TRUESPORT ALLIANCES & ENTERTAINMENT LTD
Form 10-Q
September 17, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 2010

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(Exact name of registrant as specified in Charter)

(formerly SEWELL VENTURES, INC.)

Nevada	**333-147394**	**26-1395403**
(State or other jurisdiction of incorporation or organization)	**(Commission File No.)**	**(IRS Employee Identification No.)**

5795A Rogers Street

Las Vegas, NV 89118

(Address of Principal Executive Offices)

(702) 838-2582

(Issuer Telephone number)

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

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

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer .	Accelerated filer .
Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

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

State the number of shares outstanding of each of the issuer s classes of common equity, as of September 15, 2010: 30,353,400 shares of common stock, $0.0001 par value.

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

FORM 10-Q

June 30, 2010

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ITEM 1. Financial Information

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

Consolidated Balance Sheets

		June 30, 2010 (Unaudited)		September 30, 2009
ASSETS				
Current assets:				
Cash	$	8,796	$	4,624
Accounts receivable		93,428		26,102
Related party advances		1,938		10,882
Inventory		12,904		12,500
Other current assets		1,363		2,525
Total current assets		118,429		56,633
Related party notes receivable		524,861		207,555
Property, plant and equipment:				
MMA gym buildouts		154,191		90,877
Furniture and equipment		29,844		20,260
Leasehold improvements		16,075		5,525
Computers and equipment		17,607		7,250
Construction in progress		24,360		--
		242,077		123,912
Less accumulated depreciation		(18,865)		(4,786)
		223,212		119,126
Deferred royalty expenses		27,923		--
	$	894,425	$	383,314
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable	$	242,106	$	60,749
Related party convertible notes payable - current portion		194,960		--
Deferred revenue		169,884		19,754
Related party accrued compensation		116,109		105,850
Other current liabilities		58,260		--
Accrued compensation		32,817		49,440
Notes payable		22,283		--
Total current liabilities		836,419		235,793
Notes payable to stockholders		389,113		362,945
Related party convertible notes payable		143,364		--
Deferred royalty revenue		78,347		--
Related party notes payable		73,000		42,000
		1,520,243		640,738
Commitments and contingencies				
Stockholders' deficit:				
Preferred stock, $0.0001 par value; 25,000,000 shares authorized;				

none issued and outstanding		--		--
Common stock, $0.0001 par value; 100,000,000 shares authorized; issued and outstanding, 30,353,400 at June 30, 2010; 20,000,000 at September 30, 2009		3,035		2,000
Additional paid-in capital		565,214		115,875
Stock subscription notes receivable		--		(1,000)
Accumulated deficit		(1,194,067)		(374,299)
Total stockholders' deficit		(625,818)		(257,424)
	$	894,425	$	383,314

See accompanying notes to the consolidated financial statements.

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009	For the Nine Months Ended June 30, 2010	From Inception through June 30, 2009
Net sales	$ 23,673	$ 69,485	$ 716,546	$ 178,366
Cost of sales	15,796	38,468	506,419	116,409
Gross margin	7,877	31,017	210,127	61,957
Operating expenses				
General and administrative	364,676	39,920	798,996	84,047
Guaranteed payments	--	72,000	53,260	259,008
	364,676	111,920	852,256	343,055
Operating loss	(356,799)	(80,903)	(642,129)	(281,098)
Other loss				
MMA club investment loss	(361)	--	(13,611)	--
Interest expense	(75,427)	--	(164,028)	--
Net loss before provision for income taxes	(432,587)	(80,903)	(819,768)	(281,098)
Provision for income taxes	--	--	--	--
Net loss	$ (432,587)	$ (80,903)	$ (819,768)	$ (281,098)
Net loss per share	$ (0.01)	$ (0.00)	$ (0.03)	$ (0.02)
Weighted average shares outstanding -				
basic and diluted	30,269,862	19,343,253	26,998,379	17,890,196

See accompanying notes to the consolidated financial statements.

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

Consolidated Statement of Stockholders' Deficit

From September 30, 2009 to June 30, 2010

	Common stock Shares	Amount	Additional paid-in Capital	Stock subscriptions notes receivable	Accumulated deficit	Total stockholders' deficit
Balance, September 30, 2009	20,000,000	$ 2,000	$ 115,875	$ (1,000)	$ (374,299)	$ (257,424)
Stock issued for acquisition	9,200,000	920	(920)	--	--	--
Payment of stock subscription notes receivable	--	--	--	1,000	--	1,000
Stock issued through private placement memorandum	1,153,400	115	300,905	--	--	301,020
Debt discount resulting from beneficial conversion feature of convertible notes payable			149,354			149,354
Net loss	--	--	--	--	(819,768)	(819,768)
Balance, June 30, 2010 (unaudited)	30,353,400	$ 3,035	$ 565,214	$ --	$ (1,194,067)	$ (625,818)

See accompanying notes to the consolidated financial statements.

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

Consolidated Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended June 30, 2010	From Inception through June 30, 2009
Cash flows from operating activities:		
Net loss	$ (819,768)	$ (281,098)
Adjustments to reconcile net loss to net cash		
provided by (used in) operating activities:		
Depreciation and amortization	14,079	1,136
Interest expense due to amortization of debt discount	149,354	--
Stock based compensation expense	--	90,751
Changes in current assets and liabilities:		
Accounts receivable	(67,326)	(20,964)
Related party advances	8,944	(9,422)
Inventory	(404)	--
Other current assets	1,162	--
Deferred royalty expenses	(27,923)	--
Accounts payable	165,557	24,868
Accrued compensation	(16,623)	107,940
Related party accrued compensation	10,259	--
Deferred revenue	150,130	--
Accrued interest payable	11,835	--
Deferred royalty revenue	78,347	--
Other current liabilities	58,260	--
Net cash used in operating activities	(284,117)	(86,789)
Cash flows from investing activities:		
Capital expenditures	(102,365)	(104,859)
Loans to related parties	(317,306)	(134,183)
Net cash used in investing activities	(419,671)	(239,042)
Cash flows from financing activities:		
Proceeds from issuance of common stock	301,020	21,124
Borrowings on convertible notes payable - related parties	334,340	--
Borrowings on notes payable	95,420	173,545
Borrowings on notes payable - related parties	49,600	134,400
Repayments of notes payable	(73,420)	--
Proceeds from repayment of stock subscription notes receivable	1,000	--
Net cash provided by financing activities	707,960	329,069
Net increase in cash	4,172	3,238
Cash, at beginning of period	4,624	-
Cash, at end of period	$ 8,796	$ 3,238

Supplemental disclosures of cash flow information:				
Cash paid for interest during the year	$	--	$	--
Cash paid for income taxes	$	--	$	--
Schedule of non-cash investing and financing activities:				
Equipment purchased on accounts payable	$	15,800	$	--
Equipment contributed by shareholders	$	--	$	5,000
Debt discount due to beneficial conversion feature of convertible debt	$	149,354	$	--

See accompanying notes to the consolidated financial statements.

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

(formerly SEWELL VENTURES, INC.)

Notes to Consolidated Financial Statements

June 30, 2010

(Unaudited)

NOTE 1 ORGANIZATION AND BUSINESS COMBINATION

Truesport Alliances & Entertainment, Ltd. (formerly Sewell Ventures, Inc. and referred to herein as Truesport or the Company) was incorporated under the laws of the State of Delaware on April 27, 2007 to search for investment opportunities**.**

On December 16, 2009, the Company acquired Seven Base Consulting, LLC, d.b.a. 7Base a privately owned Nevada limited liability company (7Base), pursuant to an Acquisition Agreement (the Exchange). 7Base was organized under the laws of the State of Nevada on October 17, 2008. 7Base is a diversified company engaged in the business of designing, manufacturing, selling, distributing, and licensing to others the right to resell high quality, branded apparel, sporting goods, fitness equipment, merchandise, training centers and events under their own brand image. In addition, 7Base generates additional revenues through the sale of consulting, media, and entertainment services related to the mixed martial arts industry. Upon consummation of the Exchange, the Registrant adopted the business plan of 7Base.

Pursuant to the terms of the Exchange, the Company acquired 7Base in exchange for an aggregate of 20,000,000 newly issued shares (the Exchange Shares) of the Company s common stock, par value $0.0001 per share (the Common Stock), resulting in an aggregate of 29,200,000 shares of the Company common stock issued and outstanding. As a result of the Exchange, 7Base became a wholly-owned subsidiary of the Company. The Company shares were issued to the members of 7Base on a pro rata basis, on the basis of the membership interests of 7Base held by such 7Base members at the time of the Exchange.

As a result of the ownership interests of the former shareholders of 7Base, for financial statement reporting purposes, the merger between the Company and 7Base has been treated as a reverse acquisition with 7Base deemed the accounting acquirer and the Company deemed the accounting acquiree under the purchase method of accounting in accordance with paragraph 805-40-05-2 of the FASB Accounting Standards Codification. The reverse merger is deemed a capital transaction and the net assets of 7Base (the accounting acquirer) are carried forward to the Company (the legal acquirer and the reporting entity) at their carrying value before the combination. The acquisition process utilizes the capital structure of the Company and the assets and liabilities of 7Base which are recorded at historical cost. The equity of the Company is the historical equity of 7Base retroactively restated to reflect the number of shares issued by the Company in the transaction.

Seven Base Consulting, LLC (7Base), is a limited liability company organized on October 17, 2008 under the laws of the State of Nevada.

On January 15, 2010, the Issuers name was changed with the State of Delaware from Sewell Ventures, Inc. to Truesport Alliances, Ltd., and on January 29, 2010, the Company changed its state of incorporation to the State of Nevada and restated the articles of incorporation changing the name to Truesport Alliances & Entertainment, Ltd.

The following schedule presents the unaudited pro forma condensed statements of operations of the Company for the nine months ended June 30, 2010 and from inception through June 30, 2009 as if the Exchange had occurred at the inception date of October 17, 2008. The unaudited pro forma information is not necessarily indicative of the results of operations of the combined company had these events occurred at the inception date, nor is it necessarily indicative of future results.

TRUESPORT ALLIANCES & ENTERTAINMENT, LTD.

Pro Forma Condensed Statements of Operations

(Unaudited)

	Pro Forma For the Three Months Ended June 30, 2010	Pro Forma For the Three Months Ended June 30, 2009	Pro Forma For the Nine Months Ended June 30, 2010	Pro Forma From Inception through June 30, 2009
Net sales	$ 23,673	$ 69,485	$ 716,546	$ 178,366
Cost of sales	15,796	38,468	506,419	116,409
Gross margin	7,877	31,017	210,127	61,957
Operating expenses				
General and administrative	364,676	42,864	807,307	96,702
Guaranteed payments	--	72,000	53,260	259,008
	364,676	114,864	860,567	355,710
Other income (loss)	(75,788)	--	(177,639)	--
Net loss	$ (432,587)	$ (83,847)	$ (828,079)	$ (293,753)
Net loss per share	$ (0.01)	$ (0.00)	$ (0.03)	$ (0.01)
Weighted average shares outstanding - basic and diluted	30,269,862	28,543,253	29,559,551	27,090,196

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information, and with the rules and regulations of the United States Securities and Exchange Commission (SEC) to Form 10-Q and Article 8 of Regulation S-X, however, they do include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim financial statements furnished reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results for the full year. These unaudited interim consolidated financial statements should be read in conjunction with the financial statements of the Company for the year ended September 31, 2009 and notes thereto contained in the Company s Form 8-K filed with the SEC on December 16, 2009.

The consolidated financial statements include all the accounts of Truesport as of and for the interim period ended June 30, 2010. Truesport is included as of December 16, 2009 (date of acquisition) and for the period from December 16, 2009 (date of acquisition) through June 30, 2010. All inter-company balances and transactions have been eliminated.

Use of Estimates

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

Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Property and Equipment

The Company records property and equipment at cost. Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable property. The estimated useful lives of the respective property and equipment are as follows:

Computer equipment	3 years
Office furniture and equipment	5 years
Gym equipment	5 years
Leasehold improvements	15 years

Depreciation expense for the three months ended June 30, 2010 and 2009 was $5,930 and $455, respectively; and depreciation expense for the nine months ended June 30, 2010 and from inception through June 30, 2009 was $14,079, and $1,135, respectively.

Revenue Recognition

The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned less estimated future doubtful accounts. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. With regard to multiple element revenue arrangements, revenue is recognized only when vendor specific objective evidence of fair value has been established for all remaining undelivered elements in the arrangement. Service revenues are recognized generally at an hourly rate when the related services are performed. License revenues are recognized ratably over the term of the related agreements, which in most cases are five years.

Income taxes

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences 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. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets 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 the Consolidated Statements of Income and Comprehensive Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (Section 740-10-25). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

Net loss per common share

Net loss per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares and potentially outstanding shares of common shares during each period. There are no dilutive common shares or dilutive potentially outstanding shares of common stock during the periods reported.

Equity based payments

Equity based payments to non-employees are accounted for in accordance with section 505-50-30 of the FASB Accounting Standards Codification, which requires that share-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Recently Issued Accounting Pronouncements

On June 5, 2003, the United States Securities and Exchange Commission (SEC) adopted final rules under Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404), as amended by SEC Release No. 33-9072 on October 13, 2009, and also amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on July 21, 2010. Under the provisions of Section 404 of the Sarbanes-Oxley Act, public companies and their independent auditors are each required to report to the public on the effectiveness of a company s internal controls. The smallest public companies with a public float below $75 million (small public companies) have been given extra time to design, implement and document these internal controls. This extension of time will expire beginning with the annual reports of companies with fiscal years ending on or after June 15, 2010. Commencing with its annual report for the year ending September 30, 2010, the Company will be required to include a report of management on its internal control over financial reporting. The internal control report must include a statement

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of management s responsibility for establishing and maintaining adequate internal control over its financial reporting;

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of management s assessment of the effectiveness of its internal control over financial reporting as of year-end; and

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of the framework used by management to evaluate the effectiveness of the Company s internal control over financial reporting.

The Dodd-Frank Act amends Section 404(b) such that small public companies are not required obtain an auditor s attestation report on the Company s internal control over financial reporting on whether it believes that the Company has maintained, in all material respects, effective internal control over financial reporting.

In June 2009, the FASB approved the FASB Accounting Standards Codification (the Codification) as the single source of authoritative nongovernmental U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification is effective for interim and annual periods ending after September 15, 2009.

In August 2009, the FASB issued the FASB Accounting Standards Update (ASU) No. 2009-05 *Fair Value Measurement and Disclosures Topic 820 Measuring Liabilities at Fair Value* , which provides amendments to subtopic 820-10, Fair Value Measurements and Disclosures Overall, for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: (1) A valuation technique that uses: (a) The quoted price of the identical liability when traded as an asset (b) Quoted prices for similar liabilities or similar liabilities when traded as assets. (2) Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-08 *Earnings Per Share Amendments to Section 260-10-S99* ,which represents technical corrections to topic 260-10-S99, Earnings per share, based on EITF Topic D-53, *Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock* and EITF Topic D-42, *The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock*. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-09 *Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees* . This update represents a correction to Section 323-10-S99-4, *Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee*. Additionally, it adds observer comment *Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees* to the Codification. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-12 *Fair Value Measurements and Disclosures Topic 820 Investment in Certain Entities That Calculate Net Assets Value Per Share (or Its Equivalent)* , which provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures-Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity s measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of any restrictions on the investor s ability to redeem its investments a the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be make by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in U.S. GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this update regardless of whether the fair value of the investment is measured using the practical expedient. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements.* This ASU requires additional disclosures regarding significant transfers in and out of Levels 1 and 2 of fair value measurements, including a description of the reasons for the transfers. Further, this ASU requires additional disclosures for the activity in Level 3 fair value measurements, requiring presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In February 2010, the FASB issued the FASB Accounting Standards Update No. 2010-09, *Subsequent Events (Topic 855): Amendments to Certain Recognitions and Disclosure Requirements.* Under this ASU, a public company that is a SEC filer, as defined, is not required to disclose the date through which subsequent events have been evaluated. This ASU is effective upon the issuance of this ASU. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In April 2010, the FASB issued the FASB Accounting Standards Update No. 2010-18 regarding improving comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools under Subtopic 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality.* Furthermore, the amendments clarify guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit deterioration. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40, *Receivables Troubled Debt Restructurings by Creditors.* The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early adoption is permitted. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

NOTE 3 MANAGEMENT PLANS

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. As reflected in the accompanying financial statements, the Company had an accumulated deficit of $1,194,067 as of June 30, 2010.

While the Company does have an accumulated deficit of $1,194,067 as of June 30, 2010, the Company has cash on hand of $8,796 as of June 30, 2010 and sales were $716,546 for the nine months ended June 30, 2010 which generated a gross profit of $210,127. The Company believes in the viability of its strategy to generate profits and in its ability to grow organically; however, the Company intends to seek additional financing through additional equity offerings. The ability of the Company to continue as a going concern is dependent upon the Company s ability to raise additional capital, to further implement its business strategy and to generate sufficient profits. Management believes that the actions presently being taken to implement the Company s strategy provide the opportunity for the Company to continue as a going concern.

NOTE 4 RELATED PARTY TRANSACTIONS

During the nine months ended June 30, 2010, the Company made advances to three related party stockholders including one director. The balance of advances to related parties totaled $1,938 as of June 30, 2010.

During the nine months ended June 30, 2010, the Company sold equipment merchandise to a related party owned by three related party stockholders and one director. The equipment was sold for $22,000, at cost with no profit margin.

The Company borrowed $338,324 from related parties, including interest, under the terms of convertible notes payable. See additional details at Note 8 below.

NOTE 5 RELATED PARTY NOTES RECEIVABLE

During the nine months ended June 30, 2010, the Company loaned $317,306 to four related party stockholders including two directors and the President and Chief Executive Officer of the Company who is also a director. The loans are non interest bearing and are payable on demand. The balance of notes receivable from related parties totaled $524,861 as of June 30, 2010.

NOTE 6 ACCRUED COMPENSATION AND RELATED PARTY ACCRUED COMPENSATION

The Company entered into compensation agreements with several independent contractors which provide for guaranteed minimum payments to the contractors through December 31, 2009. Related party accrued compensation includes accrued compensation due to five stockholders including one director and the President who is also the chairman of the board of directors totaling $116,109 as of June 30, 2010, including accrued interest payable of $2,258. The accrued compensation to related party stockholders is due on demand and accrues interest at four percent annually. The unpaid portion of these contracts has been recorded in accrued compensation on the accompanying balance sheet.

NOTE 7 DEFERRED REVENUE

The Company received deposits from customers for goods and services which were not rendered or delivered as of June 30, 2010. The deposits received from the customer totaled $169,884 as of June 30, 2010. The revenue associated with these contracts has been included in deferred revenue as of June 30, 2010 and will be recognized upon completion of the services and delivery of the goods.

NOTE 8 DEFERRED ROYALTY REVENUE AND EXPENSES

On May 26, 2009 the Company entered into a license administration agreement with TapouT, LLC (TapouT) to administer licenses to third parties to operate MMA gym facilities and standalone training centers under the TapouT name. Under the license agreement, the Company pays royalties to TapouT totaling 15 percent of gross sales of TapouT branded equipment, 5 percent of gross sales of future private label branded equipment, 50 percent of license fees for TapouT training centers and TapouT MMA clubs, and three percent of gross membership fees generate by TapouT training centers and TapouT MMA clubs. The license administration agreement also requires that the Company implement and administer a minimum of ten licenses during each of the calendar years ended December 31, 2010, 2011, 2012, and 2013, of which a minimum of eight are required to be standalone TapouT training centers. The license royalty income and related expenses are recognized on a pro-rata basis over the period of time covered by the license agreement. Deferred royalty revenue and expenses resulting from these license agreements as of June 30, 2010 were $78,347 and $27,923, respectively.

On November 18, 2009, the Company entered into a royalty agreement with two related party shareholders which requires the Company to pay a royalty of 3.5 percent to the each of the two related party shareholders calculated on the gross profits generated from sales of TapouT branded equipment. The agreement stipulates that no royalties will be paid on the first $1,200,000 of net revenue generated from TapouT branded equipment sales. As of June 30, 2010, the Company has not incurred any expenses in connection with this royalty agreement.

NOTE 9 CONVERTIBLE NOTES PAYABLE RELATED PARTIES

On March 18, 2010 a related party loaned the Company $51,000. The note bears interest at five percent annually, matures on December 31, 2010, and has a conversion feature whereby the promissory note is convertible to common stock no earlier than May 1, 2010 at an exercise price 50 percent below the average trading price for the five day period prior to the date of conversion, with a minimum conversion price of $0.50 per share and a maximum conversion price of $1.50 per share, resulting in a beneficial conversion feature.

The Company borrowed $144,340 from various related parties under convertible notes payable from January 2010 to March 2010. The promissory notes mature on December 31, 2010, bear interest at five percent annually, and are convertible to common stock no earlier than May 1, 2010 at an exercise price of 50 percent below the average trading price for the five day period prior to the date of conversion, with a minimum conversion price of $0.50 per share and a maximum conversion price of $1.50 per share, resulting in beneficial conversion features.

The Company measured the intrinsic value of the beneficial conversio