historical cost basis was recorded as a deemed distribution to the shareholder.

ELEVATE, INC.
(FORMERLY HIGHLAND BUSINESS SERVICES, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 11. Stock Options

During the quarter ended August 31, 2011, the Company sold 350,000 units to an investor for a total purchase price of \$700,000. Each unit consisted of 1 share of common stock and 1 warrant. The warrants have an exercise price of \$3 and expire on June 17, 2014.

During the quarter ended November 30, 2011, the Company sold a total of 115,000 units to several investors for a total purchase price of \$165,000. Each unit consisted of 1 share of common stock and 1 warrant. The warrants have an exercise price of \$3 and expire in three years from the grant date.

During the quarter ended November 30, 2011, the Company sold a total of 1 unit to an investor for a total purchase price of \$500,000. The unit consisted of 425,000 shares of Series A convertible preferred stock and 850,000 warrants. The warrants have an exercise price of \$3 and expire in three years from the grant date.

During the quarter ended February 29, 2012, the Company sold a total of 370,000 units to several investors for a total purchase price of \$270,000. Each unit consisted of 1 share of common stock and 1 warrant. The warrants have an exercise price of \$3 and expire in three years from the grant date.

During the quarter ended February 29, 2012, the Company sold a total of 10,000 units to one investor for a total purchase price of \$5,000. Each unit consisted of 2 shares of common stock and 1 warrant. The warrants have an exercise price of \$3 and expire in three years from the grant date.

The following is a summary of the status of all of the Company's stock warrants as of February 29, 2012 and changes during the nine months ended on that date:

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at June 1, 2011	-	\$ 0.00	-
Granted	1,695,000	\$ 3.00	2.59
Exercised	-	\$ 0.00	-
Cancelled	-	\$ 0.00	-
Outstanding at February 29, 2012	1,695,000	\$ 3.00	2.59
Exercisable at February 29, 2012	1,695,000	\$ 3.00	2.59

The following is a summary of the status of all of the Company's stock options as of February 29, 2012 and changes during the three months ended on that date:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at June 1, 2011	-	\$ 0.00	-
Granted	1,200,000	\$ 1.25	4.24
Exercised	-	\$ 0.00	-
Cancelled	-	\$ 0.00	-
Outstanding at February 29, 2012	1,200,000	\$ 1.25	4.24
Exercisable at February 29, 2012	700,000	\$ 1.29	4.24

Note 12. Subsequent Events

On March 6, 2012, the Company received \$150,000 from an accredited investor for 300,000 units. Each unit consists of one share of common stock and one three year warrant with an exercise price of \$3.00. The shares were issued on March 27, 2012.

On March 19, 2012, the Company received \$450,000 from an accredited investor for 900,000 units. Each unit consists of one share of common stock and one three year warrant with an exercise price of \$3.00. The shares were issued on March 27, 2012.

In March 2012, we issued 80,000 shares of restricted common stock to 1 consultant pursuant to a consulting agreement valued at \$65,600. The shares were issued on March 27, 2012.

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

This Quarterly Report on Form 10-Q contains forward-looking statements and involves risks and uncertainties that could materially affect expected results of operations, liquidity, cash flows, and business prospects. These statements include, among other things, statements regarding:

- o our ability to diversify our operations;
- o our ability to implement our business plan as a provider of communications and digital services;
 - o unavailability of funds for capital expenditures and/or general working capital;
- o the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain;
 - o our ability to attract key personnel;
 - o our ability to operate profitably;
 - o our ability to incorporate the Elevate assets into our operations;
- o our ability to generate sufficient funds to operate the Elevate operations, as a result of completion of our merger;
 - o deterioration in general or regional economic conditions;
- o changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
- o adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
 - o inability to achieve future sales levels or other operating results;
 - o the inability of management to effectively implement our strategies and business plans;

as well as other statements regarding our future operations, financial condition and prospects, and business strategies. These forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed under the heading "Risk Factors" in Part II, Item 1A and those discussed in other documents we file with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

References in the following discussion and throughout this quarterly report to "we", "our", "us", "Elevate", "ELEV", "Company", and similar terms refer to Elevate, Inc. unless otherwise expressly stated or the context otherwise requires.

Overview

Elevate is an emerging alternative in the network services industry that is pioneering the resurgence of customer-centric, relationship-based sales practices to the home and small business. Our Direct Service Model, which leverages a network of field-based, independent technology experts to sell and service Elevate technologies, creates long-term customers by providing a consistently superior one-to-one brand interaction.

Through our Smart Home technology, we provide subscribers with an array of wireline and wireless services for residential and small business customers. Elevate owns and operates a cloud based billing and provisioning backbone that allows us to provide the latest advancements in broadband Internet, digital VoIP telephony, streaming entertainment, and mobile applications. Elevate Smart Home is the first security system to monitor network services as well as traditional threats such as intrusion, medical emergency, fire and smoke, poison gas and weather related threats. Elevate offers its combined services packaged with take rate incentives and bundle discounts product and service configurations called “Stacks”.

At Elevate as you stack your services you save. When Stacked, our customers can save 20% over our competitors for like services. We are able to deliver savings while increasing performance through a combination of variable customer acquisition cost and fixed operating costs. Elevate is capable of building long-term value in each customer relationship through an unprecedented one-to-one, on-site, on demand ‘Direct Service’ model. Every Elevate customer becomes a fan because, not only do they know the name of the guy who sold them on the services, they have his cell phone number.

The Company is comprised of four key components that will contribute to our growth and sustainability:

1. THE STACK

The Elevate Stack consists of five subscription-based services:

1. Elevate Broadband
2. Elevate Digital Voice (VoIP)
3. Elevate Entertainment (Retail relationships with top satellite entertainment companies)
4. Elevate Smart Home
5. Elevate Mobile

2. ELEVATE SOAR

Elevate SOAR is an intense, proprietary business development and personal improvement training series required to become an Elevate Certifiable Genius. SOAR consists of audio and video training courses combined with live training conferences, requisite continuing education and exclusive software tools. Every Elevate Certifiable Genius must pass through a rigorous education and certification process to achieve the moniker of Certifiable Genius.

3. ELEVATE UP

A proprietary customer relationship management and network services provisioning platform (CRM) developed to ensure a remarkable customer experience. Elevate Up enables Elevate to interact with customers, instantly verify credentials and credit worthiness and instantly provision network services to residential, SMB and Enterprise customers. Elevate UP consists of an Enterprise Cloud-based CEM ecosystem that enables the entire customer journey from point of sale, through installation and provisioning, customer education and initial satisfaction and instant ongoing communication with every customer.

This cloud-based system is fully integrated with strategic partners, network service providers, our customer care network and call centers all the way through to the Elevate Care iPad app carried by every Certifiable Genius. Utilizing Elevate mobile applications, our local sales and support teams are able to identify a prospect, determine service availability and credit credentials and analyze their specific needs by performing a complete needs analysis we call the “Drawing Board”.

The Elevate Genius Dashboard for iPad enables the complete customer on-boarding process and automates dozens of complex integration requirements. Elevate is able to sell, subscribe, activate, install and provision all our services on the same day the customer finalizes the buying decision. Our business process is augmented with enterprise software tools that automate mission-critical tasks including the industry’s leading cloud-based billing platform (Zuora) a robust compensation tracking, customer provisioning and billing. Elevate Up is a rich internet application (RIA) which leverages the very latest data management systems.

4. THE ELEVATE 4G NETWORK

Elevate is working in partnership with the nation’s emerging players in the evolution of 4G terrestrial networking. We have recently introduced a nationwide WiMax 4G network offering through strategic partnership with Sprint. The evolution of terrestrial network is gaining mass adoption as consumer demand for always on, mobile broadband increases at unprecedented scale. The industry focus on 4G expansion is legendary as this disruptive technology becomes more pervasive and on its way to ubiquity.

Mobile broadband is anticipated to revolutionize the entire communications and connectivity industry over the next decade. Pervasive and ubiquitous access to reliable broadband at home, at the office and on the go enable smart applications for energy conservation and management, connected and integrated monitored security and more open and consuming communications. Elevate is also working with development partners to create one of the first open IPTV network to combine over the air digital live programming with online content distributions for a whole new paradigm in subscription entertainment services including television, production style movies and music. Elevate is developing micro applications which are embedded within the entire Elevate experience and integrated with our network subscriptions services. Elevate is the first provider of it’s kind to personally take each subscriber by the hand, discover their individual needs, design a network and provisioned services which are backed up by a one-on-one relationship with a dedicated account owner and a team of highly qualified professionals who can at a moment's notice visit with our customers, on site, in person and remain fully engaged to ensure total satisfaction.

Our purpose is to articulate a comprehensive marketing plan together with actionable initiatives that will enable us to reach more customers, inspire and engage in more meaningful customer relationships that are formed on trust created by real expertise and backed by an agile and dedicated team to ensure not one customer is ever unhappy. The Elevate experience breeds happiness and mutual satisfaction between subscribers and their dedicated Elevate team having their independent Certifiable Genius at its center.

This Marketing Plan will serve as both a directive and as a method of measurement. Our primary objective is to improve brand awareness, increase new customer acquisition and achieve greater levels of profitability. Our marketing plan is focused on the following objectives:

- Win new customers through an unprecedented engagement model, improved sales force automation tools and streamlined on boarding processes.
 - Retain existing customers through enhanced customer relationship management.
 - Add 1,000 Independent Elevate Direct Sales Representatives
 - Add 3,500 Independent Elevate Affiliate Sales Representatives
- Create a strong brand presence by delivering in the brand promise. “To “elevate your digital experience. Expect More.”
 - Elevate Defined: “To move or raise to a higher state, to exalt, to raise the voice.”

As a result of careful analysis of internal and external conditions, we have identified and articulated five fundamental marketing strategies, which will enable us to address the market.

Success will depend on our ability to:

- Execute the tactical measures defined in the plan
- Be vigilant in operating customer management systems to streamline the customer on boarding process and provide complete transparency into the entire engagement process
 - Continuous investment to improve enterprise back-office systems to support the Elevate customer journey
 - Streamline recruiting processes
 - Complete the roll out of all remaining Elevate Products and Services
 - Create a strong brand presence.

Consumers are adopting the “bundled services” concept at an ever-increasing rate. Demand for faster, more integrated services is one of the strongest advancing segments of the communications industry. The addressable market is large and demand is increasing at unprecedented rates. Capturing the “early adopters” presents the most significant opportunity over the next five years. Elevate has identified the need to be selective and to focus marketing initiatives toward “early adopter” segments. Significant markets exist among several demographics.

Distribution

The Company is using both direct and indirect ways to sell its products and services through direct sales representatives. Direct forms of distribution include door-to-door direct sales, B2B direct sales, B2B VAR Channels and Strategic Resellers. The Company utilizes a well-defined and managed social marketing system developed over the past ten years. Our customer rewards program offers unprecedented rewards for subscribers who actively engage in referrals. We have developed what we call a customer compensation plan that allows customers to achieve great rewards including free services and hardware. To support subscriber referrals, we have deployed a sophisticated call center where every call center representative is highly-trained in communication skills necessary to introduce the Elevate Stack and the subsequent benefits of being an Elevate subscriber.

Direct Sales

Living Room-to-Living Room Sales –The Company sells its products and services through door to door direct sales. This is one of the most effective and cost efficient means of marketing. A sales representative presents the services and savings in a comprehensive interview we call the Drawing Board. This needs analysis establishes trust and the perception of expertise immediately. The results are explosive sales with take rate around one in ten. All installation and activation services are purchased in the comfort of home where specific needs can be understood and addressed. Our logistics system allows us to be one of the only providers nationwide to offer same day installation and activation of services. The process is convenient and allows the user to “test drive” the benefits of the Company’s products and services before even initiating the purchase. As all the products sold are branded, the Company does not incur significant advertisement and marketing expenses to build consumer awareness of the Company and its products and services.

Online Direct Sales – Management also aims to build a strong presence in online marketing. The Company, through its internet website, www.goelevate.com, plans to directly sell its products and services. The website contains information about service promotions and facilitates quick and easy sign-up or enables the user to request contact later sales contact. This internet marketing strategy will complement other marketing strategies and serve as a means for customers to contact the Company as well as receive online technical support.

Customer Rewards Sales

Customer referral - Product awareness is created through customer references that assist the Company to sell products and services. The customer submits referrals online and our highly trained call center representatives, who are specifically trained to contact leads in compliance with all Federal and State mandated rules and regulations, later contact the referral and close the sale. Upon closing, the new subscriber is immediately assigned to a local Certifiable Genius to establish their ongoing relationship with the Company.

RESULTS OF OPERATIONS

Results of Operations for the Three Months Ended February 29, 2012 and February 28, 2011:

Revenues. Sales revenues increased to \$299,895 in the three months ended February 29, 2012 from \$77,531 in the three months ended February 28, 2011, representing a 287% increase. The increase in revenues is a result of the implementation of the renewed sales channel.

Total Cost of Services. Total direct cost of services increased \$161,605, or 1,341%, to \$173,653 in the three months ended February 29, 2012 from \$12,048 for the three months ended February 28, 2011. The increase in the total cost of services is a result of the Company’s need to maintain inventory rather than being a distributor of non-owned inventory and the payment of commissions to sales staff.

Legal and Professional. Legal and professional expenses increased \$17,797, or 39%, to \$63,928 in the three months ended February 29, 2012 from \$46,131 for the three months ended February 28, 2011. The increase in legal and professional fees was the result of an increase in accounting and legal fees associated with public company filings.

Selling, General and Administrative. Selling, general and administrative expenses increased \$248,651, or 131%, to \$438,378 for the three months ended February 29, 2012 from \$189,727 for the three months ended February 28, 2011. The increase was the result of the addition of personnel and increased insurance and marketing expenses as the Company pursued the expansion of the customer base to a larger geographical area.

Consulting Expense - Stock Based. Consulting expense – stock based increased \$79,885 or 100% in the three months ended February 29, 2012 from \$0 for the three months ended February 28, 2011. The increase was the result of stock being issued for services in the period ended February 29, 2012 and no stock for services being issued in the period ended February 28, 2011.

Consulting Expense. Consulting expense increased \$277,453 or 100% in the three months ended February 29, 2012 from \$0 for the three months ended February 28, 2011. The increase was the result of the use of outside investment advisory firms to expand the Company's ability to raise capital.

Depreciation. Depreciation expense decreased \$222 or 12% to \$1,564 in the three months ended February 29, 2012 from \$1,786 for the three months ended February 28, 2011. The decrease was the result of the depreciation adjustments.

Net (Loss) from Operations. The Company had \$734,966 in net loss from operations in the three months ended February 29, 2012, as compared to net loss from operations of \$172,161 during the three months ended February 28, 2011. The increase was the result of the increase in total cost of sales, the addition of personnel, increased marketing costs, accounting and legal fees, and stock based compensation.

Interest Expense. Interest expense increased \$2,837 or 69% to \$6,950 in the three months ended February 29, 2012 from \$4,113 for the three months ended February 28, 2011. The increase was the result of an increase in notes payables with interest accruals.

Net Loss. In the three months ended February 29, 2012, the Company generated a net loss of \$740,331, an increase of \$564,057 or 320%, from \$176,274 for the three months ended February 28, 2011. This increase was attributable to the addition of personnel, increased marketing costs, accounting and legal fees and stock option expense.

Results of Operations for the Nine Months Ended February 29, 2012 and February 28, 2011:

Revenues. Sales revenues increased to \$485,095 in the nine months ended February 29, 2012 from \$162,201 in the nine months ended February 28, 2011, representing a 199% increase. The increase in revenues is a result of the implementation of the renewed sales channel.

Total Cost of Services. Total cost of services increased \$466,022, or 3,370%, to \$479,853 in the nine months ended February 29, 2012 from \$13,831 for the nine months ended February 28, 2011. The increase in the total cost of services is a result of the Company's need to maintain inventory rather than being a distributor of non-owned inventory and the payment of commissions to sales staff.

Legal and Professional. Legal and professional expenses increased \$141,339, or 174%, to \$222,630 in the nine months ended February 29, 2012 from \$81,291 for the nine months ended February 28, 2011. The increase in legal and professional fees was the result of an increase in accounting and legal fees resulting from the asset purchase agreements and reverse merger.

Selling, General and Administrative. Selling, general and administrative expenses increased \$839,416, or 182%, to \$1,300,882 for the nine months ended February 29, 2012 from \$461,466 for the nine months ended February 28, 2011. The increase was the result of the addition of personnel and increased insurance and marketing expenses as the Company pursued the expansion of the customer base to a larger geographical area.

Consulting Expense - Stock Based. Consulting expense – stock based increased \$930,957 or 100% in the nine months ended February 29, 2012 from \$0 for the nine months ended February 28, 2011. The increase was the result of stock options being issued in the period ended February 29, 2012 and no stock options being available in the period ended February 28, 2011.

Consulting Expense. Consulting expense increased \$644,325 or 100% in the nine months ended February 29, 2012 from \$0 for the nine months ended February 28, 2011. The increase was the result of the use of outside investment advisory firms to expand the Company's ability to raise capital.

Depreciation. Depreciation expense increased \$2,613 or 146% to \$4,399 in the nine months ended February 29, 2012 from \$1,786 for the nine months ended February 28, 2011. The increase was the result of the addition of the assets and the commencement of depreciation for the assets acquired.

Net Loss from Operations. The Company had \$3,097,951 in net loss from operations in the nine months ended February 29, 2012, as compared to net loss from operations of \$396,173 during the nine months ended February 28, 2011. The increase was the result of the increase in total cost of sales, the addition of personnel, increased marketing costs, accounting and legal fees, and stock based compensation.

Interest Expense. Interest expense increased \$53,237 or 1,294% to \$57,350 in the nine months ended February 29, 2012 from \$4,113 for the nine months ended February 28, 2011. The increase was the result of an increase in notes payable with interest accruals.

Net Loss. In the nine months ended February 29, 2012, we generated a net loss of \$3,150,505, an increase of \$2,750,219 or 687%, from \$400,286 for the nine months ended February 28, 2011. This increase was attributable to the addition of personnel, increased marketing costs, accounting and legal fees and stock option expense.

Going Concern

Our financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue in existence is dependent on our ability to develop additional sources of capital and achieve profitable operations. Management's plan is to pursue our business plan. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Liquidity and Capital Resources

As of February 29, 2012, we had no cash, \$32,524 in accounts receivable, \$427,620 in prepaid expenses, and \$29,187 in inventory. The following table provides detailed information about our net cash flow for the nine months ended February 29, 2012 and 2011. To date, we have financed our operations through the issuance of stock, borrowings, and cash flows from operations.

In summary, our cash flows were as follows:

	Nine months Ended February 29,	
	2012	2011
Net cash used in operating activities	\$(1,681,984)	\$(272,684)
Net cash used in investing activities	(95,151)	(248,990)
Net cash provided by financing activities	1,777,135	519,512
Net increase/(decrease) in Cash	0	(2,162)
Cash, beginning of year	-	4,563
Cash, end of year	\$0	\$2,401

Operating activities

Net cash used in operating activities was \$1,681,984 for the nine months ended February 29, 2012, as compared to \$272,684 used in operating activities for the same period in 2011. The increase in net cash used in operating activities was primarily due to an increase in net loss, prepaid expense and inventory. There were also increases in accounts payable and accrued expenses (accrued salaries and payroll taxes) which reduced the total amount of cash used in operating activities.

Investing activities

Net cash used in investing activities was \$95,151 for the nine months ended February 29, 2012, as compared to \$248,990 used in investing activities for the same period in 2011. The decrease in net cash used in investing activities was primarily due to the Company decreasing the purchase of equipment in the current period.

Financing activities

Net cash provided by financing activities for the nine months ended February 29, 2012 was \$1,777,135, as compared to \$519,512 for the same period of 2011. The increase of net cash provided by financing activities was mainly attributable to issuance of common stock for cash.

We believe that cash flow from operations will meet only a part of our present and near term cash needs and thus we will require additional cash resources, including the sale of equity or debt securities, to meet our planned capital expenditures and working capital requirements for the next 12 months. We will require additional cash resources due to changed business conditions, implementation of our strategy to expand our sales and marketing initiatives as well as our current research and development programs, increase brand awareness, or acquisitions we may decide to pursue. If our own financial resources and then current cash flows from operations are insufficient to satisfy our capital requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities will result in dilution to our stockholders.

The incurrence of indebtedness will result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations or modify our plans to grow the business. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, will limit our ability to expand business operations and could harm overall business prospects.

Off-Balance Sheet Arrangements

As of the date of this Report, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

This item is not applicable as we are currently considered a smaller reporting company.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Principal Executive Officer, Wright Thurston and Principal Financial Officer, Donna Moore, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on their evaluation, they concluded that our disclosure controls and procedures are not designed at a reasonable assurance level and are not effective to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Our internal control over financial reporting includes policies and procedures that: (i) pertain to maintaining records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles and the receipts and expenditures of company assets are made in accordance with our management and directors authorization; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Management has undertaken an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based upon this evaluation, management concluded that our internal control over financial reporting was not effective as of February 29, 2012.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any material legal proceedings.

Item 1A. Risk Factors.

Our significant business risks are described in Item 1A. to Part I of Form 10-K for the year ended May 31, 2011 to which reference is made herein.

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

Stock Issuances Pursuant to Subscription Agreements

In December 2011, we sold 170,000 units (each unit consists of 1 share of our restricted common stock and 1 common stock purchase warrant priced at \$3.00 per share for up to 3 years) to 3 accredited investors for a total purchase price of \$170,000 all of which was paid in cash. The 170,000 shares of common stock were issued on January 26, 2012.

In February 2012, we sold 200,000 units (each unit consists of 1 share of our restricted common stock and 1 common stock purchase warrant priced at \$3.00 per share for up to 3 years) to 2 accredited investors for a total purchase price of \$100,000 all of which was paid in cash. The 200,000 shares of common stock were issued on February 17, 2012.

In February 2012, we sold 10,000 units (each unit consists of 2 shares of our restricted common stock and 1 common stock warrant priced at \$3.00 per share for up to 3 years) to 1 accredited investor for a total purchase price of \$5,000 all of which was paid in cash. The 10,000 shares of common stock have not yet been issued.

We believe that the issuance and sale of the above securities was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) and Regulation D Rule. The securities were sold directly by us and did not involve a public offering or general solicitation. The recipients of the securities were afforded an opportunity for effective access to files and records of the Registrant that contained the relevant information needed to make their investment decision, including the financial statements and 34 Act reports. We reasonably believed that the recipients, immediately prior to the sale of the securities, were accredited investors and had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The management of the recipients had the opportunity to speak with our management on several occasions prior to their investment decision. There were no commissions paid on the issuance and sale of the securities.

Stock Issuances Pursuant to Convertible Series A Preferred Stock

On December 13, 2011, we issued 850,000 shares of common stock pursuant to the conversion of Series "A" Preferred Stock.

We believe that the issuance and sale of the above securities was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) and Regulation D Rule. The securities were sold directly by us and did not involve a public offering or general solicitation. The recipients of the securities were afforded an opportunity for effective access to files and records of the Registrant that contained the relevant information needed to make their investment decision, including the financial statements and 34 Act reports. We reasonably believed that the recipients, immediately prior to the sale of the securities, were accredited investors and had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The management of the recipients had the opportunity to speak with our management on several occasions prior to their investment decision. There were no commissions paid on the issuance and sale of the securities.

Stock Issuances Pursuant to Convertible Notes

On December 15, 2011, 124,240 shares of common stock for conversion of notes payable of \$124,240 plus accrued interest of \$4,113. The shares were valued at \$129,086.

On January 9, 2012, we issued 450,564 shares of common stock pursuant to the conversion of a convertible promissory note with a stockholder of the Company. The shares were valued at \$495,620.

We made each of the aforementioned common stock issuance in reliance upon the exemption from registration under Section 4(2) of the Securities Act for private offerings not involving a public distribution.

Stock Issuances to Employees

On December 15, 2011, we issued 10,000 shares of common stock to employees valued at \$10,000 as a year-end bonus for services performed.

On February 29, 2012, we issued 10,000 shares of our restricted common stock to an employee for services performed valued at \$9,800.

We made the above common stock issuance in reliance upon the exemption from registration under Section 4(2) of the Securities Act for private offerings not involving a public distribution.

Stock Issuances Pursuant to Consulting Agreements

On December 15, 2011, the Company issued 124,240 shares of restricted common stock to 2 consultants for consulting services valued at \$121,755.

On January 16, 2012, the Company released 150,000 shares of restricted common stock that had been held in escrow since issuance on August 17, 2011 until the completion of the consulting agreement valued at \$142,500.

On February 17, 2012, the Company issued 217,000 shares of restricted common stock to 3 consultants pursuant to consulting agreements valued at \$213,460.

On February 29, 2012, the Company issued 50,000 shares of restricted common stock to 1 consultant pursuant to a consulting agreement valued at \$50,000.

We made the above common stock issuance in reliance upon the exemption from registration under Section 4(2) of the Securities Act for private offerings not involving a public distribution.

Subsequent Issuances

Stock Issuances Pursuant to Subscription Agreements

In March 2012, we sold 1,200,000 units (each unit consists of 1 share of our restricted common stock and 1 common stock purchase warrant priced at \$3.00 per share for up to 3 years) to 2 accredited investors for a total purchase price of \$600,000 all of which was paid in cash. The 1,200,000 shares of common stock were issued on March 27, 2012.

We believe that the issuance and sale of the above securities was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2) and Regulation D Rule. The securities were sold directly by us and did not involve a public offering or general solicitation. The recipients of the securities were afforded an opportunity for effective access to files and records of the Registrant that contained the relevant information needed to make their investment decision, including the financial statements and 34 Act reports. We reasonably believed that the recipients, immediately prior to the sale of the securities, were accredited investors and had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The management of the recipients had the opportunity to speak with our management on several occasions prior to their investment decision. There were no commissions paid on the issuance and sale of the securities.

Stock Issuances Pursuant to Consulting Agreements

In March 2012, we issued 80,000 shares of restricted common stock to 1 consultant pursuant to a consulting agreement valued at \$65,600. The shares were issued on March 27, 2012.

We made the above common stock issuance in reliance upon the exemption from registration under Section 4(2) of the Securities Act for private offerings not involving a public distribution.

Issuer Purchases of Equity Securities.

We did not repurchase any of our equity securities from the time of our inception through the period ended February 29, 2012.

Item 3. Defaults Upon Senior Securities.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Filed herewith	Incorporated by reference		
			Form	Period ending	Filing date
2.1	Acquisition Agreement and Plan of Merger – Dated February 2, 2011		8-K		2.1 2/4/11
2.2	Addendum No 1 to Acquisition Agreement and Plan of Merger – Dated February 11, 2011		8-K		2.2 2/11/11
3i(a)	Articles of Incorporation – Dated February 24, 2006		S-1		3.1 9/30/08
3i(b)	Certificate of Amendment to Articles of Incorporation – Dated December 17, 2007		S-1		3.2 9/30/08
3i(c)	Certificate of Change – Dated February 7, 2011		8-K		3i(c) 4/8/11
3i(d)	Articles of Merger – Dated March 2, 2011		8-K		3i(d) 4/8/11
3i(e)	Certificate of Amendment to Articles of Incorporation – Dated October 14, 2011		10-Q	8/31/11	3i(e) 10/17/11
3ii(a)	Bylaws		S-1		3.3 9/30/08
10.6	Rescission Letter of Merger Agreement by and among HGLB, Highland Sub Co and RiteWire, Inc. – Dated September 12, 2011		10-K	5/31/11	10.6 9/20/11
10.7	2011 Stock Incentive Plan		10-Q	8/31/11	10.7 10/17/11
31.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act	X			
31.2	Certification CFO pursuant to Section 302 of the Sarbanes-Oxley Act	X			
32.1	Certification of CEO pursuant to Section 906 of the Sarbanes-Oxley Act	X			
32.2	Certification CFO pursuant to Section 906 of the Sarbanes-Oxley Act	X			

101.INS*	XBRL Instance Document	X
101.SCH*	XBRL Taxonomy Extension Schema	X
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase	X
101.DEF*	XBRL Taxonomy Extension Definition Linkbase	X
101.LAB*	XBRL Taxonomy Extension Label Linkbase	X
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase	X

*XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements 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.

ELEVATE, INC.

Date: April 23, 2012

By:

/S/ Donna Moore
Donna Moore, Chief Financial Officer
(Principal Financial Officer and duly
authorized signatory)

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