Yasheng Eco-Trade Corp
Form 10-Q
November 16, 2010

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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

Commissions file number 001-12000

YASHENG ECO-TRADE CORPORATION
(Exact name of registrant - registrant as specified in its charter)

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

9270 Two Notch Road, Suite 4, Columbia, SC 29223
(Address of principal executive offices)

(786) 323-1650 Issuer's telephone number	(786)323-1651 Issuer's facsimile 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 x 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 x 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	¨	Accelerated filer	¨
Non-accelerated filer Do not check if 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 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	1,297,548
(Class)	(Outstanding at November 12, 2010)

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

INDEX

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

Management's Representation of Interim Financial Information

Yasheng Eco-Trade Corporation prepared the accompanying financial statements without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles may have been shortened or omitted as allowed by such rules and regulations. Management believes that the disclosures are adequate to make the information presented not misleading. These financial statements include all of the adjustments that, in the opinion of management, are necessary for a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the audited financial statements at December 31, 2009 included in the Annual Report on Form 10-K and the associated amendments for the year then ended. The results of operations for the periods presented are not necessarily indicative of the results we expect for the full year.

YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.
CONDENSED CONSOLIDATED BALANCE SHEET
Amounts in US dollars

	September 2010 (unaudited)	December 31 2009 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	20,000	85,789
Total current assets	20,000	85,789
Total Non Current assets from discontinued operations	1,544,690	1,544,690
Allowance for bad debts	(1,544,690)	
Total assets	20,000	1,630,479
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	427,091	1,390,451
Short-term convertible notes payable and other current liabilities	1,880,400	151,742
Total current liabilities	2,307,491	1,542,193
Convertible note payable - Trafalgar	258,474	3,535,000
Total liabilities	2,565,965	5,077,193
Stockholders' equity		
Preferred stock, series C convertible, $.025 stated value, 210,087 shares authorized issued and outstanding	5,000	5,000
Preferred stock, series E convertible, $10 stated value, 300,000 shares authorized issued and outstanding	300,000	
Preferred stock, series F convertible, $1 stated value, 40,000 shares authorized issued and outstanding	40,000	
Common stock, $0.001 par value - Authorized 400,000,000 shares; 1,297,548 and 1,409,098 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively	1,298	1,410
Additional paid-in capital	95,515,540	92,763,605
Accumulated deficit	(98,380,768)	(96,189,694)
Accumulated other comprehensive loss	(2,226)	(2,226)
Treasury stock – 1,000 common shares at cost	(24,809)	(24,809)
Total stockholders' equity	(2,545,965)	(3,446,714)
Total liabilities and stockholders' equity	20,000	1,630,479

See accompanying notes to consolidated financial statements.

YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
	-	---	20,000	-
Cost of revenues from discontinued operations	---	---		-
Operating expenses				
Discontinued operations	-	-	-	-
Bad debt expense from discontinued operations	-		1,544,690	-
Compensation and related costs	14,573	143,064	154,328	214,597
Consulting, professional and directors fees	26,700	164,312	277,139	435,682
Other selling, general and administrative expenses	75,838	135,500	177,597	222,801
Total operating expenses	117,111	442,876	2,153,754	873,080
Operating loss	(117,111)	(442,876)	(2,133,754)	(873,080)
Interest income	-	-	-	211,567
Interest (expense)	(110,980)	(434,129)	(254,150)	(2,172,808)
Net interest (expense)	(110,980)	(434,129)	(254,150)	(1,961,241)
Financing loss - change in conversion price	-			(1,786,000)
Loss before income taxes	(228,091)	(877,005)	(2,387,904)	(4,620,321)
		-		
		-		
		-		
Net Loss before minority interest in loss of consolidated subsidiary	(228,091)	(877,005)	(2,387,904)	(4,620,321)
Less minority interest in loss of consolidated subsidiary	-	-		(325,000)
Net loss	(228,091)	(877,005)	(2,387,904)	(4,945,321)
		0		
Comprehensive (loss)	$ (228,091)	$ (877,005)	$ (2,387,904)	$ (4,945,321)
Comprehensive loss per basic and diluted shares	$ (0.25)	$ (0.01)	$ (2.63)	$ (0.18)
Weighted average number of shares outstanding, basic and diluted	906,660	68,293,839	906,660	28,985,375

See accompanying notes to condensed consolidated financial statements.

YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)

	Preferred Stock				Common Stock		Additional	
	Number		Preferred	Preferred	Number		Paid-in	Ac
	of Shares	Amount	Series E	Series F	of Shares	Amount	Capital	
Balances January 1, 2009	1,000,000	1,200,000			8,728	9	85,468,147	(
Conversion of note to common shares					85,000	85	1,057,249	
Change in conversion price							1,786,000	
Shares issued to Yasheng					500,000	500	196,330	
Shares issued to Capitol					384,615	385	151,025	
Conversion of preferred Series B stock	(1,000,000)	(1,200,000)			75,000	75	1,199,925	
Issuance of Series C Preferred Stock	210,087	5,000					(55)	
Discount on conversion of debt							1,278,821	
Star note payable conversion					80,000	80	349,920	
Moran note payable conversion					119,033	119	99,881	
Common stock issuance: Raccah					10,757	11	377,209	
Common stock issuance: Yaniv					500	1	74,999	
Common stock issuance for servies: Fleming law firm					465	1	22,299	
Common stock issuance for servies: Public Relations firm					5,000	5	51,995	
Common stock for Rusk					40,000	40	399,960	
Common stock for Socius					100,000	100	249,900	
Net loss for period								(
Balance December 31, 2009	210,087	5,000			1,409,098	1,410	92,763,605	(
Common stock for Moran Atias					130,000	130	99,870	
Common stock issuances for services: legal fees					80,000	80	78,573	
Common stock for Moran Atias					127,143	127	49,873	
Common stock for Priscilla Dunckel					51,307	51	19,949	
Issuance of Series E Preferred Stock			300,000					
Issuance of Series F Preferred Stock				40,000				
Conversion of note payable to preferred shares							2,700,000	
Cancellation of Yasheng shares					(500,000)	(500)	(196,330)	1
Net loss for period								(
Balance September 30, 2010	210,087	5,000	300,000	40,000	1,297,548	1,298	95,515,540	(

See accompanying notes to condensed consolidated financial statements.

6

YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30	
	2010	2010
Comprehensive loss	(2,387,904)	(4,945,321)
Decrease in Notes Payable	(356,061)	-
Stock issuances for services	88,000	
Financing loss		1,786,000
Amoritzation of debt discount and accrued interest		2,141,344
Other non-cash adjustments	109,489	
Decrease in Accounts Payable and Accrued Expenses	(963,361)	
Increase in Current Notes Payable and Other Current Liabilities	1,728,658	
Net cash used by continuing operations	(1,781,179)	(1,017,977)
Net cash provided by discontinued operations	20,000	447,830
Bad debt expense from discontinued operations	1,544,690	
Net cash used by operating activities	(216,489)	(570,147)
Cash flows from investing activities:	-	-
Cash paid to Votex Ocean member	-	-
Net cash used by investing activities	-	-
Cash flows from financing activities:		
Proceeds from Note payable, net	150,700	-
Proceeds from the issuance of stock	-	452,219
Net cash provided by financing activities	150,700	452,219
Net decrease in cash and cash equivalents	(65,789)	(117,928)
Cash and cash equivalents, beginning of year	85,789	123,903
Cash and cash equivalents, end of year	20,000	5,975
Supplemental disclosure:		
Cash paid for interest expense	(254,150)	(1,437)
Cash received for interest	-	40,000
Summary of non-cash transactions:		
Notes payable converted to common stock	170,000	-
Note payable converted to preferred stock	3,000,000	
Restricted shares issued		88,507,998
Note payable converted to common stock and accrued interest on Trafalgar Note		2,784,226
Notes from selling subsidiary assets		2,100,000

See accompanying notes to condensed consolidated financial statements.

YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.)
Notes to Un-Audited Condensed Consolidated Financial Statements

1. Organization and Business

Yasheng Eco-Trade Corporation (f/k/a Vortex Resources Corp, Emvelco Corp., and Euroweb International Corp.), is a Delaware corporation and was organized on November 9, 1992. It was a development stage company through December 1993. Yasheng Eco-Trade Corporation and its consolidated subsidiaries are collectively referred to herein as “Yasheng Eco”, “Vortex” or the “Company”.

On June 30, 2010 the Company’s Board of Directors voted to change its name to Eco-Trade Corporation. The change of name will become effective upon complying with all SEC and FINRA requirements.

The Company’s headquarters and operational offices are located in Columbia, South Carolina.

General Business Strategy

Our business plan since 1993 has been identifying, developing and operating companies within emerging industries for the purpose of consolidation and sale if favorable market conditions exist. Although the Company primarily focuses on the operation and development of its core businesses, the Company pursues consolidations and sale opportunities in a variety of different industries, as such opportunities may present themselves, in order to develop its core businesses and additional areas outside of its core business. The Company may invest in other unidentified industries that the Company deems profitable. If the opportunity presents itself, the Company will consider implementing its consolidation strategy with its subsidiaries and any other business that it enters into a transaction. In January 2009, the Company commenced the development of a logistics center in Southern California.

In 2008, the Company shifted its focus to the mineral resources industry, commencing gas and oil sub-industry, which was approved by its shareholders. Based on series of agreements, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with Davy Crockett Gas Company, LLC ("DCG") and its members ("DCG Members"). Pursuant to the DCG Agreement, the Company acquired and the DCG Members sold, 100% of the outstanding membership in DCG. DCG is a limited liability company organized under the laws of the State of Nevada. Due to major issues in the development of the oil and gas project in Crockett County, Texas, the board obtained additional reserve report for the Company's interest in DCG and Vortex Ocean One, LLC (“Vortex Ocean”), which report indicated that the DCG properties being in essence negative in value. As a result of such report, the world and US recessions and the depressed oil and gas prices, the board of directors elected to dispose of the DCG property. As Such, the Company sold the DCG properties in 2009 to a third party (See Commitment and Contingencies).

As a result of the series of transactions described above, the Company’s ownership structure at December 31, 2009 was as follows (designated for sale – see subsequent events):

100% of DCG – discontinued operations
100% of Vortex Ocean One, LLC – discontinued operations
Approximately 7% of Micrologic through its ownership in EA Emerging Ventures Corp), which was subsequently sold on April 15, 2010

During 2008, the Company elected to move from The NASDAQ Capital Market ("NASDAQ") to the OTCBB in order to reduce and more effectively manage its regulatory and administrative costs and enable Company's management to better focus on its business. The Company initially traded on the OTCBB under the symbol "VTEX"; however, in February 2009, the Company's symbol changed from "VTEX" to "VXRC". Prior to the Company's departure from NASDAQ, the Company's common stock was traded on the NASDAQ under the symbol "EMVL". On July 15, 2009, the Company's Board votes to change the Company's name from "Vortex Resources Corp." to its current name, "Yasheng-ECO Trade Corp.", subsequently changing the Company's symbol to "YASH".

In January 2009, the Company commenced the development of a logistics center in Southern California. Our mission is to develop an Asian Pacific Cooperation Zone in Southern California to enhance and enable increased trade between the United States and China. The facility would provide a "Gateway to China" through a centralized location for the marketing, sales, customer service, product completion for "Made in the USA" products and distribution of goods imported from China. It would also promote Joint Ventures and exporting opportunities for US companies.

Yasheng Group - Logistics Center and Potential Acquisition - During 2009, the Company entered into series of agreements with Yasheng Group, Inc., a California corporation ("Yasheng"). Yasheng is an agriculture conglomerate which has subsidiaries located in the Peoples Republic of China who are engaged in the production and distribution of agricultural, chemical and biotechnological products to the United States, Canada, Australia, Pakistan and various European Union countries as well as in China. Pursuant to these series of agreements, Yasheng agreed to transfer certain assets and know-how for the development of a logistics center and eco-trade cooperation zone (the "Project").

As part of the Company's due diligence and closing procedures, the Company requested that Yasheng-BVI (Yasheng's alleged parent company) provide a current legal opinion from a reputable Chinese law firm attesting to the fact that no further regulatory approval is required from the Chinese government as well as other material conditions to close the transaction. On November 3, 2009, the Company sent Yasheng and Yasheng-BVI a formal letter demanding various closing items. However, Yasheng and Yasheng-BVI failed to deliver the requested items. On November 9, 2009, Yasheng and Yasheng-BVI sent a termination notice to the Company advising that the definitive Agreement had been terminated pursuant to the termination provision in the Agreement. Currently, the Company is evaluating its options in moving forward with respect to Yasheng based on various letters of intent and agreements. The Company is also considering whether it should cease all activities with Yasheng.

As Yasheng failed to enter into a definitive agreement with the Company, we may lose a significant source of potential clients for the logistics center. As such, the Company would be required to develop additional sources of clients and develop a significant sales force to achieve favorable results. On April 5, 2010, the Company issued a formal request to Yasheng demanding the surrender of the 50,000,000 shares issued to them as well as reimbursement to 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 50,000,000 shares.

Micrologic, Inc. - Micrologic, Inc. ("Micrologic"), is in the business of design and production of EDA applications and Integrated Circuit ("IC") design processes. The Company owns 100,000 shares of Micrologic through its ownership interest in EA Emerging Ventures Inc. ("EVC") – which represented less than ten percent (10%) equity ownership in Micrologic, prior to further dilution. Micrologic subsequently issued additional securities to third parties diluting our interest to approximately 7% of the issued and outstanding of Micrologic, Inc. On April 15, 2010, the Company sold all its holdings in Micrologic for consideration of $20,000.

The Company's holdings in its subsidiaries at September 30, 2010 were as follows:

100% of DCG – discontinued operations
100% of Vortex Ocean One, LLC - discontinued operations

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 ("Newcorp"), 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. The authorized capital of Newcorp will consist of 100,000 shares of Common Stock, par value $0.0001 per share. Upon creation of Newcorp, Yasheng will subscribe for 50 shares at an aggregate purchase price of $1,000, and CMARK will subscribe for 50 shares at an aggregate purchase price of $1,000. Newcorp will have a Board of Directors consisting of two members, one being designated by Yasheng and the other being designated by CMARK.

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.

During the reporting period, the Company commenced evaluating a potential joint venture in a gold exploration and export venture in Ghana. The transaction is subject to due diligence and approval of the board of the Company.

2. 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 period ending September 30, 2010, the balance sheets and results of operations of DCG, and Vortex Ocean One, LLC are consolidated into these financial statements. As of and for the year ending December 31, 2009, 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 Emvelco 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 Emvelco 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, Emvelco' assessment of the buyer's credit standing and Emvelco' 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, the prior owned subsidiary, AGL, which reports its financial statements in New Israeli Shekel. ("N.I.S") The reporting currency of the Company is the US Dollar and accordingly, all amounts included in the consolidated financial statements have been presented or translated into US Dollars. For non-US subsidiaries that do not utilize the US Dollar as its functional currency, assets and liabilities are translated to US Dollars at period-end exchange rates, and income and expense items are translated at weighted-average rates of exchange prevailing during the period. Translation adjustments are recorded in "Accumulated other comprehensive income" within stockholders' equity. Foreign currency transaction gains and losses are included in the consolidated results of operations for the periods presented.

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.

Goodwill and intangible assets - Goodwill results from business acquisitions and represents the excess of purchase price over the fair value of identifiable net assets acquired at the acquisition date.

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.

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.

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Business segment reporting - The Company manages its operations in one business segment, Logistics Development primarily for the U.S. Federal government and U.S. Federal government prime contractors,

Effect of Recent Accounting Pronouncements - In December 2007, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 110 ("SAB 110"). SAB 110 amends and replaces Question 6 of Section D.2 of Topic 14, "Share-Based Payment," of the Staff Accounting Bulletin series. Question 6 of Section D.2 of Topic 14 expresses the views of the staff regarding the use of the "simplified" method in developing an estimate of the expected term of "plain vanilla" share options and allows usage of the "simplified" method for share option grants prior to December 31, 2007. SAB 110 allows public companies which do not have historically sufficient experience to provide a reasonable estimate to continue to use the "simplified" method for estimating the expected term of "plain vanilla" share option grants after December 31, 2007. The Company will continue to use the "simplified" method until it has enough historical experience to provide a reasonable estimate of expected term in accordance with SAB 110.

In December 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") 141-R, "Business Combinations," now ASC Topic 805. ASC Topic 805 retains the fundamental requirements that the acquisition method of accounting (referred to as the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. It also establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. ASC Topic 805 will apply prospectively to business combinations for which the acquisition date is on or after the Company's fiscal year beginning October 1, 2009. While the Company has not yet evaluated the impact, if any, that ASC Topic 805 will have on its consolidated financial statements, the Company will be required to expense costs related to any acquisitions after September 30, 2009.

In December 2007, the FASB issued SFAS 160, "Non-controlling Interests in Consolidated Financial Statements," now ASC Topic 810. This Statement amends Accounting Research Bulletin 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company has not yet determined the impact, if any, that ASC Topic 810 will have on its consolidated financial statements. ASC Topic 810 is effective for the Company's fiscal year beginning October 1, 2009.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" now ASC Topic 820. ASC Topic 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. ASC Topic 820 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position No. FAS 157–2, "Effective Date of FASB Statement No. 157", which provides a one year deferral of the effective date of SFAS 157 for non–financial assets and non–financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, effective January 1, 2008, we adopted the provisions of ASC Topic 820 with respect to our financial assets and liabilities only. Since the Company has no investments available for sale, the adoption of this pronouncement has no material impact to the financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115" now ASC Topic 825. ASC Topic 825 permits entities to choose to measure many financial instruments and certain other items at fair value. This statement provides entities the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Effective January 1, 2008, we adopted ASC Topic 825 and have chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States .

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 Principal 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 collateral activities.

Off Balance Sheet Arrangements

There are no materials off balance sheet arrangements.

Inflation and Foreign Currency

The Company maintains its books in local currency US Dollars for the Parent Company registered in the State of Delaware. The Company's operations are primarily in the United States through its wholly owned subsidiaries. The Company does not currently hedge its currency exposure. In the future, we may engage in hedging transactions to mitigate foreign exchange risk.

3. Non Current assets from discontinued operations

Vortex Ocean entered into a sale agreement with third parties regarding specific 4 wells assignments. In consideration for the sale of the Assignments, The buyer(s) 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 buyers are not performing under the notes. Per the terms of the sale, Vortex Ocean and the Company should be paid commencing May 1, 2009. Vortex Ocean and the Company agreed to give the buyers a one-time 60 day extension, and put them on notice for being default on said notes. To date the operator of the wells paid Vortex Ocean (on behalf of the Buyer) 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's position is that the buyers as well as the operator breached 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. To date, no litigation has commenced, as title inquiries are still in progress. Because of the dispute with the buyers, and the difficulty that may result in collecting timely on the notes, the Company expensed the notes in the second quarter of 2010.

4. Convertible Notes Payable

Trafalgar Capital Specialized Investment Fund, Luxembourg ("Trafalgar")- 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 said settlement, which was declared effective as of December 31, 2009, 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.

Kobi Loria – On November 23, 2009, as a consideration for a cash loan, the Company signed a Note Payable for $100,000 payable to Kobi Loria 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 Kobi Loria 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 TA. TA was a 50% member with Vortex Ocean 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 – 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 15,000,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note'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) 15,000,000 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 15,000,000 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 15,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

Stewart Reich – 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 15,000,000 common shares of the Company, which per an adjustment mechanism may increase the amount of shares to be issued, if converted. The Note'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) 15,000,000 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 15,000,000 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 15,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

Yossi Attia – 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 100,000,000 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) 100,000,000 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 100,000,000 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 100,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

The breakdown of the Notes as due on September 30, 2010 can be 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		9/30/2010
Mr. Attia	5/31/2010	5/30/2011	12.00	%	1,000,000	18.0	%	1,040,110
Mr. Avgi	11/23/2009	3/31/2010	N/A		365,000	18.0	%	397,940
Mr. Reich	5/31/2010	5/30/2011	12.00	%	149,177	18.0	%	155,160
Mr. Louria	11/23/2009	3/31/2010	12.00	%	84,175	18.0	%	91,878
Mr. Louria	12/1/2009	3/31/2010	12.00	%	51,956	18.0	%	56,619
Mr. Schaffer	5/31/2010	5/30/2011	12.00	%	133,344	18.0	%	138,692
Total					1,783,653			1,880,400

Presented as Long term Liabilities:

Holder	Date Issued	Maturity	Annual Rate		Face Value	Default Rate		9/30/2010
Trafalgar - un converted portion	1/1/2010	N/A	7.00	%	124,849	18.0	%	128,236
Trafalgar - New notes 2010	N/A	N/A	0.00	%	130,239	N/A		130,239
Total					255,088			258,474

5. Acquisition and Dispositions

Davy Crockett Gas Company, LLC (DCG) - Based on series of agreements that were formalized on May 1, 2008, the Company entered into an Agreement and Plan of Exchange with DCG.

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 2009audited 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. Income taxes

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.

7. 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. As of September 30, 2010, the Company owes Mr. Attia approximately $1,272,012 for those expenses. 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 $1,040,110, and the remainder that is owed (approximately $231,902) is classified as an account payable. Both items are presented as current liabilities of the Company.

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 June 2010, based on a change of control per the Trafalgar settlement agreement, the Company is operating only from its operational offices located at 9270 Two Notch Road, Suite 4, Columbia, SC 29223. These offices are shared with Trafalgar, and the Company will pay no rent until participation in lease expenses has been established. .

Future minimum payments of obligations under the operating lease at December 31, 2009 were as follows:

2010	2011	Thereafter
$ 22,500	$ 15,000	$ —

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 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 - On April 15, 2010 the parties settled their outstanding disputes. Based on said settlement which was declared effective as of December 31, 2009 the parties agreed that Trafalgar will convert its notes (at agreed amount of $3,000,000) into a new class of Series E Preferred Shares, which shall have the following terms: (i) $3 Million face Amount (as agreed amount between all parties) (ii) Maturity in cash in Thirty Months (30 months) from date of issue (iii) Optional Redemption by the Company at any time, for Face Value including accrued unpaid dividends (iv) Dividends Accrue at 7% (seven percent) per annum. The Series Preferred E shares will be convertible at the option of the holders, into Six Hundred Million (six hundred million) common shares of the Company, at any time upon written notice to the company. This share issuance is larger than the shares currently authorized by the Company; at the point where we issue the shares, we will authorize a sufficient number of shares. Trafalgar will be entitled to appoint 4 directors to the Company board.

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 4 million 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. The complaint against the Company was dismissed with prejudice as final on March 23, 2010. Mr. Rusk filed a motion with court seeking to set aside said dismissal based on various allegations. His motion was rejected by the court.

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. As of today, the Company has not commenced procedures to collect on the default judgment.

Vortex One entered into a sale agreement with third parties regarding specific 4 wells assignments. In consideration for the sale of the Assignments, The buyer(s) 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 Company alleges that the buyers are 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 buyers a one-time 60 day 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) 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 buyers as well as the operator breached 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. To date no complaint has yet been filed, as the Company and its attorneys are still in the process of learning the chain of title associated with the wells.

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. On September 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.

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

Sub-Prime Crisis and Financials Markets Crisis:

The global recession has negatively affected the pricing of commodities such as oil and natural gas. In order to reduce the Company risks and more effectively manage its business and to enable Company management to better focus on its business on developing the natural gas drilling rights, the board of directors had a discussion and resolution vacating the DCG project.

Voluntarily delisting from The NASDAQ Stock Market:

On June 6, 2008, the Company provided NASDAQ with notice of its intent to voluntarily delist from NASDAQ, which notice was amended on June 10, 2008. The Company is voluntarily delisting to reduce and more effectively manage its regulatory and administrative costs, and to enable Company management to better focus on its business. The Company requested that its shares be suspended from trading on NASDAQ at the open of the market on June 16, 2008, which was done. Following clearance by the Financial Industry Regulatory Authority ("FINRA") of a Form 211 an application was filed by a market maker in the Company's stock. The Company is currently traded on the electronic bulletin board (OTCBB).

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.

Short Term Loan – by Investor:

On September 5, 2008 the Company entered a short term loan memorandum, with Mahomet Hauk Nudes, for a short term loan ("bridge") of $220,000 to bridge the drilling program of the Company. As a consideration for said facility, the Company grants the investor with 100% cashless warrants coverage for two years at exercise price of $1.50 per share. The investor made a loan of $220,000 to the company on September 15, 2008 (where said funds were wired to the company drilling contractor), that was paid in full on October 8, 2008. Accordingly the investor is entitled to 2,000 cashless warrants from September 15, 2008 at exercise price of $1.50 for a period of 2 years. The Company contests the validity of said warrants for cause.

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 Yasheng Eco-Trade Corporation. 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 Corporation and the reverse split of the common stock of the Company on a 100:1 basis. The implementation of the name change and the reverse split is subject to complying with all SEC and FINRA requirements. On July 25, 2010, the Company obtained the approval of the majority of the shareholders to effect the reverse split. The Company intends to wait at least 20 days from the date that it obtained the needed approval. As of November 15, 2010, the reverse split has not yet occurred, but the reverse split has given full effect in the financial statements herein.

Pending Transactions and 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. In connection to the Yasheng agreements, the Company entered agreements or arrangement or negotiations as followings:

(i) On July 2009 the Company signed a financial advisor engagement letter with Cukierman & Co. Investment House Ltd, a foreign Investment banking firm (“CIH”) to obtain bank financing for the Yasheng Russia Breading Complex as was signed in June with Create (See note Commitments and contingencies). CIH has retained Dr. Sam Frankel to assist in obtaining funds from semi-governmental funding sources. Per the agreement the Company will pay CIH a monthly retainer fee of $3,750. A millstone payment of $25,000 will be paid to CIH provided that CIH will present a banking institution which in principal will secure minimum $25 million financing to the Create joint venture.

(ii) On July 2009 the Company signed an agreement with Better Online Solutions (“BOSC”) for consulting services for the Company logistics center, as well as for the Crate joint venture. Said agreement was signed for the purpose of establishing supply chain solutions and RFID protocols. In return the Company will provide BOSC with a right of first refusal of matching its best contract for supplying services to the logistics center.

(iii) On July 2009 the Company has entered negotiations with Management Consulting Company (“MCC”) to explore further expansion and acquisitions for Yasheng Russia (See Create Joint Venture). MCC is a division of IFD Capital Group in Russia.

(iv) On January 20, 2009, the Company entered into a non-binding Term Sheet (the "Term Sheet") with Yasheng in connection with the development of a logistics center. Pursuant to the Term Sheet, the Company granted Yasheng an irrevocable option to merge all or part of its assets into the Company (the "Yasheng Option"). If Yasheng exercises the Yasheng Option, as consideration for the transaction to be completed between the parties, the Company would issue Yasheng such number of shares of the Company's common stock calculated by dividing the value of the assets which will be included in the transaction with the Company by the volume weighted average price of the Company's common stock as quoted on a national securities exchange or the Over-the-Counter Bulletin Board for the ten days preceding the closing date of such transaction. The value of the assets contributed by Yasheng will be based upon the asset value set forth in Bashing’s audited financial statements provided to the Company prior to the closing of any such transaction. On June 18, 2009, Change Golden Dragon Industrial Co., Ltd., a company which is not affiliated with Yasheng ("Golden Dragon"), delivered a notice whereby it has advised that it wishes to exercise the Yasheng Option by merging into the Company in consideration of shares of preferred stock with a stated value in the amount of $220,000,000 that may be converted at a $1.10 per share, a premium to the Company's current market price, into 200,000,000 shares of common stock of the Company. The shareholders of Golden Dragon (the "Shareholders") are all foreign citizens. As a result, the issuance, if consummated will be in accordance with Regulation S as adopted under the Securities Act of 1933, as amended. Further, the Shareholders are entitled to assign such shares as each deems appropriate. In addition, the Company is required to raise $20,000,000 to be used by Golden Dragon for working capital purposes. Golden Dragon is a Chinese corporation with primary operation in Gansu province of China. The Company designs, develops, manufactures and markets farming and sideline products including fruits, barley, hops and agricultural materials. In lieu of merging its assets into the Company, the Company and Yasheng entered into an additional Letter of Intent on June 12, 2009 whereby Yasheng agreed to use its best efforts to have the majority stockholders of Yasheng (the "Group Stockholders") enter and close an agreement with the Company whereby the Company would acquire approximately 55% of the issued and outstanding securities of Yasheng from the Group Stockholders in consideration of 300,000,000 shares of common stock of the Company. The June 12, 2009 letter of intent was approved by the Company's Board of Directors on August 12, 2009. The Company and Yasheng initially contemplated a closing date of July 15, 2009.

(v) On August 7, 2009, the Company has entered into a Memorandum of Terms in which it will provide an equity line in the amount up to $1,000,000 to Golden Water Agriculture, a corporation to be formed in Israel (“Golden Water”). Upon funding the equity line, the Company will receive shares of Series A Preferred Stock (the “Golden Water Preferred”) convertible into 30% of Golden Water, which assumes that the full $1,000,000 is funded. The Company will be entitled to convert the Golden Water Preferred into the most senior class of shares of Golden Water at a 15% discount to any recent round of financing. The Company shall be required to convert the Golden Water Preferred in the event of an initial public offering based on a valuation three times the valuation of the investment. To date, no consideration has been exchanged between the Company and Golden Water. Golden Water has developed a process by which gaseous oxygen can be introduced into water at the molecular level and retained at a high concentration for a long period of time, as well as the ability to add gaseous elements including nitrogen, carbon dioxide and more. The parties that are forming Golden Water have filed for patents in the United States and Israel.

(vi) Logistics Center - On August 12, 2009, the Company entered into a 45 day exclusivity period to finalize an "Option to Buy" on a lease agreement for a "big box" facility located in Southern, California (the "Facility"). The Facility consists of approximately 1,000,010 square feet industrial building located in Victorville, California and the lease is expected to commence November 1, 2009 and continue for a period of seven years, with two five-year extension periods The Company advanced a $25,000 non-refundable deposit representing 10% of the required security deposit for the entire lease. The non-refundable deposit allowed the Company to exclusively negotiate the option to buy the Facility as all other terms of the lease have been agreed upon in principal. The Company is also pursuing certain tax and economic incentives associated with the establishment and development of the Yasheng Asia Pacific Cooperative Zone – its core business. These incentives include LAMBRA Enterprise Zone Sales and Use Tax Credit (7% of qualified capital equipment expenses), LAMBRA Enterprise Zone Hiring Credit (50% of qualified employees wages reducing 10% each year for 5 years), County of San Bernardino Economic Development Agency assistance in employee recruitment screening and qualification and filing for LAMBRA benefits (estimated value $8,000 per qualified employee).

Assuming that the option to purchase were finalized, the economic terms of the lease agreement of the Facility (as all other terms of the lease have been agreed upon in principal) would have been be as follows:

Year	Rent	Security	R/E tax (est.)	Mica (est.)	Total
Begin	-	252,500.00	-	100,000.00	352,500.00
1	575,700.00	-	360,000.00	56,964.00	992,664.00
2	2,302,800.00	-	360,000.00	56,964.00	2,719,764.00
3	2,545,200.00	-	360,000.00	56,964.00	2,962,164.00
4	2,545,200.00	-	360,000.00	56,964.00	2,962,164.00
5	2,787,600.00	-	360,000.00	56,964.00	3,204,564.00
6	3,030,000.00	-	360,000.00	56,964.00	3,446,964.00
7	3,030,000.00	-	360,000.00	56,964.00	3,446,964.00
					-
Total	16,816,500.00	252,500.00	2,520,000.00	498,748.00	20,087,748.00

Per authorization received from Yasheng Group the Company entered negotiations with the owner of the Facility to acquire the “big box” with financing from the owner. The Company exchanged a few counter offers with the Facility’s owner. As disclosed by the Company (see below and Subsequent events), Yasheng BVI noticed the Company of termination of the Exchange Agreement, and as such the Company, which is still pursuing its core business (developing of a logistics center), instructed its listing agents to locate a smaller Facility for the company than the above (which is still available per the Company’s agent’s inquiries during June 2010).

22

(vii) On August 5, 2009, the Company together with Yasheng Group, a California corporation ("Yasheng" and together with the Company, the "Yasheng Parties") entered a Memorandum of Understanding ("MOU")with Pfau, Pfau & Pfau LLC ("Pfau") a Florida limited liability company for the purpose of creating a joint venture for the development and operation of three properties owned by Pfau. The Company received Paul's countersigned MOU on August 16, 2009. Pfau owns three properties including (i) approximately 28,000 acres in Southeastern San Benito County, California which includes approximately 12,000 acres designated and planned by Pfau for olive trees, an olive oil milling and bottling plant and potential oil wells (nine wells exiting on the property, where only one well is producing), (ii) approximately 45 acres in Kona, Hawaii which is planned to be developed by Pfau into a coffee plantation and (iii) approximately 502 acres in San Marcos, California planned to be developed by Pfau into about 750 residences and an off-site 1.5 million square feet of commercial/mixed use land. The intentions of the parties to this proposed joint venture are (i) to re-finance the existing liens to provide that the new loans in the approximate amount of $50 million (the "New Loan"), which debt can be serviced through the proceeds generated from the properties, and (ii) to obtain financing (a development line of credit in the additional amount of $85 million) (the "Line of Credit") for further implementation of the Pfau properties' agricultural, crude oil and residential development. Pfau members shall deposit into an escrow account 50% ownership of Pfau, which will be released to the Yasheng Parties upon the funding and the release of any existing liens on Pfau and its properties. In return for the 50% ownership of Pfau, Yasheng Parties will guaranty the New Loan and the Line of Credit, if needed, , subject to acceptance by the Yasheng Parties of the terms and conditions of the funding. Pfau will allow Yasheng Parties to use its collateral to obtain the New Loan and the Line of Credit. As Pfau has filed for Chapter 11 protection with the U.S. Bankruptcy Court for the Southern District of California (case # is 08-12840-PB11), it is intended that the signing of the MOU or the Yasheng Parties ownership of 50% of Pfau, will in no way subject the Yasheng Parties or any of their officers or directors to liability to the existing creditors of Pfau or to any third party. As such any funding obtained by Yasheng Parties, if at all, and the execution of definitive joint venture documents, will be subject to Court approval. Pfau is has filed for Chapter 11 protection with the U.S. Bankruptcy Court for the Southern District of California (case # is 08-12840-PB11). On October 22, 2009, Pfau reached an agreement with its secured creditors for extension of the first mortgage amounting to approximately $22.8M until May 2010, which may be extended further until September 2010. The second and third secured creditors represent about $28M in debt have consented to the extension. Pfau is in active negotiations with the holders of the second and third position in order to re-structure this debt as well. There is no guaranty that Pfau will be successful in re-structuring this debt. The agreement providing for the extension of the first position holder was approved by the Court. As such any funding obtained by Yasheng Parties, if at all, and the execution of definitive joint venture documents, will be subject to Court approval as well as the approval of the Board of Directors of the Company.

(viii) On August 26, 2009, the Company entered into an agreement with Yasheng Group, a California corporation ("Group"), pursuant to which the Company agreed to acquire 49% of the outstanding securities (the "Yasheng Logistic Securities") of Yasheng (the United States) Logistic Service Company Incorporated ("Yasheng Logistic"), a California corporation and a wholly owned subsidiary of Group. In consideration of the Yasheng Logistic Securities, the Company would issue Group 100,000,000 restricted shares of common stock of the Company (the "Company Shares"). The Company is required to issue the Company Shares and Yasheng Logistic is required to issue the Yasheng Logistic Securities within 32 days of the Agreement. Further, Group has agreed to cancel the 50,000,000 shares of the Company that were previously issued to Group. The sole asset of Yasheng Logistic is the certificate of approval for Chinese enterprises investing in foreign countries granted by the Ministry of Commerce of the People's Republic of China.

(ix) On August 26, 2009, the Company entered into a Stock Exchange Agreement (the "Exchange Agreement") with Yasheng Group (BVI), a British Virgin Island corporation ("Yasheng-BVI"), pursuant to which Yasheng-BVI agreed to sell the Company 75,000,000 shares (the "Group Shares") of common stock of Yasheng Group, a California corporation ("Group") in consideration of 396,668,000 shares (the "Company Shares") of common stock of the Company (the "Exchange").

(x) On October 29, 2009, the Company entered into a Collaboration Agreement (the "Agreement") with IPF-AGRO Management Company ("IPF"), Yasheng Group ("Yasheng") and Cukierman & Co. Consulting (the Company, IPF and Yasheng herein collectively referred to as the "Parties") for the purpose of creating a joint venture on the basis of joining the agricultural and financial assets of the Parties and developing business contacts of the Parties. The Parties would collaborate on various investment projects associated with agricultural industry development in Russia, including the production, storage and marketing of potatoes and barley, cattle breeding and the trading of agricultural products on an international basis. 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.

The Company is presently evaluating its options in moving forward with respect to Group based on various letters of intent and agreements with Group regarding various matters and is presently determining whether it should cease all activities with Group. As stated in Group press release: “Yasheng Group has other agreements with or involving Yasheng Eco Trade Corp as previously announced by Yasheng Eco Trade Corp and Yasheng Group can provide no assurances at this time that those agreements will be consummated”. As such, the closing of any of the above (i) to (x) business opportunities by the Company, if at all, will require the completion of definitive documentations and completion of due diligence by the Company. There is no guarantee that the parties will reach final agreements or that the transactions will close on the terms set forth above. Cukierman & Co. Investment House Ltd – a foreign Investment banking firm, as an advisor to the Company, is currently working with Yasheng Group trying to complete the due diligence package needed for the Company to acquire a stake in Yasheng Group or to proceed with any of the above, if at all. On April 5, 2010 the Company issued a formal request to Yasheng demanding that they surrender of the 50,000,000 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 50,000,000 shares, which it has the power to do, per the legend that the shares carry.

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..

8. Stockholders' Equity

Common Stock:

On January 23, 2009, the Company completed the sale of 50,000 shares of the Company's common stock to one accredited investor for net proceeds of $75,000 (or $0.015 per common share). 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. The investor is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

On March 5, 2009, the Company and Yasheng Group implemented an amendment to the Term Sheet pursuant to which the parties agreed to explore further business opportunities including the potential lease of an existing logistics center located in Inland Empire, California, and/or alliance with other major groups complimenting and/or synergetic to the Company/Yasheng JV as approved by the board of directors on March 9, 2009. Further, in accordance with the amendment, the Company issued 50,000,000 shares to Yasheng and 38,461,538 shares to Capitol Properties in consideration for exploring the business opportunities, and providing –intellectual property and know-how. The shares of common stock were issued based on the Board consent on March 9, 2009, in connection with this transaction in a private transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and/or Rule 506 promulgated there under. Yasheng and Capitol are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company calculated its expenses associated with the transaction to be $348,240, and expensed that amount on the income statement.

As reported by the Company on its Form 10-Q filed on November 14, 2008, Star Equity Investments, LLC ("Star") entered, on September 1, 2008, into that certain Irrevocable Assignment of Promissory Note, which resulted in Star being a creditor of the Company with a loan payable by the Company in the amount of $1,000,000 (the "Debt"). No relationship exists between Star and the Company and/or its affiliates, directors, officers or any associate of an officer or director. On March 11, 2009, the Company entered and closed an agreement with Star pursuant to which Star agreed to convert all principal and interest associated with the Debt into 8,500,000 shares of common stock and released the Company from any further claims.

On October 1, 2008, the Company entered into a short term note payable (6 month maturity) with AP – a foreign Company controlled by Shalom Attia (the brother of Yossi Attia, the Company CEO – the "Holder"), a third party, for $330,000. The note had 12% interest commencing October 1, 2008 and can be converted (including interest) into common shares of the Company at an established conversion price of $0.015 per share. Holder has advised that it has no desire to convert the AP Note into shares of the Company's common stock at $1.50 per share at this time as the Company's current bid and ask is $0.23 and $0.72, respectively, and there was virtually no liquidity in the Company's common stock. The Company was in default on the AP Note, and Holder has threatened to commence litigation if it not paid in full. The Company does not have the cash resources to pay off the AP Note due to current capital constraints. Holder has agreed that it is willing to convert the AP Note if the conversion price is reset to $0.04376 resulting in the issuance of 8,000,000 shares of common stock (the “Shares”) of the Company or 7.56% of the Company assuming 105,884,347 shares of common stock outstanding (97,884,347 as of May 7, 2009 plus 8,000,000 shares issued to Holder). The parties entered a settlement agreement in May 2009. The agreement with AP was approved by the Board of Directors where Mr. Yossi Attia has abstained from voting due to a potential conflict of interest.

On July 15, 2009 TAS which owned Series B preferred shares, converted the Series B Preferred Shares to 7,500,000 common stock 0.001 par values per share.

On July 23, 2009, the Company issued 46,460 shares of its common stock 0.001 par value per share, to Stephen M. Fleming, the Company’s securities counsel pursuant to the 2008 Employee Stock Incentive Plan registered on Form S-8 Registration.

On August 17, 2009, the Company entered into a Subscription Agreement with an accredited investor pursuant to which the investor agreed to acquire up $400,000 in shares of common stock of the Company at a per share purchase price equal to the average closing price for the five trading days prior to close. On August 17, 2009, the accredited investor purchased 350,877 restricted shares of common each at $0.57 per share for an aggregate purchase price of $200,000, which was paid in cash. On August 31, 2009, the accredited investor purchased an additional 150,060 shares of common stock at $.3332 per share for an aggregate purchase price of $50,000, which was paid in cash. On September 4, 2009, an accredited investor purchased 574,718 restricted shares of common each at $.22136 per share for an aggregate purchase price of $127,219.48, which was paid in cash. The shares of common stock were offered and sold to the accredited investor in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and/or Rule 506 promulgated thereunder. The investor is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

On October 22, 2009, the Company issued Corporate Evolutions, Inc. 500,000 shares of common stock. Corporate Evolutions, Inc. provides investor relation services to the Company and is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The shares were issued in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and/or Rule 506 promulgated thereunder.

On or around October 28, 2009 the Company and all other parties settled the Rusk dispute for $400,000 to be paid within 75 days from settlement. As the Company does not have sufficient funds to pay the Settlement Amount, and Emvelco RE Corp. (“Emvelco RE Corp.”) has agreed indemnify the Company and pay the Settlement Amount if the Company issues Emvelco RE 4,000,000 shares of common stock of the Company (the “Shares”)., the Company authorized to issue Emvelco RE the Shares which shall be issued under Section 4(2) of the Securities Act of 1933, as amended, and which shall be considered validly issued and duly authorized.

On December 30, 2009, the Company entered into a Preferred Stock Purchase Agreement dated as of December 30, 2009 (the “Agreement”). 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. As such the Company issued to the Investor 10,000,000 shares of Common Stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933.

On December 30, 2009, 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 11,903,333 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, was initially issued on August 8, 2008.

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 13,000,000 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 8,000,000 shares of its common stock at 0.006 par value to Donfeld, Kelley & Rollman (“Kelley”), the Company lawyer, as partial payment for legal fees due. 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.

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 12,714,286 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 5,085,714 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 shares of Series C Preferred Stock is convertible into one 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 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 said settlement which was declared effective as of December 31, 2009, 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 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.

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”). On October 25, 2010, Messrs. Lauzier, Stemberg, and Weinstein resigned from the Board of Directors, and agreed to cancel their Series F Preferred shares – see Subsequent Events.

Each share of F Preferred Stock is convertible, at any time at the option of the holder, into 500 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.

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.

9. Stock Option Plan and Employee Options

2004 Incentive Plan

a) Stock option plans

In 2004, the Board of Directors established the “2004 Incentive Plan” (“the Plan”), with an aggregate of 800,000 shares of common stock authorized for issuance under the Plan. The Plan was approved by the Company’s Annual Meeting of Stockholders in May 2004. In 2005, the Plan was adjusted to increase the number of shares of common stock issuable under such plan from 800,000 shares to 1,200,000 shares. The adjustment was approved at the Company’s Annual Meeting of Stockholders in June 2005. The Plan provides that incentive and nonqualified options may be granted to key employees, officers, directors and consultants of the Company for the purpose of providing an incentive to those persons. The Plan may be administered by either the Board of Directors or a committee of two directors appointed by the Board of Directors (the "Committee"). The Board of Directors or Committee determines, among other things, the persons to whom stock options are granted, the number of shares subject to each option, the date or dates upon which each option may be exercised and the exercise price per share. Options granted under the Plan are generally exercisable for a period of up to ten years from the date of grant. Incentive options granted to stockholders that hold in excess of 10% of the total combined voting power or value of all classes of stock of the Company must have an exercise price of not less than 110% of the fair market value of the underlying stock on the date of the grant. The Company will not grant a nonqualified option with an exercise price less than 85% of the fair market value of the underlying common stock on the date of the grant.

(b) Other Options

As of September 30, 2010, there were 330,000 options outstanding with a weighted average exercise price of $3.77.

No options were exercised during the period ended June 30, 2010 and the year ended December 31, 2009.

The following table summarizes information about shares subject to outstanding options as of September 30, 2010, which was issued to current or former employees, consultants or directors pursuant to the 2004 Incentive Plan and grants to Directors:

	Options Outstanding			Options Exercisable	
Number Outstanding	Range of Exercise Prices	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Years	Number Exercisable	Weighted-Average Exercise Price
100,000	$ 4.21	$ 4.21	1.79	$ 100,000	$ 4.21
30,000	$ 4.78	$ 4.78	2.32	$ 30,000	$ 4.78
200,000	$ 3.40	$ 3.40	3.31	$ 150,000	$ 3.40
				$	
330,000	$ 3.40-4.78	$ 3.77	2.66	$ 280,000	$ 3.84

(c) Warrants – Expired on June 2010

On June 7, 2005, the Company granted 100,000 warrants to a consulting company as compensation for investor relations services at exercise prices as follows: 40,000 warrants at $3.50 per share, 20,000 warrants at $4.25 per share, 20,000 warrants at $4.75 per share and 20,000 warrants at $5 per share. The warrants have a term of five years and increments vest proportionately at a rate of a total 8,333 warrants per month over a one year period. The warrants are being expensed over the performance period of one year. In February 2006, the Company terminated its contract with the consultant company providing investor relation services. The warrants granted under the contract were reduced time-proportionally to 83,330, based on the time in service by the consultant company.

As part of some Private Placement Memorandums the Company issued warrants that can be summarized in the following table:

Name	Date	Terms	No. of Warrants	Exercise Price
Party 1	3/30/2008	2 years from Issuing	200,000	$ 1.50
Party 1	3/30/2008	2 years from Issuing	200,000	$ 2.00
Party 2	6/05/2008	2 years from Issuing	300,000	$ 1.50
Party 3	6/30/2008	2 years from Issuing	200,000	$ 1.50
Party 4	9/5/2008	2 years from Issuing	200,000	$ 1.50

None of the warrants were exercised to the date of this filling.

Cashless Warrants-Expired on September 2010:

On September 5, 2008 the Company entered a short term loan memorandum, with Mehmet Haluk Undes a third party, for a short term loan ("bridge") of up to $275,000 to bridge the drilling program of the Company. As a consideration for said facility, the Company grants the investor with 100% cashless warrants coverage for two years at exercise price of 1.50 per share. The investor made a loan of $220,000 to the company on September 15, 2008, that was paid in full on October 8, 2008. Accordingly the investor is entitled to 200,000 cashless warrants as from September 15, 2008 at exercise price of $1.50 for a period of 2 years. The Company contests the validity of said warrants.

(d) Shares

On May 6, 2008 the Company issued 5,000 shares of its common stock, $0.001 par value per share, to Stephen Martin Durante in accordance with the instructions provided by the Company pursuant to the 2004 Employee Stock Incentive Plan registered on Form S-8 Registration.

On June 11, 2008, the Company entered into a Services Agreement with Mehmet Haluk Undes (the "Undes Services Agreement") pursuant to which the Company engaged Mr. Undes for purposes of assisting the Company in identifying, evaluating and structuring mergers, consolidations, acquisitions, joint ventures and strategic alliances in Southeast Europe, Middle East and the Turkic Republics of Central Asia. Pursuant to the Undes Services Agreement, Mr. Undes has agreed to provide us services related to the identification, evaluation, structuring, negotiating and closing of business acquisitions, identification of strategic partners as well as the provision of legal services. The term of the agreement is for five years and the Company has agreed to issue Mr. Undes 5,250 shares of common stock that shall be registered on a Form S8 no later than July 1, 2008.

On August 13, 2008, the Company issued 160 shares of its common stock, $0.001 par value per share, to Robin Ann Gorelick, the Company Secretary, in accordance with the instructions provided by the Company pursuant to the 2004 Employee Stock Incentive Plan registered on Form S-8 Registration.

Following the above securities issuance, the 2004 Plan was closed, and no more securities can be issued under this plan.

2008 Stock Incentive Plan:

On July 28, 2008 - the Company held a special meeting of the shareholders for four initiatives, consisting of approval of a new board of directors, approval of the conversion of preferred shares to common shares, an increase in the authorized shares and a stock incentive plan. All initiatives were approved by the majority of shareholders. The 2008 Employee Stock Incentive Plan (the "2008 Incentive Plan") authorized the board to issue up to 50,000 shares of Common Stock under the plan.

On August 23 the Company issued 1,000 shares of its common stock 0.001 par value per share, to Robert M. Yaspan, the Company lawyer, in accordance with the instructions provided by the Company pursuant to the 2008 Employee Stock Incentive Plan registered on Form S-8 Registration.

On November 4, 2008, the Company issued 2,540 shares of its common stock 0.001 par value per share, to one consultant (2,000 shares) and two employees (540 shares), in accordance with the instructions provided by the Company pursuant to the 2008 Employee Stock Incentive Plan registered on Form S-8 Registration.

On July 23, 2009 - , the Company issued 46,460 shares of its common stock 0.001 par value per share, to Stephen M. Fleming, the Company's securities counsel pursuant to the 2008 Employee Stock Incentive Plan,

Following the above securities issuance, the 2008 Plan was closed, and no more securities can be issued under this plan.

10. Related party transactions

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. As of September 30, 2010, the Company owes Mr. Attia approximately $1,272,012 for those expenses, of which approximately $1,040,110 was classified as a convertible note, and the remaining balance of $231,902 was classified as Accounts Payable, and due to the maturity of the note in May 2011, both are therefore current liabilities of the Company. In connection with the change in control per the settlement agreement with Trafalgar, Mr. Attia resigned from the Company on June 11, 2010..
Per the Trafalgar settlement agreement and filing form 14 F-1, Messers Schaffer and Reich resigned as Directors of the Company. The amounts accrued as Directors Fees were converted into convertible notes.

11. Treasury Stock

Treasury Stock Repurchase - In June 2006, the Company's Board of Directors approved a program to repurchase, from time to time, at management's discretion, up to 700,000 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 700,000 to 1,500,000 shares of common stock and the Repurchase Program was extended until October 1, 2007, or until the increased amount of shares is purchased. Pursuant to the Sale Agreement of Navigator, the Company got on closing (February 2, 2007) 622,531 shares of the Company’s common stock as partial consideration. The Company shares were valued at $1.34 per share, representing the closing price of the Company on the NASDAQ Capital Market on February 16, 2007, the closing of the sale. The Company canceled the common stock acquired during the disposition in the amount of $834,192. All, the Company 660,362 treasury shares were retired and canceled during August and September 2008. On November 20, 2008, the Company issued a press release announcing that its Board of Directors has approved a share repurchase program. Under the program the Company is authorized to purchase up to 100,000 of its shares of common stock in open market transactions at the discretion of management. All stock repurchases will be subject to the requirements of Rule 10b-18 under the Exchange Act and other rules that govern such purchases.

As of September 30, 2010 the Company has 1,000 treasury shares in its possession (which been purchased in the open market per the above program) scheduled to be cancelled.

13. Restatement

We have restated our balance sheet at December 31, 2008 and statements of income, stockholders’ equity and cash flows for the year ended December 31, 2008. The restatement in 2008 did not have a material impact on (x) the net loss reported; (y) loss per share; and (z) the negative equity position of the Company from what the Company had previously reported for the year ended December 31, 2008. We have also restated our balance sheet at March 31, 2009 and statements of income, stockholders’ equity and cash flows for the quarter ended March 31, 2009. The restatement in the first quarter of 2009 did not have a material impact on (x) the net loss reported; (y) loss per share; and (z) the negative equity position of the Company from what the Company had previously reported for the quarter ended March 31, 2009.

14. Subsequent events

On April 5, 2010 the Company issued a formal request to Yasheng demanding that they surrender of the 50,000,000 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 50,000,000 shares.

On June 30, 2010, the Board of Directors of the Company approved the change of its name to ECO-Trade Corporation and the reverse split of the common stock of the Company on a 100:1 basis. The implementation of the name change and the reverse split is subject to complying with all SEC and FINRA requirements. On July 25, 2010, the Company obtained the approval of the majority of the shareholders to effect the reverse split. The Company intends to wait at least 20 days from the date that it obtained the needed approval. As of November 15, 2010, the reverse split has not yet occurred, but the reverse split has given full effect in the financial statements herein.

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.

The Company is considering entering into a joint venture with a third party, EMERGING VENTURES (GHANA) LIMITED, which was incorporated in the Republic of Ghana on August 5, 2010 ("EVG") to obtain an exploration and exporting gold license from the Republic of Ghana. On September 29, 2010, EVG notified the Company that it obtained a preliminary report regarding gold deposits (the "Prelim report") that was conducted by EVG during September 2010 by a certified senior geologist from Accra, Ghana. The Prelim Report presents the results of three-day preliminary investigation carried out along the Ankobra River in the Amenfi East District of Western Region of Ghana. The main objective of the geological investigation was to conduct scout prospecting to establish the alluvial gold mineralization potential of the Wassa Adumako concession for EVG which will form the basis for its investment decision in the acquisition of the concession. Twelve samples from auger drill holes were submitted to SGS Laboratory Services GH. Ltd, for gold and silver assay. The results of the present scout prospecting indicate that the drilled holes, which were drilled randomly along the Ankobra River, indicated that mechanized operations should be considered. As such, EVG decided to carry out further detailed systematic exploration work for quantitative assessment of the available gold on the concession.

The negotiations with EVG are subject to the drafting and negotiation of a final definitive agreement, the Company performing due diligence on the opportunity including evaluating the Prelim Report and on EVG, as well as final board approval of the Company. As such, there is no guarantee that the Company will close the above transaction.

As disclosed on Footnote 1, the Company commenced negotiations with a third party to acquire some or all of the assets of a company which licenses a web-based Binary Options Platform.

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 nine months ended September 30, 2010. 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, 2009 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 su 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

Three Months Period Ended September 30, 2010 Compared to Three Months Period Ended September 30, 2009

Due to the financial investment in Gas and Oil activity, which commenced in May 2008, and the development of our logistic operations, the consolidated statements of operations for the periods ended September 30, 2010 and 2009 are not comparable. The financial figures for 2009 only include the corporate expenses of the Company’s legal entity registered in the State of Delaware. This section of the report should be read together with the Company consolidated financials.

The consolidated statements of operations for the periods ended September 30, 2010 and 2009 are compared (subject to the above description) in the sections below:

Compensation and related costs

The following table summarizes compensation and related costs for the three months ended September 30, 2010 and 2009:

Three months ended September 30,	2010	2009
Compensation and related costs	$ 14,573	$ 143,064

Compensation and related costs is approximately 90% lower than the same period last year, due to downward adjustments in overhead.

Consulting, director and professional fees

The following table summarizes consulting and professional fees for the three months ended September 30, 2010 and 2009:

Three months ended September 30,	2010	2009
Consulting, director and professional fees	$ 26,700	$ 164,312

Consulting, professional and director fees for the three months ended September 30, 2010 was approximately 84% lower than the prior period, due to increased use of stock as compensation for advisors and board members.

Other selling, general and administrative expenses

The following table summarizes other selling, general and administrative expenses for the three months ended September 30, 2010 and 2009:

Three months ended September 30,	2010	2009
Other selling, general and administrative expenses	$ 75,838	$ 135,500

Overall, other selling, general and administrative expenses decreased by approximately $60,000, or 44%, due to reductions in overhead and the changed business model.

Interest income and expense

The following table summarizes interest income and expense for the three months ended September 30, 2010 and 2009:

Three months ended September 30,	2010	2009
Interest income	$0	$0
Interest expense	$(110,980)	$(434,129)

Interest income was not comparable between the periods, due to the changed business model from the prior period to the current period. Interest expense decreased by about $323,000, or 74%, mainly due to a decreased reliance on external lenders to finance the Company's business model.

Nine Months Period Ended September 30, 2010 Compared to Nine Months Period Ended September 30, 2009

Due to the financial investment in Gas and Oil activity, which commenced in May 2008, and the development of our logistic operations, the consolidated statements of operations for the periods ended September 30, 2010 and 2009 are not comparable. The financial figures for 2009 only include the corporate expenses of the Company's legal entity registered in the State of Delaware. This section of the report should be read together with the Company consolidated financials.

The consolidated statements of operations for the periods ended September 30, 2010 and 2009 are compared (subject to the above description) in the sections below:

Compensation and related costs

The following table summarizes compensation and related costs for the nine months ended September 30, 2010 and 2009:

Nine months ended September 30,	2010	2009
Compensation and related costs	$ 154,328	$ 214,597

Compensation and related costs is approximately 28% lower than the same period last year, due to downward adjustments in overhead.

Consulting, director and professional fees

The following table summarizes consulting and professional fees for the nine months ended September 30, 2010 and 2009:

Nine months ended September 30,	2010	2009
Consulting, director and professional fees	$ 277,139	$ 435,682

Consulting, professional and director fees for the three months ended September 30, 2010 was approximately 36% lower than the prior period, due to increased use of stock as compensation for advisors and board members.

Other selling, general and administrative expenses

The following table summarizes other selling, general and administrative expenses for the six months ended September 30, 2010 and 2009:

Nine months ended September 30,	2010	2009
Other selling, general and administrative expenses	$ 177,597	$ 222,801

Overall, other selling, general and administrative expenses decreased by approximately $45,000, or 20%, due to reductions in overhead and the changed business model.

Interest income and expense

The following table summarizes interest income and expense for the nine months ended June 30, 2010 and 2009:

Nine months ended September 30,	2010	2009
Interest income	$ 0	$ 211,567
Interest expense	$ (254,150)	$ (2,172,808)

Interest income was not comparable between the periods, due to the changed business model from the first nine months of 2009 to the first nine months of 2010. Interest expense decreased by 88%, or about $1,919,000, mainly due to a decreased reliance on external lenders to finance the Company's business model.

Liquidity and Capital Resources

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. As a result of the Trafalgar settlement agreement, the Company decided to continue to pursue the Company's core business of logistics and to look for expansion opportunities such as the aforementioned possible joint venture in gold exploration and exporting from Ghana, and to fund the working capital needs of the Company. As of September 30, 2010, our cash, cash equivalents and marketable securities were $20,000, a decrease of approximately $66,000 from the end of fiscal year 2009. The decrease in our cash, cash equivalents and marketable securities is the result of cash flow used by our operations during the first nine months of 2010. Cash flows used by operating activities for the nine months ended September 30, 2010 and 2009 was $(216,489) and $(570,147), respectively. The change is primarily due to the increase in our notes payables, and the writeoff of bad debt associated with the DCG properties in the second quarter of 2010.

Cash flows used in investing activities for the nine months ended September 30, 2010 and 2009 was $0 and $0, respectively. Cash provided by financing activities for the nine months ended September 30, 2010 and 2009 was $150,700 and $452,219, respectively. In the current period, cash flows from financing activities reflects proceeds from a note payable; in the prior period, the cash flow results from proceeds from issuance on common stock.

The Company currently anticipates that its available cash resources will not be sufficient to meet its ongoing working capital requirements. Accordingly, the Company will be required to raise additional capital in the near future to continue operations, and to make any future investments, such as the gold mining joint venture, and to make any future acquisitions.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risks

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this item.

ITEM 4. Controls and Procedures

Disclosure Control and Procedures

We maintain “disclosure controls and procedures,” as such term defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”) 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, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding the required disclosures.

Management, including our Chief Executive Officer and Principal Financial Officer, do 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, assurances 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. Due to the inherent limitations in all control systems, internal control over financial reporting may not prevent or detect misstatements, and further, no evaluation of controls can provide absolute assurances 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.

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, as of September 30, 2010, 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 engage in an extraordinary transaction, we will continuously review our disclosure controls and procedures to ensure the controls and procedures 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 September 30, 2010 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

The Company is not currently involved in any active litigation. In regard to prior legal proceedings and its status please refer to the footnotes of the included financial statements.

ITEM 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, and such, are not required to provide the information under this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

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 13,000,000 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.

On March 23, 2010, the Company issued 8,000,000 shares of its common stock at $0.006 par value to Donfeld, Kelley & Rollman ("Kelley"), the Company lawyer, as partial payment for legal fees due. 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.

On April 10, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Atias whereby the Company and Ms. Atias exchanged $50,000 of a promissory note in the amount of $250,000 held by Ms. Atias, which is the remaining balance on said Note, into 12,714,286 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 5,085,714 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.

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. The Note in the amount of $133,344 is convertible to 15,000,000 common shares of the Company. However, the amount of shares to be delivered may be increased in certain circumstances. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the Lender be adjusted such that the aggregate number of shares issuable to the holder is equal to (a) 15,000,000 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 holder (i.e. if a total issuance of more than 15,000,000 shares is required), such additional Conversion Shares shall be issued to the holder or its designee within one business day. If this adjustment requires the return of Conversion Shares to the holder (i.e. if an aggregate issuance of less than 15,000,000 shares is required), such Conversion Shares shall be promptly returned to the holder.

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. The Note in the amount of $149,177 is convertible to 15,000,000 common shares of the Company, which may be adjusted. The Note's adjustment mechanism states that the number of Conversion Shares issuable to the holder shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 15,000,000 plus the actual legal fees and costs incurred by the holder and the holder'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 holder (i.e. if a total issuance of more than 15,000,000 shares is required), such additional Conversion Shares shall be issued to the holder 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 15,000,000 shares is required), such Conversion Shares shall be promptly returned to the holder.

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. The Note in the amount of $1,000,000 is convertible to 100,000,000 common shares of the Company, which may be adjusted in certain circumstances. The Note has an adjustment mechanism which states that the number of Conversion Shares issuable to the holder shall be adjusted such that the aggregate number of shares issuable to the holder is equal to (a) 100,000,000 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 holder (i.e. if a total issuance of more than 100,000,000 shares is required), such additional Conversion Shares shall be issued to the holder or its designee within one business day. If this adjustment requires the return of Conversion Shares to the holder (i.e. if an aggregate issuance of less than 100,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

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 said settlement which was declared effective as of December 31, 2009, 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 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.

The Company entered into separate 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 500 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.

The above securities were offered and sold 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 parties are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

As disclosed in the financial statement footnote (see Notes Payable), the Company is in default on some of its convertible notes. As such the Company has applied the default rate (18% per annum) to those notes during the quarter. This is reflected fully in the Financial Statements.

ITEM 4. RESERVED

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

4.1 Certificate of Designation – Series E Preferred Stock (1)

4.2 Certificate of Designation – Series F Preferred Stock (1)

10.1 Joint Venture Agreement by and between Yasheng Eco-Trade Corporation and CMARK International, Inc., dated June 30, 2010. (2)

10.2 Form of Agreement entered between Yasheng Eco Trade Corp. and each of the directors of the Company. (1)

31 Certification of the Chief Executive Officer, Principal Accounting Officer and Principal Financial Officer of YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of the Chief Executive Officer, Principal Accounting Officer and Principal Financial Officer of YASHENG ECO-TRADE CORPORATION (F/K/A VORTEX RESOURCES CORP.) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1 Settlement Agreement and Release of Claims by and between Yasheng Eco-Trade Corporation and George A. Sharp, dated June 2, 2010 (3)

(1) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on August 11, 2010.
(2) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on July 7, 2010.
(3) Incorporated by reference to the Form 8-K Current report filed with the Securities and Exchange Commission on June 4, 2010.

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 Columbia, South Carolina, on November 15, 2010.

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

By: /s/William Lieberman
William Lieberman
President, Chief Executive Officer, Principal Accounting Officer and Principal Financial Officer