Eco-Trade Corp
Form 10-Q
May 16, 2011

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

o QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commissions file number 001-12000

ECO-TRADE CORP.
(Exact name of registrant - registrant as specified in its charter)

Delaware	13-3696015
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o SMIRNOV HOLDINGS, LTD
410 Park Avenue
Suite 1530
New York, NY 10022
(Address of principal executive offices)

(917) 310-5810
Issuer's telephone number

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No o

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 o No o

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

Large accelerated filer o Accelerated filer o

Non accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, $0.001 par value	1,802,718
(Class)	(Outstanding at May 12, 2011)

ECO-TRADE CORP. (F/K/A YASHENG ECO-TRADE CORP.)

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PART I. Financial Information

Item 1. Financial Statements (Un-Audited)

ECO-TRADE CORP.
(f/k/a Yasheng Eco-Trade Corp)
Consolidated Balance Sheet
As of March 31, 2010 (unaudited) and December 31, 2010 (audited)
Amounts in US dollars

	March 31 2011 (unaudited)	December 31 2010 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	—	—
Total current assets	—	—
Total Non Current assets from discontinued operations	—	—
Total assets	—	—
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	466,085	442,008
Dividends Payable	136,356	84,575
Short-term convertible notes payable	2,018,907	1,957,379
Short-term convertible note payable - related party	293,855	264,139
Total current liabilities	2,915,203	2,748,101
Long-term debt	—	—
Total non Current liabilities	2,915,203	2,748,101
Stockholders' deficit:		
Preferred stock, series E convertible, $.001 stated value, 300,000 shares authorized issued and outstanding as of March 31, 2011 and December 31, 2010, respectively; 7% dividend per annum	300	300
Preferred stock, series F convertible, $.001 stated value, 10,000 shares authorized issued and outstanding at March 31, 2011 and December 31, 2010	10	10
Common stock, $.001 par value - Authorized 400,000,000 shares; 1,802,718 shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	1,803	1,803
Additional paid-in capital	95,985,767	95,985,767
Accumulated deficit	(98,876,048)	(98,708,946)
Accumulated other comprehensive loss	(2,226)	(2,226)
Treasury stock – 1,000 common shares at cost	(24,809)	(24,809)
Total stockholders' deficit	(2,915,203)	(2,748,101)
Total liabilities and stockholders' deficit	—	—

See accompanying notes to consolidated financial statements.

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ECO-TRADE CORP.
(f/k/a Yasheng Eco-Trade Corp)
Consolidated Statements of Operations and Comprehensive Income
For the Fiscal Quarters ended March 31, 2011 and 2010
Amounts in US dollars

	For the fiscal quarter ended March 31, 2011 (unaudited)	2010 (unaudited)
Revenues	$—	$—
Operating expenses		
Compensation and related costs	800	79,187
Consulting, professional and directors fees	48,167	93,001
Other selling, general and administrative expenses	310	103,210
Total operating expenses	49,277	275,398
Operating loss	(49,277)	(275,398)
Interest (expense)		
Interest income	—	—
Interest expense	(67,644)	(57,052)
Net interest (expense)	(67,644)	(332,450)
Other income (expense)		
Other income	1,600	—
Total other income (expense)	(66,044)	(332,450)
Preferred stock dividends	(51,781)	—
Net loss from continuing operations	(167,102)	(332,450)
Income (Loss) from discontinued operations	—	—
Net loss	(167,102)	(332,450)
Comprehensive (loss)	$(167,102)	$(332,450)
Net loss per common share Continuing operations	(0.09)	(0.28)
Discontinued operations	—	—
Net Loss per share	$(0.09)	$(0.28)
Weighted average number of shares outstanding, basic	1,797,612	1,203,737

See accompanying notes to consolidated financial statements.

ECO-TRADE CORP.
(f/k/a Yasheng Eco-Trade Corp)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Fiscal Quarter ended March 31, 2011 and the Fiscal Year ended December 31, 2010
Amounts in US dollars

	Preferred Stock Number of Shares	Amount	Preferred Stock Series E Number of Shares	Amount	Preferred Stock Series F Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Acc Def
Balance December 31, 2009	210,087	210					1,409,098	1,410	92,768,395	(96
Common stock for Moran Atias							130,000	130	99,870	
Common stock issuances for services: legal fees							80,000	80	37,780	
Common stock for Moran Atias							127,143	127	49,873	
Common stock for Prascilla Dunckel							50,857	51	19,949	
Conversion of note payable to preferred shares			300,000	300					2,999,700	
Issuance of Series F Preferred Stock					40,000	40			39,960	
Cancellation of Series F Preferred Stock					(30,000)	(30)			(29,970)	
Conversion of Series C Preferred shares to common stock	(210,087)	(210)					350	—	210	
Difference due to rounding from reverse stock split							5,270	5		
Net loss for period										(2,
Balance December 31, 2010	—	—	300,000	300	10,000	10	1,802,718	1,803	95,985,767	(98
Net loss for period										(16
Balance March 31, 2011	—	—	300,000	300	10,000	10	1,802,718	1,803	95,985,767	(98

See accompanying notes to consolidated financial statements.

ECO-TRADE CORP.
(f/k/a Yasheng Eco-Trade Corp)
Consolidated Statements of Cash Flows
Fiscal Quarters ended March 31, 2011 and 2010
Amounts in US dollars

	For the fiscal quarter ended March 31, 2011 (unaudited)	2010 (unaudited)
Comprehensive loss	(167,102)	(332,450)
Stock issuance for services	—	47,870
Increase (Decrease) in Accrued Interest	67,644	—
Increase (Decrease) in Dividends Payable	51,781	—
Increase (Decrease) in Other Current Liabilities	—	4,551
Increase (Decrease) in Accounts Payable	1,777	194,529
Increase (Decrease) in Accrued Expenses	45,900	
Net cash used by continuing operations	—	(85,500)
Net cash provided by discontinued operations	—	—
Net cash used by operating activities	—	(85,500)
Cash flows from investing activities:		
Net cash provided by investing activities	—	—
Cash flows from financing activities:		
Net cash provided by financing activities	—	—
Net decrease in cash and cash equivalents	—	(85,500)
Cash and cash equivalents, beginning of year	—	85,789
Cash and cash equivalents, end of year	—	289
Supplemental disclosure:		
Cash paid for interest expense	—	4,552
Summary of non-cash transactions:		
Accrued interest expense	67,644	57,052
Note payable converted to common stock		100,000
Dividend payable on Series E Preferred Shares	51,781	0

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Basis of consolidation - The consolidated financial statements include the accounts of the Company, its majority-owned subsidiaries and all variable interest entities for which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated upon consolidation. Control is determined based on ownership rights or, when applicable, whether the Company is considered the primary beneficiary of a variable interest entity.

Variable Interest Entities - The Company is required to consolidate variable interest entities (“VIE’s”), where it is the entity’s primary beneficiary. VIE’s are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The primary beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE.

For the years ending December 31, 2010 and 2009, and for the current fiscal quarter ended March 31, 2011, the balance sheets and results of operations of DCG, and Vortex Ocean One, LLC are consolidated into these financial statements

Use of estimates - The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair value of financial instruments- The carrying values of cash equivalents, notes and loans receivable, accounts payable, loans payable and accrued expenses approximate fair values.

Revenue recognition - The Company applies the provisions of Securities and Exchange Commission’s (“SEC”) Staff Accounting Bulletin (“SAB”) No. 104, “Revenue Recognition in Financial Statements” (“SAB 104”), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. SAB 104 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company recognizes revenue when persuasive evidence of an arrangement exists, the product or service has been delivered, fees are fixed or determinable, collection is probable and all other significant obligations have been fulfilled.

Revenues from property sales are recognized when the risks and rewards of ownership are transferred to the buyer, when the consideration received can be reasonably determined and when the Company has completed its obligations to perform certain supplementary development activities, if any exist, at the time of the sale. Consideration is reasonably determined and considered likely of collection when the Company has signed sales agreements and has determined that the buyer has demonstrated a commitment to pay. The buyer’s commitment to pay is supported by the level of their initial investment, The Company’s assessment of the buyer’s credit standing and the Company’ assessment of whether the buyer’s stake in the property is sufficient to motivate the buyer to honor their obligation to it. Revenue from fixed price contracts is recognized on the percentage of completion method. The percentage of completion method is also used for condominium projects in which the Company is a real estate developer and all units have been sold prior to the completion of the preliminary stage and at least 25% of the project has been carried out. Percentage of completion is measured by the percentage of costs incurred to balance sheet date to estimated total costs. Selling, general, and administrative costs are charged to expense as incurred. Profit incentives are included in revenues, when their realization is reasonably assured. Provisions for estimated losses on uncompleted projects are made in the period in which such losses are first determined, in the amount of the estimated loss of the full contract. Differences between estimates and actual costs and revenues are recognized in the year in which such differences are determined. The provision for warranties is provided at certain percentage of revenues, based on the preliminary calculations and best estimates of the Company's management.

Cost of revenues - Cost of revenues includes the cost of real estate sold and rented as well as costs directly attributable to the properties sold such as marketing, selling and depreciation and are included in discontinued operations.

Treasury Stock - Treasury stock is recorded at cost. Issuance of treasury shares is accounted for on a first-in, first-out basis. Differences between the cost of treasury shares and the re-issuance proceeds are charged to additional paid-in capital.

Foreign currency translation - The Company considers the United States Dollar ("US Dollar" or "$") to be the functional currency of the Company and its subsidiaries.

Cash and cash equivalents - Cash and cash equivalents include cash at bank and money market funds with maturities of three months or less at the date of acquisition by the Company.

Marketable securities - The Company determines the appropriate classification of all marketable securities as held-to-maturity, available-for-sale or trading at the time of purchase, and re-evaluates such classification as of each balance sheet date. The Company assesses whether temporary or other-than-temporary gains or losses on its marketable securities have occurred due to increases or declines in fair value or other market conditions. The Company did not have any marketable securities within continuing operations for the quarters ended March 31, 2011 and March 31, 2010 (other than Treasury Stocks as disclosed).

Earnings (loss) per share - Basic earnings (loss) per share are computed by dividing income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share reflect the effect of dilutive potential common shares issuable upon exercise of stock options and warrants and convertible preferred stock.

Comprehensive income (loss) - Comprehensive income includes all changes in equity except those resulting from investments by and distributions to shareholders.

Income taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Deferred tax assets and liabilities, are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date

Stock-based compensation - Effective January 1, 2006, the Company adopted SFAS No. 123R, now ASC Topic 718, “Share-Based Payment” (“SFAS 123R”). Under ASC Topic 718, the Company is required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The measured cost is recognized in the statement of operations over the period during which an employee is required to provide service in exchange for the award. Additionally, if an award of an equity instrument involves a performance condition, the related compensation cost is recognized only if it is probable that the performance condition will be achieved.

The Company adopted ASC Topic 718 using the modified prospective method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company’s fiscal year 2006. Under this method, compensation cost recognized during the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested, as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123 and amortized on an straight-line basis over the requisite service period, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R amortized on a straight-line basis over the requisite service period. Results for prior periods have not been restated. The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the Company’s common stock over a period commensurate with the options’ expected term. The expected term represents the period of time that options granted are expected to be outstanding and is calculated in accordance with SEC guidance provided in the SAB 107, using a “simplified” method. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company’s stock options.

Off Balance Sheet Arrangements - There are no material off balance sheet arrangements.

Gas Rights on Real Property, plant, and equipment - Depreciation, depletion and amortization, based on cost less estimated salvage value of the asset, are primarily determined under either the unit-of-production method or the straight-line method, which is based on estimated asset service life taking obsolescence into consideration. Maintenance and repairs, including planned major maintenance, are expensed as incurred. Major renewals and improvements are capitalized and the assets replaced are retired. Interest costs incurred to finance expenditures during the construction phase of multiyear projects are capitalized as part of the historical cost of acquiring the constructed assets. The project construction phase commences with the development of the detailed engineering design and ends when the constructed assets are ready for their intended use. Capitalized interest costs are included in property, plant and equipment and are depreciated over the service life of the related assets. The Company uses the "successful efforts" method to account for its exploration and production activities. Under this method, costs are accumulated on a field-by-field basis with certain exploratory expenditures and exploratory dry holes being expensed as incurred. Costs of productive wells and development dry holes are capitalized and amortized on the unit-of-production method. The Company records an asset for exploratory well costs when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Company is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expense. Acquisition costs of proved properties are amortized using a unit-of-production method, computed on the basis of total proved natural gas reserves. Significant unproved properties are assessed for impairment individually and valuation allowances against the capitalized costs are recorded based on the estimated economic chance of success and the length of time that the Company expects to hold the properties. The valuation allowances are reviewed at least annually. Other exploratory expenditures, including geophysical costs, other dry hole costs and annual lease rentals, are expensed as incurred. Unit-of-production depreciation is applied to property, plant and equipment, including capitalized exploratory drilling and development costs, associated with productive depletable extractive properties. Unit-of-production rates are based on the amount of proved developed reserves of natural gas and other minerals that are estimated to be recoverable from existing facilities using current operating methods. Under the unit-of-production method, natural gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the lease or field storage tank. Gains on sales of proved and unproved properties are only recognized when there is no uncertainty about the recovery of costs applicable to any interest retained or where there is no substantial obligation for future performance by the Company's. Losses on properties sold are recognized when incurred or when the properties are held for sale and the fair value of the properties is less than the carrying value. Proved oil and gas properties held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. Cash flows used in impairment evaluations are developed using annually updated corporate plan investment evaluation assumptions for natural gas commodity prices. Annual volumes are based on individual field production profiles, which are also updated annually. Cash flow estimates for impairment testing exclude derivative instruments. Impairment analyses are generally based on proved reserves. Where probable reserves exist, an appropriately risk-adjusted amount of these reserves may be included in the impairment evaluation. Impairments are measured by the amount the carrying value exceeds the fair value.

Restoration, Removal and Environmental Liabilities - The Company is subject to extensive federal, state and local environmental laws and regulations. These laws regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of natural gas substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefit are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessments and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component is fixed or reliably determinable.

The Company accounts for asset retirement obligations in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations" (now ASC Topic 410). ASC Topic 410 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. ASC Topic 410 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred and the corresponding cost capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. The Company will include estimated future costs of abandonment and dismantlement in the full cost amortization base and amortize these costs as a component of our depletion expense in the accompanying financial statements.

Business segment reporting -, The Company manages its operations in one business segment, the Resources, Logistic Development, Development and Mineral business.

Effect of Recent Accounting Pronouncements

In December 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-29 (ASU 2010-29), Business Combinations (Topic 805) – Disclosure of Supplementary Pro Forma Information for Business Combinations. This Accounting Standards Update requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The amendments in this Update affect any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The Company does not expect the provisions of ASU 2010-29 to have a material effect on its financial position, results of operations or cash flows.

In August 2010, the FASB issued Accounting Standards Update 2010-22 (ASU 2010-22), Accounting for Various Topics — Technical Corrections to SEC Paragraphs - An announcement made by the staff of the U.S. Securities and Exchange Commission. This Accounting Standards Update amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. The Company does not expect the provisions of ASU 2010-22 to have a material effect on its financial position, results of operations or cash flows.

In August 2010, the FASB issued Accounting Standards Update 2010-21 (ASU 2010-21), Accounting for Technical Amendments to Various SEC Rules and Schedules: Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. The Company does not expect the provisions of ASU 2010-21 to have a material effect on its financial position, results of operations or cash flows.

In July 2010, the FASB issued Accounting Standards Update 2010-20 (ASU 2010-20), Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The amendments in this Update are to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The disclosures about activity that occurs during the reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Company does not expect the provisions of ASU 2010-20 to have a material effect on its financial position, results of operations or cash flows.

In April 2010, the FASB issued Accounting Standards Update 2010-17 (ASU 2010-17), Revenue Recognition – Milestone Method (Topic 605). ASU 2010-17 provides guidance on applying the milestone method of revenue recognition in arrangements with research and development activities. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The Company's adoption of the provisions of ASU 2010-17 did not have a material impact on its revenue recognition.

In March 2010, the FASB issued Accounting Standards Update 2010-11 (ASU 2010-11), Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives. The amendments in this Update are effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of each entity's first fiscal quarter beginning after issuance of this Update. The Company's adoption of the provisions of ASU 2010-11 did not have a material effect on its financial position, results of operations or cash flows.

In February 2010, the FASB Accounting Standards Update 2010-10 (ASU 2010-10), Consolidation (Topic 810): Amendments for Certain Investment Funds. The amendments in this Update are effective as of the beginning of a reporting entity's first annual period that begins after November 15, 2009 and for interim periods within that first reporting period. Early application is not permitted. The Company's adoption of provisions of ASU 2010-10 did not have a material effect on its financial position, results of operations or cash flows.

In February 2010, the FASB issued ASU No. 2010-09 Subsequent Events (ASC Topic 855) - Amendments to Certain Recognition and Disclosure Requirements (ASU 2010-09). ASU No. 2010-09 requires an entity that is an SEC filer to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose a date, in both issued and revised financial statements, through which the filer had evaluated subsequent events. The adoption did not have an impact on the Company's financial position, results of operations or cash flows.

In January 2010, the FASB issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-09). ASU 2010-06 amends FASB Accounting Standards Codification ("ASC") 820 and clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements and employers' disclosures about postretirement benefit plan assets. This ASU is effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of ASU 2010-06 did not have a material impact on the Company's financial statements.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). This preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. US GAAP provides the framework from which to make these estimates, assumptions and disclosures. We choose accounting policies within US GAAP that management believes are appropriate to accurately and fairly report our operating results and financial position in a consistent manner. Management regularly assesses these policies in light of current and forecasted economic conditions. Although we believe that our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions for a number of reasons.

Investment in Real Estate and Commercial Leasing Assets. Real estate held for sale and construction in progress is stated at the lower of cost or fair value less costs to sell and includes acreage, development, construction and carrying costs and other related costs through the development stage. Commercial leasing assets, which are held for use, are stated at cost. When events or circumstances indicate than an asset’s carrying amount may not be recoverable, an impairment test is performed in accordance with the provisions of SFAS 144. For properties held for sale, if estimated fair value less costs to sell is less than the related carrying amount, then a reduction of the assets carrying value to fair value less costs to sell is required. For properties held for use, if the projected undiscounted cash flow from the asset is less than the related carrying amount, then a reduction of the carrying amount of the asset to fair value is required. Measurement of the impairment loss is based on the fair value of the asset. Generally, we determine fair value using valuation techniques such as discounted expected future cash flows.

Our expected future cash flows are affected by many factors including:

a) The economic condition of the US and Worldwide markets – especially during the current worldwide financial crisis.

b) The performance of the underlying assets in the markets where our properties are located;

c) Our financial condition, which may influence our ability to develop our properties; and

d) Government regulations.

As any one of these factors could substantially affect our estimate of future cash flows, significant variance between our estimates and the reality could result in us recording an impairment loss, which may result in a significant diminution of our net earnings.

The estimate of our future revenues is also important because it is the basis of our development plans and also a factor in our ability to obtain the financing necessary to complete our development plans. If our estimates of future cash flows from our properties differ significantly from actual performance in terms of delivering that cash flows, then our financial and liquidity position may be compromised, which could result in our default under certain debt instruments or result in our suspending some or all of our development activities.

Allocation of Overhead Costs. We periodically capitalize a portion of our overhead costs and also allocate a portion of these overhead costs to cost of sales based on the activities of our employees that are directly engaged in these activities. In order to accomplish this procedure, we periodically evaluate our "corporate" personnel activities to see what, if any, time is associated with activities that would normally be capitalized or considered part of cost of sales. After determining the appropriate aggregate allocation rates, we apply these factors to our overhead costs to determine the appropriate allocations. This is a critical accounting policy because it affects our net results of operations for that portion which is capitalized. In accordance with GAAP, we only capitalize direct and indirect project costs associated with the acquisition, development and construction of a real estate project. Indirect costs include allocated costs associated with certain pooled resources (such as office supplies, telephone and postage) which are used to support our development projects, as well as general and administrative functions. Allocations of pooled resources are based only on those employees directly responsible for development (i.e. project manager and subordinates). We charge to expense indirect costs that do not clearly relate to a real estate project such as salaries and allocated expenses related to the Chief Executive Officer and Chief Financial Officer.

Accounting for Income Taxes: We recognize deferred tax assets and liabilities for the expected future tax consequences of transactions and events. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. If necessary, deferred tax assets are reduced by a valuation allowance to an amount that is determined to be more likely than not recoverable. We must make significant estimates and assumptions about future taxable income and future tax consequences when determining the amount of the valuation allowance. In addition, tax reserves are based on significant estimates and assumptions as to the relative filing positions and potential audit and litigation exposures related thereto. To the extent the Company establishes a valuation allowance or increases this allowance in a period, the impact will be included in the tax provision in the statement of operations.

The disclosed information presents the Company's natural gas producing activities, in accordance with GAAP.

2. Non Current assets from discontinued operations

Vortex Ocean One, LLC ("Vortex One") entered into a sale agreement with third parties regarding specific 4 wells assignments. In consideration for the sale of the Assignments, Buyer shall pay the total sum of $2,300,000 to Seller as follows: (i) A $225,000.00 payment upon execution (paid) (ii) A 12 month $600,000.00 secured promissory note bearing no interest with payments to begin on the first day of the second month after the properties contained in the

Assignments begin producing. (iii) A 60 month $1,500,000.00 secured promissory note bearing no interest with payments to begin the first day of the fourteenth month after the properties contained in the Assignments begin producing.

As the Note bears no interest the Company discounts it to present value (for the day of issuing, e.g. March 1, 2009) using 12% as discount interest rate per annum + which is the Company's approximate cost of borrowing.

The face value of the Notes and the discounted value per the original agreement should be paid as follows:

Year	Face Value	Discounted Value
2009	$ 450,000	$ 424,060
2010	375,000	$ 321,288
2011	300,000	$ 226,057
2012	300,000	$ 200,614
2013	300,000	$ 178,035
2014	300,000	$ 157,997
2015	75,000	$ 36,638
Total	2,100,000	$ 1,544,690

The Company alleges that the Buyer is not performing under the notes. Per the terms of the sale, Vortex One and the Company should be paid commencing May 1, 2009. Vortex One and the Company agreed to give the Buyer a one-time 60 days extension, and put them on notice for being default on said notes. To date the operator of the wells paid Vortex One (on behalf of the Buyer) per the terms of the agreement 3 payments (for the months of April, May and July 2009 – Operator did not pay for the month of June 2009) amounting to $13,093.12. Vortex Ocean One's position is that the Buyer as well as the operator is under breach of the Sale agreement and the Note's terms, and notice has been issued for default. In lieu of the non material amount, no provision was made to income of $2,617 (20% the Company share per the operating agreement) until the Company finishes its investigation of the subject. The Company retained an attorney in Texas to pursue its rights under the agreements and the collateral. The Company has written off the notes on its balance sheet in 2010, and is therefore assuming that the buyers of those notes will not pay.

The assets and liabilities from discontinued operations included in the consolidated financial statements consisted of the following at December 31, 2010 and 2009 (there was no impact from discontinued operations on the financial statements in 2011):

	FY 2010	2009
Non-current assets from discontinued operations, net of allowance of $1,544,690 and $0	$ —	$ 1,544,690
Net assets of discontinued operations	$ —	$ 1,544,690
Net liabilities from discontinued operations	$ —	$ —

Net assets and liabilities to be disposed of have been separately classified in the accompanying consolidated balance sheet at December 31, 2010 and December 31, 2009. The December 31, 2009 balance sheet has been restated to conform to the current year's presentation.

The operating statement for the year ended December 31, 2009 has been restated to conform to the current year's presentation and are also shown separately. The operating results of this discontinued operation for the year ended December 31, 2010 and 2009 consist of:

	2010	2009
Revenue from discontinued operations	$ 20,000	$ —
Bad debt from discontinued operations	(1,544,690)	—
Minority interest from discontinued operations	—	160,000

Net Income (Loss) from discontinued operations	$ (1,524,690)	$ 160,000

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3. Convertible Notes Payable

The Company entered into a Securities Purchase Agreement (the “Agreement”) with Trafalgar Capital Specialized Investment Fund, Luxembourg (“Buyer”) on September 25, 2008 for the sale of up to $2,750,000 in convertible notes (the “Notes”). Pursuant to the terms of the Agreement, the Company and the Buyer closed on the sale and purchase of $1,600,000 in Notes on September 25, 2008, with escrow instruction to be closed on October 1, 2008. The Buyer, at its sole discretion, had the option to close on a second financing for $400,000 in Notes (which has been exercised as discussed below) and a third financing for $750,000 in Notes. Pursuant to the terms of the Agreement, the Company agreed to pay to the Buyer a commitment fee of 4% of the commitment amount, a structuring fee of $15,000, a facility draw down fee of 4%, issue the Buyer 150,000 shares of common stock, and pay a due diligence fee to the Buyer of $15,000. The Notes bear interest at 8.5% with such interest payable on a monthly basis with the first two payments due at closing. The Notes were due in full in September 2010.

The Company and Trafalgar became adversaries where each party filled a lawsuit against the other party in different jurisdictions which included California, Nevada (indirect lawsuit filed by Verge) and Florida. On April 15, 2010 the parties settled their outstanding disputes. Based on the settlement, the parties agreed that Trafalgar converted its notes (at agreed amount of $3,000,000) into a new class of Series E Preferred Shares.

Each share of E Preferred Stock is convertible, at any time at the option of the holder, into 2,000 shares of Common Stock. Holders of the E Preferred Stock are entitled to receive, when declared by the Company’s board of directors, annual dividends of $0.70 per share of B Preferred Stock paid annually (equates to a 7% annualized return). Such dividends may be paid, at the election of the Company, either (i) in cash or (ii) in restricted shares of Common Stock. In the event that the Company elects to issue shares of Common Stock in connection with the dividend on the E Preferred Stock, such dividend shares shall be determined by dividing the dividend amount by 110% of the volume-weighted average price of the common stock for the 20 trading days immediately preceding the record date for payment of such dividend (the “Dividend VWAP”); provided, however, if the Company is unable to determine the Dividend VWAP, then such dividend shall be determined by dividing the dividend amount by the average of the three highest closing bid prices during the 20 trading days immediately preceding the record date for payment of such dividend.

In addition to any voting rights provided by law, holders of the E Preferred Stock will have the right to vote together with holders of Common Stock and other series of preferred stock as a single class on all matters upon which stockholders are entitled to vote, including election of the members of the Company’s Board of Directors. Each share of E Preferred Stock will have the number of votes corresponding to the number of shares of Common Stock into which the E Preferred Stock may be converted on the record date for determining stockholders entitled to vote.

In the event of any liquidation or winding up of the Company, the holders of E Preferred Stock will be entitled to receive, in preference to holders of Common Stock, an amount equal to the original purchase price per share, plus interest of 15%.

Trafalgar has contractually agreed to restrict its ability to convert the preferred stock and receive shares of Common Stock such that the number of shares of Common Stock held by them and their affiliates after such conversion or exercise does not exceed 9.99% of the Company’s then issued and outstanding shares of common stock. Trafalgar assigned 50,000 shares of E Preferred Stock to Trafalgar Capital Advisors LLC.

As part of the settlement agreement with Trafalgar, on June 11, 2010, the Company agreed to appoint 4 new directors to the Company board: William Lieberman, Andre Lauzier, Jeffrey Stemberg, and Gerry Weinstein. Effective June 18, 2010, the Company appointed Mr. Lieberman as acting President. Mr. Lieberman will be responsible for the day to day operations of the company and developing the strategic direction for the company.

On August 6, 2010, as previously agreed under the settlement terms, Trafalgar converted $3MM of its note into preferred shares, Series E. Subsequently, in 2010, the Trafalgar debt and its ownership of Series E Preferred Stock was sold, in a private transaction to which the Company is not a party, by Trafalgar to a third party, Sagi Collateral Ltd ("Sagi"), a Private Company Number 514169697, which is controlled by Alexander Smirnov. As such, all balances that Trafalgar owned (300,000 shares of Series E Preferred stock, as well as $293,855 of short-term debt) are currently owned by Sagi. As of March 31, 2011, the Company has recorded $136,356 of dividend expense for the Series E Preferred shares.

Kobi Loria – On November 23, 2009, as a consideration for a cash loan, the Company signed a Note Payable for $100,000 payable to individual (third party) due on March 31, 2010 at 12% per annum. The Note includes a convertible feature into the Company Common Stock based on conversion ratio that shall be valued at 95% of the volume-weighted average price for 5 trading days immediately preceding the conversion notice. On December 23, 2009 the Company signed an additional Note Payable for $50,000 to the same party on the same terms as the prior Note. The consideration for the Notes was cash, which the Company used for working capital. On April 15, 2010 the Company agreed with Mr. Loria that as the Company did not have the cash resources to pay off the Notes due to current capital constraints, it would convey to him the Company's interests in Micrologic (which had been designated for sale since 2008) as partial payments on the Notes. The parties agreed that the Micrologic conveyed interests will be valued at $20,000.

As since March 31, 2010 the Company is in default on said notes, the Company accrued the default rate of 18% per annum on the relevant balances, but part of the note was offset by the agreed-upon value of the Micrologic conveyance.

Tiran Avgi (f/k/a Ibgui – "TA") – On November 23, 2009 the Company ratified and issued a Note Payable for $365,000 to a third party. Said third party ("TA") was a 50% member with Vortex One which invested in cash $525,000 on June 30, 2008. The Company entered numerous settlement agreements with TA in connection with Vortex Ocean; including providing collateral in form of pledge the DCG wells to TA. On February 2009, Vortex Ocean sold its interest to third parties, where per said sale the original balance of TA was reduced to $365,000 which remains due with maturity date of March 31, 2010. TA waived all his membership rights, and remains a secure lender under said note dated November 23, 2009 for his original investment that was consummated in cash on June 30, 2008. Said Note in the amount of $365,000 is convertible to 10,000,000 common shares of the Company, which per the adjustment mechanism may increase the amount of shares to be issued, if converted. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 10,000,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 10,000,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 10,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower. As since March 31, 2010 the Company is in default on said notes, the Company accrued the default rate of 18% per annum on the relevant balances.

The net amounts owed to TA per the operating agreement instructions, and settlement agreements can be summarized as following:

Original Cash Investment	525,000
Proceeds from sale:	
Gross amount	(225,000)
Fee paid by Ibgui	25,000
Company Interest 20% Per operating Agreement	40,000
Note payable to TA	365,000

Gerald Schaffer (former Director)– On May 31, 2010 as consideration for accrued Directors Fees, which were not paid, the Company signed a Note Payable for $133,344 payable to Mr. Schaffer (who resigned from the Board on June 11, 2010) due on May 30, 2011 at 12% per annum. Said Note in the amount of $133,344 is convertible to 150,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 150,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 150,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 150,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

Stewart Reich (former director) – On May 31, 2010 as consideration for accrued Directors Fees, which were not paid, the Company signed a Note Payable for $149,177 payable to Mr. Reich (who resigned from the Board on June 11, 2010) due on May 30, 2011 at 12% per annum. Said Note in the amount of $149,177 is convertible to 150,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 150,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 150,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 150,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

Yossi Attia (former director)– On May 31, 2010 as consideration for cash loans made by Mr. Attia to the Company, which were used to fund our ongoing operations, the Company signed a Note Payable for $1,000,000 payable to Mr. Attia (who resigned from the Board on June 12, 2010)) due on May 30, 2011 at 12% per annum. Said Note in the amount of $1,000,000 is convertible to 1,000,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note has an adjustment mechanism which states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 1,000,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 1,000,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 1,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

The breakdown of the Notes as due on March 31, 2011 is summarized in the following table. These notes have maturities of less than one year, and are therefore presented in the Company's financials as Current Liabilities.

Holder	Date Issued	Maturity	Annual Rate		Face Value	Default Rate		12/31/2010
Mr. Attia	5/31/2010	5/30/2011	12.00	%	1,000,000	18.0	%	1,100,603
Mr. Avgi	11/23/2009	3/31/2010	N/A		365,000	18.0	%	431,060
Mr. Reich	5/31/2010	5/30/2011	12.00	%	149,177	18.0	%	164,186
Mr. Louria	11/23/2009	3/31/2010	12.00	%	93,249	18.0	%	—
Mr. Louria	12/1/2009	3/31/2010	12.00	%	56,493	18.0	%	176,300
Mr. Schaffer	5/31/2010	5/30/2011	12.00	%	133,344	18.0	%	146,760
Total					1,797,263			2,018,907

Presented as Short term Liabilities:

Holder	Date Issued	Maturity	Annual Rate		Face Value	Default Rate		12/31/2010
Sagi Collateral	1/1/2010	N/A	7.00	%	N/A	18.0	%	140,016
Sagi Collateral	N/A	N/A	0.00	%	130,239	N/A		153,839
Total					130,239			293,855

4. Stockholder Equity

Common Stock:

On January 20, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Moran Atias ("Atias") whereby the Company and Ms. Atias exchanged $100,000 of a promissory note in the amount of $250,000 held by Ms. Atias into 130,000 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias (see above), was initially issued on August 8, 2008. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. After the date of this conversion, Ms. Atias still held a note payable by the Company for $50,000.

On March 23, 2010, the Company issued 80,000 shares of its common stock to Donfeld, Kelley & Rollman ("Kelley"), the Company lawyer, as partial payment for legal fees due in the amount of $37,860. The promissory note, which was converted by Kelley, was issued on August 30, 2009. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. The adjusting mechanism of his Note is still in effect. The remaining balance due to Kelley of $30,650 was forgiven.

On April 10, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Ms. Atias whereby the Company and Ms. Atias exchanged the remaining balance of $50,000 from a promissory note in the amount of $250,000 held by Ms. Atias, into 127,143 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion had already been converted by Ms. Atias, was initially issued on August 8, 2008. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. After the agreement was consummated, the Company paid the Atias note in full.

On April 10, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Mrs. Priscilla Dunckel whereby the Company and Mrs. Dunckel exchanged $20,000 of a promissory note in the amount of $20,000 held by her into 50,857 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. On April 10, 2010, via an exchange agreement, Mrs. Dunckel's note was paid off in full.

Preferred Stock:

Series A and B were converted in 2009 into common stock.

Series C - On November 26, 2009, the Company issued 210,087 shares of Series C Preferred Stock for aggregate consideration of $5,000. Each six hundred shares of Series C Preferred Stock is convertible into one post-reverse-split share of common stock; provided, however, in the event that the shares of Series C Preferred Stock have been outstanding for a period of one year, then it shall be automatically converted into shares of common stock in accordance with the aforementioned conversion formula. The Series C Preferred shares have been converted to post-reverse-split common shares, and the conversion has been given full effect in the financials included herein. The Company issued the securities to one non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

Series E and Series F– The Company entered into a Securities Purchase Agreement (the "Trafalgar Agreement") with Trafalgar Capital Specialized Investment Fund, Luxembourg ("Trafalgar") on September 25, 2008 for the sale of up to $2,750,000 in convertible notes (the "Notes"). Pursuant to the terms of the Agreement, the Company and Trafalgar closed on the sale and purchase of $1,600,000 in Notes on September 25, 2008. The Buyer exercised its option to close on a second financing for $400,000 in Notes on October 28, 2008. On April 15, 2010 the parties settled their outstanding disputes. Based on the settlement, the parties agreed that Trafalgar will convert its notes (at agreed amount of $3,000,000) into a new class of Series E Preferred Stock ("E Preferred Stock").

Each share of E Preferred Stock is convertible, at any time at the option of the holder, into 20 shares of Common Stock. Holders of the E Preferred Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.70 per share of B Preferred Stock paid annually (equates to a 7% annualized return). Such dividends may be paid, at the election of the Company, either (i) in cash or (ii) in restricted shares of Common Stock. In the event that the Company elects to issue shares of Common Stock in connection with the dividend on the E Preferred Stock, such dividend shares shall be determined by dividing the dividend amount by 110% of the volume-weighted average price of the common stock for the 20 trading days immediately preceding the record date for payment of such dividend (the "Dividend VWAP"); provided, however, if the Company is unable to determine the Dividend VWAP, then such dividend shall be determined by dividing the dividend amount by the average of the three highest closing bid prices during the 20 trading days immediately preceding the record date for payment of such dividend.

In addition to any voting rights provided by law, holders of the E Preferred Stock will have the right to vote together with holders of Common Stock and other series of preferred stock as a single class on all matters upon which stockholders are entitled to vote, including election of the members of the Company's Board of Directors. Each share of E Preferred Stock will have the number of votes corresponding to the number of shares of Common Stock into which the E Preferred Stock may be converted on the record date for determining stockholders entitled to vote.

In the event of any liquidation or winding up of the Company, the holders of E Preferred Stock will be entitled to receive, in preference to holders of Common Stock, an amount equal to the original purchase price per share, plus interest of 15%.

Trafalgar has contractually agreed to restrict its ability to convert the preferred stock and receive shares of Common Stock such that the number of shares of Common Stock held by them and their affiliates after such conversion or exercise does not exceed 9.99% of the Company's then issued and outstanding shares of common stock. Trafalgar assigned 50,000 shares of E Preferred Stock to Trafalgar Capital Advisors LLC. In 2010, the Trafalgar debt and its ownership of Series E Preferred Stock was sold, in a private transaction to which the Company is not a party, by Trafalgar to a third party, Sagi Collateral Ltd ("Sagi"), a Private Company Number 514169697, which is controlled by Alexander Smirnov. As such, all balances that Trafalgar owned (300,000 shares of Series E Preferred stock, as well as $293,855 of short-term debt) are currently owned by Sagi. As of March 31, 2011, the Company has recorded $136,356 of dividend expense for the Series E Preferred shares.

The Company entered into letter agreements with each of Jeffrey Sternberg, Gerry Weinstein, Andre Lauzier and William Lieberman, directors of the Company, whereby each of the directors agreed to serve as directors of the Company in consideration of 10,000 shares of Series F Preferred Stock (the "F Preferred Stock").

Each share of F Preferred Stock is convertible, at any time at the option of the holder, into 5 shares of Common Stock. Holders of the F Preferred Stock are not entitled to receive dividends and do not have liquidation rights.

In addition to any voting rights provided by law, holders of the F Preferred Stock will have the right to vote together with holders of Common Stock and other series of preferred stock as a single class on all matters upon which stockholders are entitled to vote, including election of the members of the Company's Board of Directors. Each share of F Preferred Stock will have the number of votes corresponding to the number of shares of Common Stock into which the F Preferred Stock may be converted on the record date for determining stockholders entitled to vote multiplied by 10.

On October 25, 2010, Andre Lauzier, Jeffrey Stemberg, and Gerry Weinstein resigned from the Board of Directors, and agreed to surrender their Series F Preferred shares to the Company for cancellation. As a result of this event, Mr. Lieberman is the sole director of the Company, is the sole remaining holder of the 10,000 Series F Preferred shares still outstanding after the event, and no longer holds voting control of the Company.

Commitment of Issuance of Preferred Stock:

Series D – Not issued yet - On December 30, 2009, the Company entered into a Preferred Stock Purchase Agreement dated as of December 30, 2009 (the "Agreement") with Socius Capital Group, LLC, a Delaware limited liability company d/b/a Socius Life Sciences Capital Group, LLC including its designees, successors and assigns (the "Investor"). Pursuant to the Agreement, the Company will issue to the Investor up to $5,000,000 of the Company's newly created Series D Preferred Stock (the "Preferred Stock"). The purchase price of the Preferred Stock is $10,000 per share. The shares of Preferred Stock that are issued to the Investor will bear a cumulative dividend of 10.0% per annum, payable in shares of Preferred Stock, will be redeemable under certain circumstances and will not be convertible into shares of the Company's common stock (the "Common Stock"). Subject to the terms and conditions of the Agreement, the Company has the right to determine (1) the number of shares of Preferred Stock that it will require the Investor to purchase from the Company, up to a maximum purchase price of $5,000,000, (2) whether it will require the Investor to purchase Preferred Stock in one or more tranches, and (3) the timing of such required purchase or purchases of Preferred Stock. The terms of the Preferred Stock are set forth in a Certificate of Designations of Preferences, Rights and Limitations of Series D Preferred Stock (the "Preferred Stock Certificate") that the Company filed with the Delaware Secretary of State on December 18, 2009. Pursuant to the Agreement, the Company agreed to pay the Investor a commitment fee of $250,000 (the "Commitment Fee"), payable at the earlier of the six monthly anniversary of the execution of the Agreement or the first tranche. The Company has the right to elect to pay the Commitment Fee in immediately available funds or by issuance of shares of Common Stock. Concurrently with its execution of the Agreement, the Company issued to the Investor a warrant (the "Warrant") to purchase shares of Common Stock with an aggregate exercise price of up to $6,750,000 depending upon the amount of Preferred Stock that is purchased by the Investor. Each time that the Company requires the Investor to purchase shares of Preferred Stock, a portion of the Warrant will become exercisable by the Investor over a five-year period for a number of shares of Common Stock equal to (1) the aggregate purchase price payable by the Investor for such shares of Preferred Stock multiplied by 135%, with such amount divided by (2) the per share Warrant exercise price. The initial exercise price under the Warrant is $0.022 per share of Common Stock. Thereafter, the exercise price for each portion of the Warrant that becomes exercisable upon the Company's election to require the Investor to purchase Preferred Stock will equal the closing price of the Common Stock on the date that the Company delivers its election notice. The Investor is entitled to pay the Warrant exercise price in immediately available funds, by delivery of cash, a secured promissory note or, if a registration statement covering the resale of the Common Stock subject to the Warrant is not in effect, on a cashless basis. Pursuant to the Agreement, the Company agreed to file with the Securities and Exchange Commission a registration statement covering the resale of the shares of Common Stock that are issuable to the Investor under the Warrant and in satisfaction of the Commitment Fee.

Treasury Stock:
In June 2006, the Company's Board of Directors approved a program to repurchase, from time to time, at management's discretion, up to 7,000 shares of the Company's common stock in the open market or in private

transactions commencing on June 20, 2006 and continuing through December 15, 2006 at prevailing market prices. Repurchases will be made under the program using our own cash resources and will be in accordance with Rule 10b-18 under the Securities Exchange Act of 1934 and other applicable laws, rules and regulations. A licensed Stock Broker Firm is acting as agent for our stock repurchase program. Pursuant to the unanimous consent of the Board of Directors in September 2006, the number of shares that may be purchased under the Repurchase Program was increased from 7,000 to 15,000 shares of common stock and the Repurchase Program was extended until October 1, 2007, or until the increased amount of shares is purchased.

As of March 31, 2011, the Company has 10 treasury shares in its possession (which been purchased in the open market per the above program) scheduled to be cancelled.

5. Acquisition and Dispositions

Vortex Ocean One, LLC - On June 30, 2008, the Company formed a limited liability company with Tiran Ibgui, an individual (“Ibgui”), named Vortex Ocean One, LLC (the “Vortex One”). The Company and Ibgui each own a fifty percent (50%) membership interest in Vortex One. The Company is the Manager of the Vortex One. Vortex One has been formed and organized to raise the funds necessary for the drilling of the first well being undertaken by the Company’s wholly owned subsidiary DCG (as reported on the

Company's Form 8-Ks filed on May 7, 2008 and May 9, 2008 and amended on June 16, 2008). The Company and Ibgui entered into a Limited Liability Company Operating Agreement which sets forth the description of the membership interests, capital contributions, allocations and distributions, as well as other matters relating to Vortex One. Mr. Ibgui paid $525,000 as consideration for his 50% ownership in Vortex One and the Company issued 5,250 common shares at an establish $1.00 per share price for its 50% ownership in Vortex One. In October and November 2008, the Company entered into settlement arrangements with Mr. Ibgui, whereby the Company agree to transfer the 5,250 common shares previously owned by Vortex One to Mr. Ibgui in exchange for settlement of all disputes between the two parties, and also pledged and assigned the DCG four term assignments. On March 2009, Vortex One exercised its rights under the pledge and entered into a sale agreement with third party with regards to the 4 term assignments. Said sale was given full effect in the 2009 audited financial statements.

Divesture of DCG and Vortex Ocean Wells - On March 2009 the board of directors of the company decided to vacate the DCG project. Goodwill was impaired by approximately $35.0M in association with this segment. On February 28, 2009 Vortex Ocean sold its term assignment interest in 4 wells to third party. In consideration for the sale of the Assignments, Buyer shall pay the total sum of $2,300,000 to Seller as follows: (i) A $225,000.00 payment upon execution (paid) (ii) A 12 month $600,000.00 secured promissory note bearing no interest with payments to begin on the first day of the second month after the properties contained in the Assignments begin producing. (iii) A 60 month $1,500,000.00 secured promissory note bearing no interest with payments to begin the first day of the fourteenth month after the properties contained in the Assignments begin producing. Because of the dispute on the notes, and the difficulty in collecting the money, the Company expensed the notes in the second quarter of 2010.

6. Commitments and Contingencies

Employment Agreement:

Effective July 1, 2006, the Company entered into a five-year employment agreement with Yossi Attia as the President that provided for annual compensation in the amount of $240,000, an annual bonus not less than $120,000 per year, and an annual car allowance. His base salary was subsequently raised to $360,000 per year. During the first and second quarter of 2010 and the fiscal year 2009, Yossi Attia paid substantial expenses for the Company and also deferred his salary. Mr. Attia resigned from the Company on June 11, 2010; in connection with that resignation, the Company owes Mr. Attia a note payable for approximately $1,100,603.

On or about June 2010, the Company entered into letter agreements with William Lieberman, director of the Company, whereby he agreed to serve as a Director of the Company in consideration of 10,000 shares of Series F Preferred Stock (the "F Preferred Stock").

Lease Agreements:

The Company head office was located at 9107 Wilshire Blvd., Suite 450, Beverly Hills, CA 90210, based on a month-to-month basis (The Company notified the landlord that effective December 1, 2009 it will terminate and vacate the premises), paying $219 per month. The Company's operation office (and headquarter from December 1, 2009 to June 2010) was located at 1061 ½ N Spaulding Ave, West Hollywood, CA 90046, paying $2,500 per month (lease term ends June 2011). Effective May 6, 2011, the Company is operating only from its operational offices located at c/o SMIRNOV HOLDINGS, LTD, 410 Park Avenue, Suite 1530, New York, NY 10022.

Legal Proceedings:

From time to time, we are a party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not involved currently in legal proceedings other than those detailed below that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

Trafalgar Capital Specialized Investment Fund, Luxembourg - The Company via series of agreements (directly or via affiliates) with European based alternative investment fund - Trafalgar Capital Specialized Investment Fund, Luxembourg ("Trafalgar") established a financial relationship which should create a source of funding to the Company and its subsidiaries (see detailed description of said series of agreements in the Company filing). The Company position is that the DCG transactions (among others) would not have been closed by the Company unless Trafalgar had provided the needed financing needed for the drilling program. On April 14, 2009, the Company filed a complaint in Superior Court of California, County of Los Angeles, and Case No. BC 411768 against Trafalgar Capital Specialized Investment Fund, Luxembourg and its affiliates (which was served on June 5, 2009 via registered mail and on September 10, 2009 in personal service), alleging breach of contract and fraud and alleged damages in the amount of $30,000,000. On or about August 2008, Trafalgar obtained a default judgment against the Company in a lawsuit brought by it (but never served on the Company) in Florida (Case No. 09-60980) for $2,434,196.06. The Company appealed said judgment, based on non-service and its appeal was granted on April 9, 2010 so this judgment been vacated. On April 15, 2010, the company and Trafalgar settled all outstanding disputes. The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Under the terms of the settlement, Trafalgar will be issued Preferred Stock of the Company, which is convertible to common shares at the option of the holders, into 6,000,000 common shares of the Company (post reverse

100:1), at any time upon written notice to the company; this is more than the total authorized shares of the Company. In the event of conversion of the note, the Company will authorize more shares to be issued at that point (at the time, the parties acknowledged that the Company did not have sufficient authorized shares to achieve said issuance). Trafalgar will appoint 4 directors to the Company's Board of Directors. Under the terms of the settlement, Trafalgar agreed to continue and pursue the core business of the Company. Trafalgar has subsequently contractually agreed to restrict its ability to convert the preferred stock and receive shares of Common Stock such that the number of shares of Common Stock held by them and their affiliates after such conversion or exercise does not exceed 9.99% of the Company's then issued and outstanding shares of common stock. Trafalgar assigned 50,000 shares of E Preferred Stock to Trafalgar Capital Advisors LLC. In 2010, the Trafalgar debt and its ownership of Series E Preferred Stock was sold, in a private transaction to which the Company is not a party, by Trafalgar to a third party, Sagi Collateral Ltd ("Sagi"), a Private Company Number 514169697, which is controlled by Alexander Smirnov. As such, all balances that Trafalgar owned (300,000 shares of Series E Preferred stock, as well as $293,855 of short-term debt) are currently owned by Sagi. As of March 31, 2011, the Company has recorded $136,356 of dividend expense for the Series E Preferred shares.

Verge Bankruptcy & Rusk Litigation - On January 23, 2009, Verge Living Corporation (the "Debtor"), a former wholly owned subsidiary of Atia Group Limited ("AGL), a former subsidiary of the Company, filed a voluntary petition (the "Chapter 11 Petitions") for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of California (the "Bankruptcy Court"). The Chapter 11 Petitions are being administered under the caption In re: verge Living Corporation, et al., Chapter 11 Case No. ND 09-10177 (the "Chapter 11 Proceedings"). The Bankruptcy Court assumed jurisdiction over the assets of the Debtors as of the date of the filing of the Chapter 11 Petitions. . On April 28, 2009, Chapter 11 Proceedings changed venue to the United States Bankruptcy Court for the District of Nevada, Chapter 11 Case No BK-S-09-16295-BAM. As Debtor as well as its parent AGL were subsidiaries of the Company at time when material agreements where executed between the parties, the Company may become part of the proceeding. In August 2008, Dennis E. Rusk Architect LLC and Dennis E. Rusk, ("Rusk") were terminated by a former affiliate of the Company. Rusk filed a lawsuit against the Debtor, the Company and multiple other parties in Clark County, Nevada, Case No. A-564309. The Rusk parties seek monetary damages for breach of contract. The Company has taken the position that the Company will have no liability in this matter as it never entered an agreement with Rusk. The court handling the Verge bankruptcy entered an automatic stay for this matter. On or about October 28, 2009 the parties settled said complaint, where the other parties agreed to pay the Rusk parties the sum of $400,000. The amount of $37,500 was advanced by the other parties to the Rusk parties. The Company's Board of Directors agreed to issue to the other parties 40,000 shares of the Company, as the Company participation in said settlement, which was done on October 2008. The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. Each of the Penalty Holders is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Yalon Hecht - On February 14, 2007, the Company filed a complaint in the Superior Court of California, County of Los Angeles against Yalon Hecht, a foreign attorney alleging fraud and seeking the return of funds held in escrow, and sought damages in the amount of approximately 250,000 Euros (approximately $316,000 as of the date of actual transferring the funds), plus interest, costs and fees. On April 2007, Mr. Hecht returned $92,694 (70,000 Euros on the date of transfer) to the Company which netted $72,694. On June 2007, the Company filed a claim seeking a default judgment against Yalon Hecht. On October 25, 2007, the Company obtained a default judgment against Yalon Hecht for the sum of $249,340.65. On February 7, 2011, the Company retained domestic Israeli counsel to try to collect on the aforementioned judgment amount.

Vortex One - The Company via Vortex One commended its DCG's drilling program, where Vortex One via its former member, was the first cash investor. Since said cash investment was done in July 2008, the Company defaulted on terms, period and presentations (based on third parties presentations). Based on series of defaults of third parties, Vortex One entered into a sale agreement with third parties regarding specific 4 wells assignments. Per the terms of the sale, Vortex One and the Company should be paid commencing May 1, 2009. Vortex One and the Company agreed to give the Buyer a one-time 60 days extension, and put them on notice for being in default on said notes. To date the operator of the wells paid Vortex One (on behalf of the Buyer) per the terms of the agreement 3 payments (for the months of April, May and July 2009 – Operator did not pay for the month of June 2009) amounting to $13,093.12. Vortex One position is that the Buyer as well as the operator is under breach of the Sale agreement and the Note’s terms, and notice has been issued for default. In lieu of the non material amount, no provision was made to income of $2,617 (20% the Company share per the operating agreement) until the Company finishes its investigation of the subject.

On July 1, 2008, DCG entered into a Drilling Contract (Model Turnkey Contract) (“Drilling Contract”) with Ozona Natural Gas Company LLC (“Ozona”). Pursuant to the Drilling Contract, Ozona has been engaged to drill four wells in Crockett County, Texas. The drilling of the first well commenced immediately at the cost of $525,000 and the drilling of the subsequent three wells scheduled for as later phase, by Ozona and Mr. Mustafoglu, as well as the wells locations. Based on Mr. Mustafoglu negligence and executed un-authorized agreements with third parties, the Company may have hold Ozona and others responsible for damages to the Company with regards to surface rights, wells locations and further charges of Ozona which are not acceptable to the Company. The Company did not commence legal acts yet, and evaluate its rights with its legal consultants.

Wang - On August 4, 2009, the Company filed a Form 8-K Current Report with the Securities and Exchange Commission advising that Eric Ian Wang (“Wang”) was appointed as a director of the Company on August 3, 2009. Mr. Yang was nominated as a director at the suggestion of Yasheng which approved the filing of the initial Form 8-K. On August 5, 2009, Mr. Wang contacted the Company advising that he has not consented to such appointment. Accordingly, Mr. Wang has been nominated as a director of the Company but has not accepted such nomination and is not considered a director of the Company. Mr. Wang's nomination was subsequently withdrawn. Furthermore, although no longer relevant, Mr. Wang's work history as disclosed on the initial Form 8K was derived from a resume provided by Mr. Wang. Subsequent to the filing of the Form 8-K, Mr. Wang advised that the disclosure regarding his work history was inaccurate. As a result, the disclosure relating to Mr. Wang's work history should be completely disregarded. The Company believe that at the time that these willful, malicious, false and fraudulent representations were made by Wang to the company, Wang knew that the representations were false and that he never intended to be appointed to the board. The company informed and believe the delivery of the resumes, and the later demand for a retraction of the resumes, were part of a scheme (with others) to injure the business reputation of the company to otherwise damages its credibility such that the Company would have a lesser bargaining position in the finalization of the documents relating to the Yasheng transaction. As such the Company filled on September 2009 a complaint against Wang in California Superior Court – San Bernardino County – Case No.: CIVRS909705. On or about January 4, 2010 the parties settled all their adversaries. Under said settlement, Wang represents, warrants, and agrees that the information about him that was contained in the 8K Filing and other disclosure documents was supplied by him. Any alleged inaccuracies, misrepresentations, and/or misstatements in the 8K Filing and other disclosure documents, regarding his resume, background and/or qualifications, if any exist, were based upon the information he provided to the Company.

Sharp - On October 19, 2009, George A. Sharp ("Sharp") filed a Complaint in the San Diego Superior Court, Case No. 37-2009-00100574-CU-MC-CTL (the "Case") against the Company. On December 29, 2009, Sharp filed a First Amended Complaint in the Case. On January 15, 2010, the Court in the San Diego Superior Court granted the motion of the Company to transfer the Case to the Los Angeles Superior Court. The Case was assigned Case Number BC434061 in the Los Angeles Superior Court on or about March 24, 2010. On June 2, 2010, the Company entered into a settlement agreement and release of claims (the "Sharp Agreement") with Sharp for the purpose of resolving the Case. Under the terms of the Sharp Agreement, the parties agreed to settle the action pursuant to which the Company will pay Sharp $25,000 (the "Funds") on or before June 3, 2010, which was paid. Upon receipt of the Funds, Sharp will provide an executed Request for Dismissal with prejudice. Additionally, Sharp has agreed to cease and desist from contacting shareholders of the Company and communicating in any manner regarding the Company. In August 2010, the Company agent of service was served with a complaint by Sharp against the Company for breach of agreement. The complaint was filed with the Superior Court of California, in the County of Los Angeles – Case Number 10K15452. The Company intends to defend itself vigorously, and believes that the complaint for violation of the non-disparagement clause of the Sharp Agreement is without merit.

Except as set forth above, there are no known significant legal proceedings that have been filed and are outstanding or pending against the Company.

Vortex Ocean One, LLC:

On June 30, 2008, the Company formed a limited liability company with third party, an individual ("TI"), named Vortex Ocean One, LLC (the "Vortex One"). The Company and TI each owned a fifty percent (50%) membership Interest in Vortex One. The Company is the Manager of the Vortex One. Vortex One has been formed and organized to raise the funds necessary for the drilling of the first well being undertaken by the Company's wholly owned subsidiary. To date there has been no production or limited production. As such a dispute has arisen between the Parties with regards to the Vortex One and other matters, so in order to fulfill its obligations to Investor and avoid any potential litigation, Vortex One has agreed to issue the Shares directly into the name of the TI, as well as pledging the 4 term assignments to secure the investment and future proceeds per the LLC operating agreement (where the investor entitled to 80% of any future cash flow proceeds, until he recover his investments in full, then after the parties will share the cash flow equally). As disclosed before, said 4 wells were sold to a third party. The Company, via its subsidiary, completed the drilling of all 4 wells at the estimated cost of $2,100,000 for four wells (not including option payments). The Company also exercised its fifth well option (by paying per the master agreement $50,000 option fee on November 5, 2008). In lieu of the world financial markets crisis, the Company approached the land owners on DCG mineral rights, requesting an amendment to allow DCG an additional six (6) months before it is required to exercise another option to secure a Term Assignment of Oil and Gas Lease pursuant to the terms of the original Agreement dated March 5, 2008. The land owner's representative has answered the Company's request with discrepancies about the date as effective date. During 2009 the Company received production reports from third party that appear to be inaccurate. The company is currently investigating its possibilities. On November 2009 the Company agreed with TI that his paid-up balance will prevail as a note, and all his equity interest will be belong to the Company.

Defaults upon Convertible Notes:

The Company is in default on some of its convertible notes. The Company applied the default rate (18% per annum) to those notes during the quarter. This is reflected fully in the Financial Statements.

DCG Drilling Rights:

On November 6, 2008, the Company exercised an option to drill its fifth well in the Adams-Baggett field in West Texas. The Company has 120 days to drill the lease to be assigned to it as a result of the option exercise. Pipeline construction related to connecting wells 42-105-40868 and 42-105-40820 had been completed. Per the owners of the land the assignment of the lease will terminate effective March 3, 2009 in the event that the Company does not drill and complete a well that is producing or capable of producing oil and/or gas in paying quantities. The Company contests the owner termination dates.

Status as Vendor with the Federal Government:

The Company updated its vendor status with the Central Contractor Registration which is the primary registrant database for the US Federal government that collects, validates, stores, and disseminates data in support of agency acquisition missions, including Federal agency contract and assistance awards.

Reverse Split and Name changed:

Effective February 24, 2009, the Company affected a reverse split of its issued and outstanding shares of common stock on a 100 for one basis. As a result of the reverse split, the issued and outstanding shares of common stock were reduced from 92,280,919 to 922,809. The authorized shares of common stock will remain as 400,000,000 and the par value will remain the same. New CUSIP was issued for the Company's common stock which is 92905M 203. The symbol of the Company was changed from VTEX into VXRC. Effective July 15, 2009, the Company changed its name from Vortex Resources Corp. to Eco-Trade Corp.. In addition, effective July 15, 2009, the Company's quotation symbol on the Over-the-Counter Bulletin Board was changed from VXRC to YASH. As such a new CUSIP number was issued on July 5, 2009. The new number is: 985085109.

On June 30, 2010, the Board of Directors of the Company approved the change of its name to Eco-Trade Corp. and the reverse split of the common stock of the Company on a 100:1 basis., Effective December 8, 2010, the Company changed its name to "Eco-Trade Corp." and affected a reverse-split of its issued and outstanding shares of common stock on a 100:1 basis pursuant to that certain Certificate of Amendment to the Restated Certificate of Incorporation, as amended. Further, the Company's symbol been changed to "BOPT". FINRA implemented the name change, reverse split and symbol change effective December 9, 2010. The reverse split has been given full effect in the financial statements herein.

Potential exposure associated with the Yasheng Group:

The Company entered into series of agreements with Yasheng Group. Yasheng Group failed to comply with the Company due diligence procedure, and as such terminated the definitive agreement with the Company on November 2009. Under the Exchange Agreement, the Exchange Agreement may be terminated by written consent of both parties, by either party if the other party has breached the Exchange Agreement or if the closing conditions are not satisfied or by either party if the exchange is not closed by September 30, 2009 (the "Closing Date"). As part of the closing procedure, the Company requested that Yasheng-BVI provide a current legal opinion from a reputable Chinese law firm attesting to the fact that no further regulatory approval from the Chinese government is required as well as other closing conditions to close the Exchange. On November 3, 2009, the Company sent Group and Yasheng-BVI a letter demanding various closing items. Group and Yasheng-BVI did not deliver the requested items and, on November 9, 2009, after verbally consulting management of the Company with respect to the hardship and delays expected consolidating both companies audits, Group and Yasheng-BVI sent a termination notice to the Company advising that the Exchange Agreement had been terminated. On April 5, 2010 the Company issued a formal request to Yasheng demanding that they surrender of the 500,000 shares that were issued to them, as well as reimburse the Company for its expenses associated with the transaction in the amount of $348,240. To date, said formal request was not answered by Yasheng, and as such, on September 30, 2010, the Company's Board of Directors voted to cancel the 500,00000 shares. The shares were subsequently cancelled

CMARK International:

On June 30, 2010, the Company entered into a Joint Venture Agreement (the "Agreement") with CMARK International, Inc. ("CMARK"), for the purpose of creating a jointly owned company to be named "Government Logistics Financing Group" or such other acceptable name, that will assist in implementing and servicing an existing backlog of services provided by CMARK in the areas of construction, interior systems and hospitality operations primarily to the U.S. Federal government and U.S. Federal government prime contractors. To date, CMARK has not provided the Company with its audited or reviewed financials. As such, the Company is putting the review of the suggested Agreement on hold.

7. Dispositions

Divesture of DCG and Vortex Ocean Wells - On March 2009 the board of directors of the company decided to vacate the DCG project. Goodwill was impaired by approximately $35.0M in association with this segment.

Vortex One entered into a sale agreement with third parties regarding specific 4 wells assignments. In consideration for the sale of the Assignments, Buyer shall pay the total sum of $2,300,000 to Seller as follows: (i) A $225,000.00 payment upon execution (paid) (ii) A 12 month $600,000.00 secured promissory note bearing no interest with payments to begin on the first day of the second month after the properties contained in the Assignments begin producing. (iii) A 60 month $1,500,000.00 secured promissory note bearing no interest with payments to begin the first day of the fourteenth month after the properties contained in the Assignments begin producing.

As the Note bears no interest, the Company discounts it to present value (for the day of issuing, e.g. March 1, 2009) using 12% as discount interest rate per annum, which is the Company's approximate cost of borrowing.

The face value of the Notes and the discounted value per the original agreement should be paid as follows:

Year	Face Value	Discounted Value
2009	$ 450,000	$ 424,060
2010	375,000	$ 321,288
2011	300,000	$ 226,057
2012	300,000	$ 200,614
2013	300,000	$ 178,035
2014	300,000	$ 157,997
2015	75,000	$ 36,638
Total	2,100,000	$ 1,544,690

The Company alleges that the Buyer is not performing under the notes. Per the terms of the sale, Vortex One and the Company should be paid commencing May 1, 2009. Vortex One and the Company agreed to give the Buyer a one-time 60 days extension, and put them on notice for being default on said notes. To date the operator of the wells paid Vortex One (on behalf of the Buyer) per the terms of the agreement 3 payments (for the months of April, May and July 2009 – Operator did not pay for the month of June 2009) amounting to $13,093.12. Vortex Ocean One's position is that the Buyer as well as the operator is under breach of the Sale agreement and the Note's terms, and notice has been issued for default. In lieu of the non material amount, no provision was made to income of $2,617 (20% the Company share per the operating agreement) until the Company finishes its investigation of the subject. The Company retained an attorney in Texas to pursue its rights under the agreements and the collateral. The Company has written off the notes on its balance sheet, and is therefore assuming that the buyers of those notes will not pay,

8. Income taxes

The net income before income taxes by tax jurisdiction for the years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Net income before income taxes:		
Domestic	$(167,102)	$(332,450)
Total	$(167,102)	$(332,450)

The provision for income taxes from continuing operations reflected in the consolidated statements of operations is zero; as such, there are no separate components. The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to the loss from continuing operations before income taxes.

The sources and tax effects of the differences for the years ended March 31, 2011 and 2010 is summarized as follows:

	2011 Amount	%	2010 Amount	%
Computed expected tax Expense/(Benefit)	$ (58,486)	(35.00)	$ (116,358)	(35.00)
Change in Valuation Allowance	58,486	35.00	116,358	35.00
Total expense/(benefit)	$ 0	0 %	$ 0	0 %

For U.S. Federal income tax purposes, the Company had unused net operating loss carry forwards at December 31, 2009 of approximately $37.3 million available to offset future taxable income. From the $37.3 million of losses, $0.3 million expires in 2010, $1.6 million expires in 2011, $0.9 million expires in 2012, and $34.5 million expires in various years from 2018 through 2029. The Company has no capital loss carryover for US income tax purposes. On October 2010 the Company filed its 2009 tax return.

The Tax Acts of some jurisdictions contain provisions which may limit the net operating loss carry forwards available to be used in any given year if certain events occur, including significant changes in ownership interests. As a result of various equity transactions, management believes the Company experienced an “ownership change” in the second half of 2006 as well as in the first half of 2008 in lieu of the DCG transaction (which was approved by the Company shareholders as ownership change), as defined by Section 382 of the Internal Revenue Code, which limits the annual utilization of net operating loss carry forwards incurred prior to the ownership change. As calculated, the Section 382 limitation does not necessarily impact the ultimate recovery of the U.S. net operating loss; although it will defer the realization of the tax benefit associated with certain of the net operating loss carry forwards.

The Company recorded a full valuation allowance against the net deferred tax assets. In assessing deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carry forwards become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that the Company will not realize the benefit of these deductible differences, net of existing valuation allowances at December 31, 2008. Undistributed earnings of the Company’s indirect investment into foreign subsidiaries are currently not material. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for US federal and state income tax has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with its hypothetical calculation.

9. Related Party Transactions

On or about June 2010, the Company entered into letter agreements with William Lieberman, director of the Company, whereby he agreed to serve as directors of the Company in consideration of 10,000 shares of Series F Preferred Stock (the “F Preferred Stock”). The Company entered into a Securities Purchase Agreement (the “Trafalgar Agreement”) with Trafalgar Capital Specialized Investment Fund, Luxembourg (“Trafalgar”) on September 25, 2008 for the sale of up to $2,750,000 in convertible notes (the “Notes”). Pursuant to the terms of the Agreement, the Company and Trafalgar closed on the sale and purchase of $1,600,000 in Notes on September 25, 2008. The Buyer exercised its option to close on a second financing for $400,000 in Notes on October 28, 2008. On April 15, 2010 the parties settled their outstanding disputes. Based on the settlement, the parties agreed that Trafalgar will convert its notes (at agreed amount of $3,000,000) into a new class of Series E Preferred Stock ("E Preferred Stock").

Trafalgar has contractually agreed to restrict its ability to convert the preferred stock and receive shares of Common Stock such that the number of shares of Common Stock held by them and their affiliates after such conversion or exercise does not exceed 9.99% of the Company's then issued and outstanding shares of common stock. Trafalgar assigned 50,000 shares of E Preferred Stock to Trafalgar Capital Advisors LLC. In 2010, the Trafalgar debt and its ownership of Series E Preferred Stock was sold, in a private transaction to which the Company is not a party, by Trafalgar to a third party, Sagi Collateral Ltd ("Sagi"), a Private Company Number 514169697, which is controlled by Alexander Smirnov. As such, all balances that Trafalgar owned (300,000 shares of Series E Preferred stock, as well as $293,855 of short-term debt) are currently owned by Sagi. As of March 31, 2011, the Company has recorded $136,356 of dividend expense for the Series E Preferred shares.

10. Earnings (loss) per Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted net loss per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other common stock equivalents were exercised or converted into common stock. At March 31, 2011 and 2010, respectively, there were 101,810,592 and 0 potentially dilutive common stock equivalents. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net loss per common share.

Below is a reconciliation of earnings (loss) per share and weighted average common shares outstanding for purposes of calculating basic and diluted earnings (loss) per share for the fiscal quarter ended March 31, 2011 and 2009:

	2011 (unaudited)	2010 (audited)
Net Loss	(167,102)	(332,450)
Weighted average shares outstanding, basic	1,797,612	1,203,737
Loss per share from continuing operations, basic	(0.09)	(0.28)
Gain (Loss) per share from discontinued operations, basic	(0.00)	(0.00)
Net Loss per Common Share	(0.09)	(0.28)

11. Subsequent Events

On May 9, 2011, the Board of Directors of the Company approved the amendment of the Certificate of Designation of the Series E Preferred Stock whereby the beneficial ownership limitations contained in the Series E Preferred Stock were terminated. On May 10, 2011, SAGI Collateral Ltd. ("SAGI") submitted a conversion notice whereby it converted 50,000 shares of Series E Preferred Stock into 100,000,000 shares of common stock of the Company. Following the conversion of the Series E Preferred Stock, SAGI holds approximately 98% of the issued and outstanding shares of common stock of the Company.

On May 9, 2011, Mr. Alexander Smirnov was appointed as a director of the Company. Mr. Smirnov will serve as the Chairman of the Board of Directors. There is no understanding or arrangement between Mr. Smirnov and any other person pursuant to which Mr. Smirnov was selected as a director of the Company. Mr. Smirnov does not have any family relationship with any director, executive officer or person nominated or chosen by us to become a director or an executive officer. Since January 1, 2009, Mr. Smirnov has not had a direct or indirect material interest in any transaction or proposed transaction, in which the Company was or is a proposed participant exceeding $120,000. Mr. Smirnov is the principal owner of SAGI and, in turn is the indirect beneficial owner of all securities held by SAGI.

Mr. Smirnov contacts within the gas and oil business and the logistics business will be utilized by the Company to provide platform to oil and gas companies. From 2000 to 2006, Mr. Smirnov served as the President of Kidma Ltd., a private mineral and logistic operation, with assets in Russia. From 2006 to present, Mr. Smirnov has been a private business man focused on investing in various industries. Mr. Smirnov is fluent in Russian, English, Hebrew and Arabic.

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

The following discussion and analysis summarizes the significant factors affecting our condensed consolidated results of operations, financial condition and liquidity position for the three months ended March 31, 2011. This discussion and analysis should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for our year-ended December 31, 2010 and the condensed consolidated unaudited financial statements and related notes included elsewhere in this filing. The following discussion and analysis contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward looking statements, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth; and (iii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terminology such as ‘‘may,’’ ‘‘will,’’ ‘‘should,’’ ‘‘could,’’ ‘‘ex
‘‘plans,’’ ‘‘intends,’’ ‘‘anticipates,’’ ‘‘believes,’’ ‘‘estimates,’’ ‘‘predicts,’’ ‘‘potential,’’ or ‘‘continue’’ or the negative of s
comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We are under no duty to update any of the forward-looking statements after the date of this Report.

Results of Operations

Fiscal quarter Ended March 31, 2011 compared to fiscal quarter ended March 31, 2010

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This section of the report, should be read together with Notes of the Company consolidated financials especially - Change in the Reporting Entity: In accordance with Financial Accounting Standards, FAS 154, Accounting Changes and Error Corrections, now ASC Topic 250, when an accounting change results in financial statements that are, in effect, the statements of a different reporting entity, the change shall be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods. Previously issued interim financial information shall be presented on a retrospective basis.

The consolidated statements of operations for the fiscal quarters ended March 31, 2011 and 2010 are compared (subject to the above description) in the sections below:

Revenues

The following table summarizes our revenues for the fiscal quarters ended March 31, 2011 and 2010:

Quarters ended March 31,	2011	2010
Total revenues	$ —	$ —

In the relevant periods, revenues from continuing operations were $0.

Cost of revenues

The following table summarizes our cost of revenues for the fiscal quarters ended March 31, 2011 and 2010:

Quarters ended March 31,	2011	2010
Total cost of revenues	$—	$—

Compensation and related costs

The following table summarizes our compensation and related costs for the fiscal quarters ended March 31, 2011 and 2010:

Quarters ended March 31,	2011	2010
Compensation and related costs	$800	$79,178

Compensation and related costs decreased by 99%, primarily as the result of reduction of employees and officers' salaries.

Consulting, professional and director fees

The following table summarizes our consulting, professional and director fees for the fiscal quarters ended March 31, 2011 and 2010:

Quarters ended March 31,	2011	2010
Consulting, professional and director fees	$48,167	$93,001

Overall consulting, professional and director fees decreased by about 48%, or $44,834, due mostly to downsizing of the business, which caused lower spending on outside consultants. Certain director fees were paid in notes payable.

Other selling, general and administrative expenses

The following table summarizes our other selling, general and administrative expenses for the fiscal quarters ended March 31, 2011 and 2010:

Quarters ended March 31,	2011	2010
Other selling, general and administrative expenses	$310	$103,210

Other selling, general and administrative expenses increased by about 100%, or $152,316, from the first quarter in 2010 to the same period in 2011, due mostly to downsizing of the business.

The following table summarizes our net interest expense for the fiscal quarters ended March 31, 2011 and 2010:

Quarters ended March 31,	2011	2010
Interest income	$ —	$ —
Interest expense	$(67,644)	$(57,052)
Net interest income (expense)	$(67,644)	$(57,052)

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Interest expense remained fairly consistent between the two periods being compared.

Liquidity and Capital Resources

As of March 31, 2011, our cash, cash equivalents and marketable securities were $0, which reflects no change from the end of the fiscal year 2010.

Cash flow used by operating activities for the quarter ended March 31, 2011 was $0 and cash flow used by operating activities in the first quarter of 2010 was $85,500. The change reflects the lack of business activity in the company to date in 2011.

Cash flow provided by investing activities for the quarter ended March 31, 2011 was $0 and cash flow provided by investing activities in the first quarter of 2010 was also $0.

Cash provided by financing activities in the quarter ended March 31, 2011 was $0, and cash flow provided by financing activities was also $0 for the quarter ended March 31, 2010.

In the event the Company makes future acquisitions or investments, additional bank loans or fund raising may be used to finance such future acquisitions. The Company currently anticipates that its available cash resources will not be sufficient to meet its prior anticipated working capital requirements, though it will be sufficient manage the existing business of the Company without further development.

Plan of operation

The Company’s core business is the development of a logistics center in Southern California. In addition to continuing to pursue its ongoing core business, the Company has identified a promising potential business combination that stemmed from the need to hedge currencies, provide storage and distribution in the Gas and Oil industry, and also provide a logistics solution to clients.

The above efforts are subject to obtaining adequate financing on acceptable terms. The Company’s present cash reserves and monetary assets are not sufficient to carry out its plan of operation without additional financing. The Company is currently attempting to arrange for financing through mezzanine arrangements, debt or equity that would enable it to proceed with its plan of investment operation. However, there is no guarantee that we will be able to close such financing transaction or, if financing is available, that the terms will be acceptable to the Company.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risks

Smaller reporting companies are not required to provide the information required by Item 305.

ITEM 4. Controls and Procedures

The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a, et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our chief executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, internal control over financial reporting may not prevent or detect misstatements, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the registrant have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Evaluation of Disclosure and Controls and Procedures. 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 reasonable 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. We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures are currently effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As we develop new business or if we engage in an extraordinary transaction, we will review our disclosure controls and procedures and make sure that they remain adequate.

Changes in internal controls

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the quarter ended March 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Trafalgar Capital Specialized Investment Fund, Luxembourg - The Company via series of agreements (directly or via affiliates) with European based alternative investment fund - Trafalgar Capital Specialized Investment Fund, Luxembourg ("Trafalgar") established a financial relationship which should create a source of funding to the Company and its subsidiaries (see detailed description of said series of agreements in the Company filing). The Company position is that the DCG transactions (among others) would not have been closed by the Company unless Trafalgar had provided the needed financing needed for the drilling program. On April 14, 2009, the Company filed a complaint in Superior Court of California, County of Los Angeles, and Case No. BC 411768 against Trafalgar Capital Specialized Investment Fund, Luxembourg and its affiliates (which was served on June 5, 2009 via registered mail and on September 10, 2009 in personal service), alleging breach of contract and fraud and alleged damages in the amount of $30,000,000. On or about August 2008, Trafalgar obtained a default judgment against the Company in a lawsuit brought by it (but never served on the Company) in Florida (Case No. 09-60980) for $2,434,196.06. The Company appealed said judgment, based on non-service and its appeal was granted on April 9, 2010 so this judgment been vacated. On April 15, 2010, the company and Trafalgar settled all outstanding disputes. The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Under the terms of the settlement, Trafalgar will be issued Preferred Stock of the Company, which is convertible to common shares at the option of the holders, into 6,000,000 common shares of the Company (post reverse 100:1), at any time upon written notice to the company; this is more than the total authorized shares of the Company. In the event of conversion of the note, the Company will authorize more shares to be issued at that point (at the time, the parties acknowledged that the Company did not have sufficient authorized shares to achieve said issuance). Trafalgar will appoint 4 directors to the Company's Board of Directors. Under the terms of the settlement, Trafalgar agreed to continue and pursue the core business of the Company. Trafalgar has subsequently contractually agreed to restrict its ability to convert the preferred stock and receive shares of Common Stock such that the number of shares of Common Stock held by them and their affiliates after such conversion or exercise does not exceed 9.99% of the Company's then issued and outstanding shares of common stock. Trafalgar assigned 50,000 shares of E Preferred Stock to Trafalgar Capital Advisors LLC. In 2010, the Trafalgar debt and its ownership of Series E

Preferred Stock was sold, in a private transaction to which the Company is not a party, by Trafalgar to a third party, Sagi Collateral Ltd ("Sagi"), a Private Company Number 514169697, which is controlled by Alexander Smirnov. As such, all balances that Trafalgar owned (300,000 shares of Series E Preferred stock, as well as $293,855 of short-term debt) are currently owned by Sagi. As of March 31, 2011, the Company has recorded $136,356 of dividend expense for the Series E Preferred shares.

Verge Bankruptcy & Rusk Litigation - On January 23, 2009, Verge Living Corporation (the "Debtor"), a former wholly owned subsidiary of Atia Group Limited ("AGL), a former subsidiary of the Company, filed a voluntary petition (the "Chapter 11 Petitions") for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of California (the "Bankruptcy Court"). The Chapter 11 Petitions are being administered under the caption In re: verge Living Corporation, et al., Chapter 11 Case No. ND 09-10177 (the "Chapter 11 Proceedings"). The Bankruptcy Court assumed jurisdiction over the assets of the Debtors as of the date of the filing of the Chapter 11 Petitions. . On April 28, 2009, Chapter 11 Proceedings changed venue to the United States Bankruptcy Court for the District of Nevada, Chapter 11 Case No BK-S-09-16295-BAM. As Debtor as well as its parent AGL were subsidiaries of the Company at time when material agreements where executed between the parties, the Company may become part of the proceeding. In August 2008, Dennis E. Rusk Architect LLC and Dennis E. Rusk, ("Rusk") were terminated by a former affiliate of the Company. Rusk filed a lawsuit against the Debtor, the Company and multiple other parties in Clark County, Nevada, Case No. A-564309. The Rusk parties seek monetary damages for breach of contract. The Company has taken the position that the Company will have no liability in this matter as it never entered an agreement with Rusk. The court handling the Verge bankruptcy entered an automatic stay for this matter. On or about October 28, 2009 the parties settled said complaint, where the other parties agreed to pay the Rusk parties the sum of $400,000. The amount of $37,500 was advanced by the other parties to the Rusk parties. The Company's Board of Directors agreed to issue to the other parties 40,000 shares of the Company, as the Company participation in said settlement, which was done on October 2008. The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. Each of the Penalty Holders is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Yalon Hecht - On February 14, 2007, the Company filed a complaint in the Superior Court of California, County of Los Angeles against Yalon Hecht, a foreign attorney alleging fraud and seeking the return of funds held in escrow, and sought damages in the amount of approximately 250,000 Euros (approximately $316,000 as of the date of actual transferring the funds), plus interest, costs and fees. On April 2007, Mr. Hecht returned $92,694 (70,000 Euros on the date of transfer) to the Company which netted $72,694. On June 2007, the Company filed a claim seeking a default judgment against Yalon Hecht. On October 25, 2007, the Company obtained a default judgment against Yalon Hecht for the sum of $249,340.65. On February 7, 2011, the Company retained domestic Israeli counsel to try to collect on the aforementioned judgment amount.

Vortex One - The Company via Vortex One commended its DCG's drilling program, where Vortex One via its former member, was the first cash investor. Since said cash investment was done in July 2008, the Company defaulted on terms, period and presentations (based on third parties presentations). Based on series of defaults of third parties, Vortex One entered into a sale agreement with third parties regarding specific 4 wells assignments. Per the terms of the sale, Vortex One and the Company should be paid commencing May 1, 2009. Vortex One and the Company agreed to give the Buyer a one-time 60 days extension, and put them on notice for being in default on said notes. To date the operator of the wells paid Vortex One (on behalf of the Buyer) per the terms of the agreement 3 payments (for the months of April, May and July 2009 – Operator did not pay for the month of June 2009) amounting to $13,093.12. Vortex One position is that the Buyer as well as the operator is under breach of the Sale agreement and the Note's terms, and notice has been issued for default. In lieu of the non material amount, no provision was made to income of $2,617 (20% the Company share per the operating agreement) until the Company finishes its investigation of the subject.

On July 1, 2008, DCG entered into a Drilling Contract (Model Turnkey Contract) ("Drilling Contract") with Ozona Natural Gas Company LLC ("Ozona"). Pursuant to the Drilling Contract, Ozona has been engaged to drill four wells in Crockett County, Texas. The drilling of the first well commenced immediately at the cost of $525,000 and the drilling of the subsequent three wells scheduled for as later phase, by Ozona and Mr. Mustafoglu, as well as the wells locations. Based on Mr. Mustafoglu negligence and executed un-authorized agreements with third parties, the Company may have hold Ozona and others responsible for damages to the Company with regards to surface rights, wells locations and further charges of Ozona which are not acceptable to the Company. The Company did not commence legal acts yet, and evaluate its rights with its legal consultants.

Wang - On August 4, 2009, the Company filed a Form 8-K Current Report with the Securities and Exchange Commission advising that Eric Ian Wang ("Wang") was appointed as a director of the Company on August 3, 2009. Mr. Yang was nominated as a director at the suggestion of Yasheng which approved the filing of the initial Form 8-K. On August 5, 2009, Mr. Wang contacted the Company advising that he has not consented to such appointment. Accordingly, Mr. Wang has been nominated as a director of the Company but has not accepted such nomination and is not considered a director of the Company. Mr. Wang's nomination was subsequently withdrawn. Furthermore, although no longer relevant, Mr. Wang's work history as disclosed on the initial Form 8K was derived from a resume provided by Mr. Wang. Subsequent to the filing of the Form 8-K, Mr. Wang advised that the disclosure regarding his work history was inaccurate. As a result, the disclosure relating to Mr. Wang's work history should be completely disregarded. The Company believe that at the time that these willful, malicious, false and fraudulent representations were made by Wang to the company, Wang knew that the representations were false and that he never intended to be appointed to the board. The company informed and believe the delivery of the resumes, and the later demand for a retraction of the resumes, were part of a scheme (with others) to injure the business reputation of the company to otherwise damages its credibility such that the Company would have a lesser bargaining position in the finalization of the documents relating to the Yasheng transaction. As such the Company filled on September 2009 a complaint against Wang in California Superior Court – San Bernardino County – Case No.: CIVRS909705. On or about January 4, 2010 the parties settled all their adversaries. Under said settlement, Wang represents, warrants, and agrees that the information about him that was contained in the 8K Filing and other disclosure documents was supplied by him. Any alleged inaccuracies, misrepresentations, and/or misstatements in the 8K Filing and other disclosure documents, regarding his resume, background and/or qualifications, if any exist, were based upon the information he provided to the Company.

Sharp - On October 19, 2009, George A. Sharp ("Sharp") filed a Complaint in the San Diego Superior Court, Case No. 37-2009-00100574-CU-MC-CTL (the "Case") against the Company. On December 29, 2009, Sharp filed a First Amended Complaint in the Case. On January 15, 2010, the Court in the San Diego Superior Court granted the motion of the Company to transfer the Case to the Los Angeles Superior Court. The Case was assigned Case Number BC434061 in the Los Angeles Superior Court on or about March 24, 2010. On June 2, 2010, the Company entered into a settlement agreement and release of claims (the "Sharp Agreement") with Sharp for the purpose of resolving the Case. Under the terms of the Sharp Agreement, the parties agreed to settle the action pursuant to which the Company will pay Sharp $25,000 (the "Funds") on or before June 3, 2010, which was paid. Upon receipt of the Funds, Sharp will provide an executed Request for Dismissal with prejudice. Additionally, Sharp has agreed to cease and desist from contacting shareholders of the Company and communicating in any manner regarding the Company. In August 2010, the Company agent of service was served with a complaint by Sharp against the Company for breach of agreement. The complaint was filed with the Superior Court of California, in the County of Los Angeles – Case Number 10K15452. The Company intends to defend itself vigorously, and believes that the complaint for violation of the non-disparagement clause of the Sharp Agreement is without merit.

Except as set forth above, there are no known significant legal proceedings that have been filed and are outstanding or pending against the Company.

Item 1A. Risk Factors.

As a smaller reporting company, we are not required to provide the information required by this item..

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

On May 9, 2011, the Board of Directors of the Company approved the amendment of the Certificate of Designation of the Series E Preferred Stock whereby the beneficial ownership limitations contained in the Series E Preferred Stock were terminated. On May 10, 2011, SAGI Collateral Ltd. ("SAGI") submitted a conversion notice whereby it converted 50,000 shares of Series E Preferred Stock into 100,000,000 shares of common stock of the Company. Following the conversion of the Series E Preferred Stock, SAGI holds approximately 98% of the issued and outstanding shares of common stock of the Company. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Certificate of Incorporation filed November 9, 1992 (1)
3.2	Amendment to Certificate of Incorporation filed July 9, 1997 (2)
3.3	Bylaws(1)
3.4	Certificate of Designation of Preferences, Rights, and Limitations of Series A Preferred Stock (3)
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock (4)

3.6	Restated Certificate of Incorporation (5)
3.7	Certificate of Amendment to the Restated Certificate of Incorporation, dated July 29, 2008 (6)
3.8	Certificate of Ownership of Emvelco Corp. and Vortex Resources Corp.(7)
3.9	Certificate of Amendment to the Certificate of Incorporation , dated February 24, 2009 (8)
3.10	Form of Common Stock Certificate (1)
3.11	Amendment No. 1 to the Series E Certificate (11)
3.12	Certificate of Designation – Series E Preferred Stock (9)

3.13		Certificate of Designation – Series F Preferred Stock (9)
10.1		Joint Venture Agreement by and between Yasheng Eco-Trade Corp. and CMARK International, Inc., dated June 30, 2010. (10)
10.2		Form of Agreement entered between Yasheng Eco Trade Corp. and each of the directors of the Company. (9)
10.3		Director Agreement by and between Eco-Trade Corp. and Alexander Smirnov (11)
31.1	-	Certification of the Chief Executive Officer and Principal Financial Officer of Eco-Trade Corp. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	-	Certification of the Chief Executive Officer and Principal Financial Officer of Eco-Trade Corp. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to Registrant's Registration Statement on Form SB-2 dated May 12, 1993 (Registration No. 33-62672-NY, as amended)

(2) Incorporated by reference to the exhibit filed with the Registrant's Form 10-QSB for quarter ended June 30, 1998.

(3) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on June 17, 2008

(4) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on December 5, 2008

(5) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on March 9, 2004

(6) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on August 1, 2008

(7) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on September 4, 2008

(8) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on February 25, 2009

(9) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on August 11, 2010.

(10) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on July 7, 2010.

(11) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on May 5, 2011.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, New York, on May 13, 2011.

ECO-TRADE CORP.

By: /s/William Lieberman
William Lieberman
Acting President (Principal Executive, Financial and Accounting Officer)