EQUITY RESIDENTIAL
Form 10-Q
August 05, 2010
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended JUNE 30, 2010**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**

**Commission File Number: 1-12252**

# EQUITY RESIDENTIAL

**(Exact name of Registrant as Specified in Its Charter)**

| **Maryland** | **13-3675988** |
|---|---|
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |
| **Two North Riverside Plaza, Chicago, Illinois** | **60606** |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(312) 474-1300**

**(Registrant s Telephone Number, Including Area Code)**

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 ¨

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 ¨

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 | x | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

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

The number of Common Shares of Beneficial Interest, $0.01 par value, outstanding on July 29, 2010 was 283,455,452.

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**EQUITY RESIDENTIAL**

**CONSOLIDATED BALANCE SHEETS**

**(Amounts in thousands except for share amounts)**

**(Unaudited)**

| | **June 30, 2010** | **December 31, 2009** |
|---|---|---|
| **ASSETS** | | |
| Investment in real estate | | |
| Land | $ 4,003,177 | $ 3,650,324 |
| Depreciable property | 14,686,447 | 13,893,521 |
| Projects under development | 473,280 | 668,979 |
| Land held for development | 251,219 | 252,320 |
| Investment in real estate | 19,414,123 | 18,465,144 |
| Accumulated depreciation | (4,146,964) | (3,877,564) |
| Investment in real estate, net | 15,267,159 | 14,587,580 |
| Cash and cash equivalents | 47,982 | 193,288 |
| Investments in unconsolidated entities | 2,889 | 6,995 |
| Deposits restricted | 108,654 | 352,008 |
| Escrow deposits mortgage | 17,995 | 17,292 |
| Deferred financing costs, net | 41,862 | 46,396 |
| Other assets | 138,731 | 213,956 |
| **Total assets** | **$ 15,625,272** | **$ 15,417,515** |
| **LIABILITIES AND EQUITY** | | |
| Liabilities: | | |
| Mortgage notes payable | $ 4,754,601 | $ 4,783,446 |
| Notes, net | 4,584,800 | 4,609,124 |
| Lines of credit | 320,000 | - |
| Accounts payable and accrued expenses | 81,791 | 58,537 |
| Accrued interest payable | 97,273 | 101,849 |
| Other liabilities | 312,119 | 272,236 |
| Security deposits | 62,568 | 59,264 |
| Distributions payable | 102,520 | 100,266 |
| **Total liabilities** | **10,315,672** | **9,984,722** |
| *Commitments and contingencies* | | |
| **Redeemable Noncontrolling Interests Operating Partnership** | **313,735** | **258,280** |
| Equity: | | |
| Shareholders equity: | | |
| Preferred Shares of beneficial interest, $0.01 par value; 100,000,000 shares authorized; 1,947,425 shares issued and outstanding as of June 30, 2010 and 1,950,925 shares issued and outstanding as of December 31, 2009 | 208,686 | 208,773 |

| | | |
|---|---|---|
| Common Shares of beneficial interest, $0.01 par value; 1,000,000,000 shares authorized; 283,442,674 shares issued and outstanding as of June 30, 2010 and 279,959,048 shares issued and outstanding as of December 31, 2009 | 2,834 | 2,800 |
| Paid in capital | 4,524,359 | 4,477,426 |
| Retained earnings | 220,965 | 353,659 |
| Accumulated other comprehensive (loss) income | (79,666) | 4,681 |
| Total shareholders equity | 4,877,178 | 5,047,339 |
| Noncontrolling Interests: | | |
| Operating Partnership | 108,989 | 116,120 |
| Partially Owned Properties | 9,698 | 11,054 |
| Total Noncontrolling Interests | 118,687 | 127,174 |
| **Total equity** | **4,995,865** | **5,174,513** |
| **Total liabilities and equity** | **$ 15,625,272** | **$ 15,417,515** |

See accompanying notes

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**EQUITY RESIDENTIAL**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Amounts in thousands except per share data)**

**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2010 | 2009 |
| | 993,570 | $ 957,533 |
| | 5,468 | 5,275 |
| | 999,038 | 962,808 |
| | 251,971 | 241,386 |
| | 114,482 | 103,845 |
| | 41,147 | 37,732 |
| | 3,660 | 3,985 |
| | 326,965 | 284,952 |
| | 20,811 | 20,595 |
| | - | 11,124 |
| | 759,036 | 703,619 |
| | 240,002 | 259,189 |
| | 5,117 | 12,639 |
| | (6,026) | (306 |
| | (231,116) | (239,172 |
| | (5,516) | (6,214 |
| | 2,461 | 26,136 |

| | |
|---|---|
| (20) | (2,387 |
| (923) | (2,221 |
| 5,557 | 2,759 |
| 7,075 | 24,287 |
| 60,870 | 167,066 |
| 67,945 | 191,353 |
| (2,936) | (10,420 |
| - | (7 |
| 435 | 74 |
| 65,444 | 181,000 |
| (7,238) | (7,240 |
| 58,206 | $ 173,760 |
| - | $ 0.06 |

ssue common stock without shareholder approval that may cause dilution to existing shareholders.

e 239,500,000 authorized shares of common stock that can be issued by the Board of Directors. Under most tances, the Board of Directors has the right to issue these shares. If all of these shares were issued, it would ally dilute the existing shareholders.

ry 2010, the Company increased the number of authorized shares to 510,500,000, which includes 500 million shares on stock, 1 million shares of Series A preferred stock, 500,000 shares of Series B preferred stock, 8 million shares of preferred stock and 1 million shares of other preferred stock.

tment in our securities is highly speculative and subject to numerous and substantial risks. Readers are encouraged these risks carefully before making any investment decision.

3. UNRESOLVED STAFF COMMENTS

PROPERTIES

cipal executive office is located at 974 Silver Beach Road, Belgium, Wisconsin 53004. The lease payment of $4,300 h on 3,500 square feet of offices and manufacturing expired in March 2010. We also lease office space in St. Paul, lease payment is $3,600 per month and is paid on a month-to-month basis. We also lease a manufacturing facility in Nebraska. The lease payment is $3,000 per month and expires in August 2010. We have not renewed the lease on ty in Belgium, but remain in the space on a month-to-month basis.

LEGAL PROCEEDINGS

not a party to any material legal proceedings and, to our knowledge, no material proceedings are threatened or lated against us.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

a preliminary and definitive information statement to increase the number of authorized shares in the company to 000 shares and put it to a vote of our security holders during the quarter ended December 31, 2009. A majority of ders voted to approve the increase.

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MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES
ITY SECURITIES

nformation

mon stock is quoted under the symbol "MNCN" on the OTCBB. The following table sets forth the high and low bid r shares of our common stock for 2008, 2009, and the first quarter of 2010 , as reported by the Pink Sheets and Quotations reflect inter dealer prices, without retail markup, mark down, or commission, and may not represent nsactions.

| YEAR | PERIOD | HIGH | LOW |
|---|---|---|---|
| 2008 | First Quarter | .08 | .04 |
| | Second Quarter | .10 | .04 |
| | Third Quarter | .07 | .015 |
| | Fourth Quarter | .14 | .02 |
| 2009 | First Quarter | .36 | .12 |
| | Second Quarter | .23 | .06 |
| | Third Quarter | .17 | .07 |
| | Fourth Quarter | .14 | .06 |
| 2010 | First Quarter | .14 | .05 |

n Stock Currently Outstanding

pril 12, 2010, 188,813,574 of our current outstanding shares consist of restricted common stock. All of these shares g are eligible for resale pursuant to Rule 144 of the Securities Act. We have no plans or commitments to register res in the future.

date of this Report, we had 519 stockholders of record of our common stock.

ls

e not declared any cash dividends on our common stock since our inception and do not anticipate paying any s in the foreseeable future. We plan to retain future earnings, if any, for use in our business. Any decisions as to ayments of dividends will depend on our earnings and financial position and such other facts, as the Board of s deems relevant.

o Stockholders

currently subject to the information and reporting requirements of the Securities Exchange Act of 1934 and will to file periodic reports, and other information with the SEC. We intend to send annual reports to our stockholders g audited financial statements.

Agent

sfer agent and registrar for Mach One’s common stock is Stalt, Inc., 671 Oak Grove Avenue Suite C, Menlo Park, CA elephone: (650) 321-7111.

ales of Unregistered Securities

uary 17, 2009, pursuant to an agreement, Mach One issued 2,273,333 shares of common stock valued at $170,500 per share) for professional services related to the issuance of short-term convertible notes payable.

uary 18, 2009, Mach One issued 500,000 shares of Series B Convertible Preferred Stock (the “Series B Preferred to the Thomsen Group, LLC (“Thomsen”) for the purchase of all of the assets of Modular Process Contractors, LLC . Each share of Series B Preferred Stock is convertible into two shares of Mach One common stock.

uary 20, 2009, pursuant to a Plan and Agreement of Reorganization, Mach One issued 8,000,000 shares of its stock and 8,000,000 shares of Series C Convertible Preferred Stock (“Series C Preferred Stock”) in exchange for all of d and outstanding common stock of Ceres Organic Harvest, Inc. (Ceres). Each share of Series C Preferred Stock is le into one share of Mach One’s common stock.

13, 2009, pursuant to an agreement, Mach One issued 400,000 shares of common stock valued at $30,000 ($0.075 ) for professional services related to the issuance of the short-term convertible note payable.

13, 2009, Mach One issued 2,346,698 shares of common stock valued at $23,467 ($0.01 per share) for the on of a note payable under the terms of the original agreement.

20, 2009, Mach One issued 2,000,000 shares of common stock valued at $200,000 ($0.10 per share) for the retention estment banking firm for services performed during the quarter.

2, 2009, Mach One issued 5,000,000 shares of common stock for the conversion of 1,000,000 shares of Series A ble Preferred Stock, valued at $50,000 ($0.01 per share), under the terms of the agreements.

us dates during the three months ended June 30, 2009, Mach One issued 3,189,505 shares of common stock (at $0.045 and $0.075 per share) for the conversion of $160,000 of short-term notes payable and $8,546 of related nterest under the terms of the agreements.

us dates during the three months ended June 30, 2009, Mach One issued 2,220,000 shares of common stock valued 00 for consulting services provided during the three months ended June 30, 2009.

31, 2009, Mach One issued 500,000 shares of common stock valued at $50,000 ($0.10 per share), to an employee of pany as a retention bonus.

31, 2009, Mach One issued 2,500,000 shares of common stock for the conversion of 4,420,000 shares of Series A ble Preferred Stock, valued at $221,000 (approximately $0.09 per share), under the terms of the agreements.

us dates during the three months ended September 30, 2009, Mach One issued 31,488,072 shares of common prices of $0.045 and $0.075 per share) for the conversion of $1,937,984 of short-term notes payable and $167,955 d accrued interest under the terms of the agreements.

us dates during the three months ended September 30, 2009, Mach One issued 1,010,284 shares of common stock $105,292 (at approximately $0.10 per share) for consulting services provided during the three months ended er 30, 2009.

us dates during the three months ended December 31, 2009, Mach One issued 2,099,841 shares of common stock $145,987 (approximately $0.07 per share) for consulting services provided during the three months ended er 31, 2009.

us dates during the three months ended December 31, 2009, Mach One issued 725,000 shares of common stock $58,000 ($0.08 per share) for the purchase of inventory.

us dates during the three months ended December 31, 2009, Mach One issued 500,159 shares of common stock $39,850 (approximately $0.08 per share) for a retention bonus to an employee of the Company.

us dates during the three months ended December 31, 2009, Mach One issued 6,000,000 shares of common stock for ersion of 6,000,000 shares of Series C preferred stock of the Company.

e investors above are sophisticated individuals who had the opportunity to review all of the Company's SEC filings scuss with the officers and directors of the Company the business and financial activities of the Company. All the acquired their warrant, shares and/or exchange notes for investment and not with a view toward distribution. All of certificates and exchange notes issued, or to be issued upon conversion or exercise, to the warrant holder, the thirty im shareholders and the stock certificates issued to Thomsen and to the six Ceres shareholders have been, or will be, vith an appropriate legend restricting sales and transfers. Therefore, based on the foregoing, the company issued the d Exchange Notes in reliance upon the exemptions from registration provided by Section 4(2) of the Securities Act nd/or Regulation D, there under

al Information

of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8−K, and any
ents to those reports, are available free of charge on the Internet at www.sec.gov. All statements made in any of our
ncluding all forward-looking statements, are made as of the date of the document, in which the statement is included,
o not assume or undertake any obligation to update any of those statements or documents unless we are required to
law.

SELECTED FINANCIAL DATA.

ired under Regulation S-K for "smaller reporting companies."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
TION

owing discussion should be read in conjunction with our audited consolidated financial statements and related notes
ar elsewhere in this filing.

ry Note Regarding Forward-Looking Statements

the statements made in this section of our report are forward-looking statements. These forward-looking statements
relate to and are based upon our current plans, expectations, assumptions and projections about future events. Our
ment currently believes that the various plans, expectations, and assumptions reflected in or suggested by these
looking statements are reasonable. Nevertheless, all forward-looking statements involve risks and uncertainties and
l future results may be materially different from the plans, objectives or expectations, or our assumptions and
ns underlying our present plans, objectives and expectations, which are expressed in this section.

f the foregoing, prospective investors are cautioned that the forward-looking statements included in this filing may
y prove to be inaccurate—even materially inaccurate. Because of the significant uncertainties inherent in such
looking statements, the inclusion of such information should not be regarded as a representation or warranty by
he Corporation or any other person that our objectives, plans, expectations or projections that are contained in this
l be achieved in any specified time frame, if ever. We undertake no obligation to publicly release any revisions to
rd-looking statements or reflect events or circumstances after the date of this document.

Overview

v

Mach One acquired VDx, a biotech company that specialized in immune/gamma globulin solutions (Iggs) for the
nd bovine markets. This organization, now operating as the Animal Wellness Group (AWG) is focused on creating
products that deliver positive impact on animal wellness. Products are currently marketed under the Bridge™ brand
sing proprietary and patented protections, Bridge™ solutions provide vital wellness advantages and are currently
on bovine herds facing a broad spectrum of stressful conditions. Mach One has continued to grow and today is a
d vibrant organization with a commitment to innovative product development for other animal species as well as the
arket. Mach One and AWG are headquartered in Belgium, Wisconsin.

ently, Mach One acquired Ceres Organic Harvest Inc. (Ceres) —a transaction that closed Feb. 21, 2009. Ceres is now he Mach One Organics and Sustainables Group (OSG). Along with its subsidiary, Organic Grain and Milling Inc. Ceres and OGM supplies organic grain and grain-based ingredients to the food, feed and dairy industries, including of wheat, flour, oats, corn, flax, barley and other products. Ceres is currently launching a new line of oat-based using a proprietary oat cultivar with substantially higher fiber and beta-glucan content, which was developed in a ive breeding program between the North Dakota State University and the United States Department of Agriculture's Agricultural Research Service. Ceres and OGM operate a grain elevator in North Dakota, with corporate offices in Minnesota. The integration of organic foods and animal feeds to the Mach One package of global wellness solutions Mach One's reach as well as its ability to expand its success in sustainable bio-solutions. OSG is headquartered in olis, Minnesota.

Process Constructors, LLC (dba MPS-BioPharm)—a transaction that closed Feb. 19, 2009— is now part of Mach One's rm Process Systems Group and engages in the design and manufacture of constructed systems for the naceutical industry. It offers process modules and skids, custom tanks and vessels, and sanitary stainless steel flow nt, along with professional project management, design qualifications, detail design, component procurement, metrics and reporting. With the addition of MPS-BioPharm, it enables Mach One to accelerate production of naceutical, Nutraceutical, and Bridge™ Iggs on a global basis. The BioPharm Process Systems Group is headquartered ha, Wisconsin.

Iach One and its three Operating Groups—Animal Wellness, Organics and Sustainables, and BioPharm Process —offer a broad range of solutions to global health problems, from helping calves develop immunity at birth to carefully g organic grain crops, to testing equipment that helps detect compromised food products long before they can cause n.

e not generated significant operating revenues, and as of December 31, 2009 we had incurred a cumulative ated net loss from inception of $14,636,624.

years ended December 31, 2009 and 2008, our consolidated net losses were $10,891,864 and $1,474,877 ely. Our current liabilities exceed current assets by $1,923,585.

n we completed a convertible debt financing with gross proceeds of approximately $2,250,000 in November 2008 ary 2009, we require significant additional funding in order to achieve our business plan. We believe that our current ition will be able to sustain our proposed operations for 3-6 months. Over the next 18 months, in order to have the y of achieving our business plan, we believe that we will require at least $5,000,000 in additional funding. We will o raise these funds by means of one or more public or private offerings of debt or equity securities or both. We do ve that the required funds could be generated from the increased cash flows of our divisions as they become fully d.

f Operations

led December 31, 2009 Compared to Year Ended December 31, 2008

for year ended December 31, 2009 were $4,897,438 compared to $104,166 for the same period last year. Net sales d due to increased revenues from the acquisitions of Ceres (approximately $4,606,000) and MPS (approximately )). This was offset by a slight decrease (approximately $30,000) in sales at Animal Wellness.

goods sold were $4,807,510 for the year ended December 31, 2009 compared to $34,753 for the year ended er 31, 2008. This increase was primarily due to the acquisitions of Ceres (approximately $4,650,000) and MPS mately $129,000). There were no significant changes in cost of goods sold of Animal Wellness between the periods d.

ofit for the year ended December 31, 2009 was $89,928 compared to $69,413 for the same period last year. Gross creased due to increased sales margins with the acquisition of MPS (approximately $87,000). This was offset by a gross profit at Ceres (approximately $44,000) and a decrease in gross profit for Animal Wellness (approximately in the current period.

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g expenses increased to $10,223,080 in the year ended December 31, 2009 from $1,393,219 in the same period in e increase is due to the impairments of goodwill, intangibles and property and equipment of $3,438,466, $1,652,526 7,033, respectively and to additional personnel in Animal Wellness and costs associated with additional employees ities from the acquisition of Ceres and MPS (approximately $3,400,000). We impaired the goodwill related to the on of PRF as the Company determined, subsequent to the acquisition date, to not pursue operating plans related to instead to liquidate the assets acquired for use as working capital. We impaired certain intangible assets related to isition of Ceres as we subsequently determined that we would not be able to achieve financial and operational es. We impaired certain equipment related to AWG as we abandoned our initial plan to provide products to large tilizing this equipment.

expense for the year ended December 31, 2009 was $639,206 compared to $151,071 for the same period last year. expense increased due to the issuance of short term notes payable during the two quarters ended March 31, 2009 and e debt incurred with acquisition of Ceres.

sale of marketable securities for the year ended December 31, 2009 was $223,087 compared to $0 for the same st year. The loss on sale of marketable securities is attributable to the sale of marketable securities acquired with the on of PRF in 2008. We liquidated those securities as planned during 2009 to provide cash for operations.

 and Capital Resources

a cash balance of $79,902 as of December 31, 2009 and a cash balance of $635,334 as of December 31, 2008.

e of our marketable securities on December 31, 2009 decreased to $4,223 from $483,900 as of market close on r 31, 2008. The decrease is due to the decline in market values and sales generating $244,525 in cash.

s receivable as of December 31, 2009 increased to $385,794 from $44,603 at December 31, 2008 due to the ons of Ceres (approximately $261,000) and MPS (approximately $78,000) as of December 31, 2009.

y as of December 31, 2009 increased to $323,058 from $0 at December 31, 2008 due to the acquisitions of Ceres mately $320,000) and MPS (approximately $2,000) as of December 31, 2009.

sets at December 31, 2009 are $3,263,110 compared to $6,196,748 at December 31, 2008. This decrease is ble to the acquisitions of Ceres and MPS offset by an impairment to goodwill originally recorded in 2008 of mately $3,400,000 related to the acquisition of PRF.

cember 31, 2009, we have current liabilities totaling $3,197,518 compared to $1,223,904 at December 31, 2008. The is due to; an increase in accounts payable, which is due to an increase at Animal Wellness (approximately 0), the acquisitions of Ceres (approximately $1,194,000) and MPS (approximately $50,000) as of December 31, increase in accrued expenses at Animal Wellness of approximately $140,000, deferred revenues of approximately from the acquisition of MPS and an increase in short-term notes payable of approximately $250,000.

m debt as of December 31, 2009 is $3,504,130 compared to $3,164,268 at December 31, 2008. This increase is due bility for intangible assets acquired from Platte Valley Bank of approximately $240,000 and the accretion of interest n notes of approximately $156,000. This is offset by payments and conversions of notes of approximately $50,000.

g Activities

used in operations increased to $1,845,154 during the year ended December 31, 2009 from $929,742 during the ed December 31, 2008. The decrease in operating cash flows was primarily due to the acquisitions of Ceres and MPS ad losses in their operations), the use of funds to establish operations for the Animal Wellness Group, an increase in

and significant changes in working capital levels from the prior year. More specifically, the changes in working
n the year ended December 31, 2009 included increases in accounts payable and accrued expenses, and a decrease in
receivable, other assets, and inventory, net of the acquisitions of Ceres and MPS. Accounts receivable decreased,
e acquisition of Ceres due to a continuing trend toward decreased sales at Ceres. The decrease in inventory, net of
ons is primarily a result of a reduction of Ceres inventory levels to generate working capital. The increase in
payable and accrued expenses, net of acquisitions was driven by our current lack of capital.

; Activities

used in investing activities decreased to $22,527 during the year ended December 31, 2009 compared to $60,159 of
ng provided by investing activities during the year ended December 31, 2008. The decrease was due to increased
and equipment purchases during 2009 and to cash acquired of approximately $330,000 from the acquisition of PRF

g Activities

provided by financing activities during the year ended December 31, 2008 was $1,312,249, compared to $1,497,989
e year ended December 31, 2008. The primary reasons for the decrease in cash provided by financing activities were
urchases of the Company's stock for Treasury (approximately $240,000) in 2009 and by payments made on short
es payable and long term debt (approximately $160,000) in 2009.

r low cash position, our near term focus in fiscal 2010 continues to be to reduce expenses and create positive
g cash flow from our Organics and Sustainables Group. We strive in the current year to add revenues while holding
relatively flat. We believe that we will need to raise $1.2 million in short term funding to cover our needs through
2010. Coincident with our short term funding, we will start seeking an additional $5 to $6 million to fund expansion
ars ahead. If we succeed in raising such amounts, we believe that we would have sufficient capital to fund our
ns and expansion plans indefinitely.

vendors have been asking for past due payments in the past 12 months. In those cases where we do not have an
greement with vendors, it is possible that a vendor may demand payment or refuse to provide services that are
o the ability of the Company to either continue to operate or to timely file required reports with the SEC. If any such
erialize, it would likely decrease our likelihood of obtaining financing on terms acceptable to us, if at all. In
if we fail to reach sales revenue objectives (for any reason, including due to continued poor real estate and credit
onditions beyond our control), additional financing may not be available on terms favorable to us, if at all.

onal funds are raised by the issuance of our equity securities, such as through the issuance and exercise of common
en existing stockholders will experience dilution of their ownership interest. If additional funds are raised by the
of debt or other types of (typically preferred) equity instruments, then we may be subject to certain limitations in our
ns. Issuance of such securities may have rights senior to those of the then existing holders of our common stock. If
e funds are not available or not available on acceptable terms, we may be unable to fund expansion, develop or
products or respond to competitive pressures.

er-term working capital and capital requirements will depend upon numerous factors, including revenue and profit
on, the cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights,
ng technological and market developments, collaborative arrangements. Additional capital will be required in order
our goals. We cannot assure you that funds from our future operations or funds provided by our current financing
s will meet the requirements of our operations, and in that event, we will continue to seek additional sources of
g to maintain liquidity. We are actively pursuing all potential financing options as we look to secure additional funds
tabilize and to grow our business operations. Our management will review any financing options at their disposal,
judge each potential source of funds on its individual merits. We cannot assure you that we will be able to secure
al funds from debt or equity financing, as and when we need to, or if we can, that the terms of this financing will be
e to us or our stockholders.

nce Sheet Arrangements

no off-balance sheet arrangements.

ccounting Pronouncements

Note 2. Summary of Significant Accounting Policies in our consolidated financial statements for a discussion of counting pronouncements.

Accounting Policies

ussion and analysis of our financial condition and results of operations are based upon our financial statements, ve been prepared in accordance with accounting principles generally accepted in the United States of America. The on of these financial statements requires us to make estimates and judgments that affect the reported amounts of abilities, revenues and expenses, and related disclosures. We evaluate these estimates on an on-going basis. We base nates on historical experience and on various other assumptions that are believed to be reasonable under the ances, the results of which form the basis for making judgments about the carrying values of assets and liabilities ot readily apparent from other sources. Actual results may differ from these estimates under different assumptions ions.

ider the following accounting policies to be those most important to the portrayal of our results of operations and condition:

Recognition. The Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title rred, the selling price is fixed or determinable, collection is reasonably assured and delivery has occurred per the terms. For certain contracts of MPS, the Company recognizes revenue based on the percentage of completion Revenue is deferred when customer billings exceed revenue earned.

Taxes. We account for income taxes using an asset and liability approach to financial accounting and reporting for axes. Accordingly, deferred tax assets and liabilities arise from the difference between the tax basis of an asset or nd its reported amount in the consolidated financial statements. Deferred tax amounts are determined using the tax ected to be in effect when the taxes will actually be paid or refunds received, as provided under currently enacted tax uation allowances are established when necessary to reduce deferred tax assets to the amount expected to be Income tax expense or benefit is the tax payable or refundable, respectively, for the period plus or minus the change ed tax assets and liabilities during the period. We have recorded a full valuation allowance for our net deferred tax of December 31, 2009 and 2008 because realization of those assets is not reasonably assured.

recognize a financial statement benefit of a tax position only after determining that the relevant tax authority would ely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the ecognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being upon ultimate settlement with the relevant tax authority.

ts Receivable. Accounts receivable arise in the normal course of business in selling products to rs. Concentrations of credit risk with respect to accounts receivable arise because the Company grants unsecured the form of trade accounts receivable to its customers.

s are written off as they are deemed uncollectible based upon a periodic analysis of specific customers, taking into ation the age of past due accounts and the customer's ability to pay.

ry. The Company maintains its inventory on a perpetual basis utilizing the first-in first-out (FIFO) Inventories have been valued at the lower of cost or market. As of December 31, 2009 and December 31, 2008, nent has not established an obsolescence reserve for inventory, as we believe that all inventory is usable and that alues of all inventories exceed cost.

and Equipment. Property and equipment is reported at cost less accumulated depreciation. Maintenance and repairs ged to expense as incurred. The cost of property and equipment is depreciated over the following estimated useful he related assets:

| | |
|---|---|
| Building | 39 years |
| Furniture & Fixtures | 7 years |
| Machinery & Equipment | 5 years |

ved and Amortizable Intangible Assets. The Company periodically evaluates the carrying value of long-lived and ble intangible assets to be held and used, including but not limited to, capital assets, when events and circumstances uch a review. The carrying value of a long-lived or amortizable intangible asset is considered impaired when the ed undiscounted cash flow from such asset is less than its carrying value. In that event, a loss is recognized based on nt by which the carrying value exceeds the fair value of the long-lived or amortizable intangible asset. Fair value is ed primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on d and amortizable intangible assets to be disposed of are determined in a similar manner, except that fair values are for the cost to dispose. The Company has reviewed long-lived and amortizable intangible assets with estimable ves and determined that the remaining net carrying value, after impairing certain assets in 2009, is recoverable in riods.

l. Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities in a business combination. Goodwill is not amortized. We evaluate the carrying value of goodwill annually during er ending December 31, and between such annual evaluations if events occur or circumstances change that would a possible impairment. We use a discounted cash flow model based on management's judgment and assumptions to e the estimated fair value of the Company. An impairment loss generally would be recognized when the carrying f the Company's net assets exceeds the estimated fair value of the reporting unit.

ue of Financial Instruments. The respective carrying value of certain on-balance sheet financial instruments nates their fair values. These financial instruments include cash, accounts receivable, accounts payable and accrued s, and notes payable. Fair values were assumed to approximate cost or carrying values as most of the debt was recently and the assets were acquired within one year. Management is of the opinion that the Company is not to significant interest, credit or currency risks arising from these financial instruments.

A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ired for smaller reporting companies.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA


| | |
|---|---|
| f Independent Registered Public Accounting Firm | F-1 to F-2 |
| ated Balance Sheets as of December 31, 2009 and 2008 | F-3 |

| | |
|---|---|
| ated Statements of Operations for Each of the Two Years in the Period Ended December 31, 2009 | F-4 |
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| Consolidated Financial Statements | F-7 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

ockholders and Board of Directors
ne Corporation
, Wisconsin

audited the accompanying consolidated balance sheet of Mach One Corporation as of December 31, 2009, and the
onsolidated statements of operations, stockholders' equity (deficit) and cash flows for the year then ended. These
statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these
statements based on our audit. The consolidated financial statements of Mach One Corporation as of December 31,
re audited by other auditors whose report dated April 13, 2009, expressed an unqualified opinion on these
ts.

ucted our audit in accordance with the standards of the Public Accounting Oversight Board (United States). Those
s require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements
of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its
control over financial reporting. Our audit included consideration of internal control over financial reporting as a
designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an
on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such
An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial
ts, assessing the accounting principles used and significant estimates made by management, as well as evaluating the
nancial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

inion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the
position of Mach One Corporation as of December 31, 2009 and the results of its operations and its cash flows for
then ended, in conformity with accounting principles generally accepted in the United States of America.

mpanying financial statements have been prepared assuming the Company will continue as a going concern. As
d in Note 3 to the consolidated financial statements, the Company has suffered losses from operations since its
. This factor raises substantial doubt about its ability to continue as a going concern. Management's plans in regard
matters are also described in Note 3. The consolidated financial statements do not include any adjustments that
sult from the outcome of this uncertainty.

ist Thorvilson Kaufmann Kennedy & Pieper LLC

innesota
2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

oard of Directors and
ders of Mach One Corporation

audited the accompanying balance sheets of Mach One Corporation as of December 31, 2008 and 2007, and the atements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended er 31, 2008. Mach One Corporation's management is responsible for these financial statements. Our responsibility is s an opinion on these financial statements based on our audits.

ucted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, of its internal control over financial reporting. Our audit included consideration of internal control over financial as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of g an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used and significant estimates made by management, as well as g the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

inion, the financial statements referred to above present fairly, in all material respects, the financial position of ne Corporation as of December 31, 2008 and 2007 and the results of its operations and its cash flows each of the he two-year period ended December 31, 2008 in conformity with accounting principles generally accepted in the tates of America.

O'Donnell, PC
Donnell, PC
Colorado
2009

---

MACH ONE CORPORATION
CONSOLIDATED BALANCE SHEETS

| | | December 31, 2009 | | December 31, 2008 |
|---|---|---|---|---|
| ASSETS | | | | |
| NT ASSETS | | | | |
| | $ | 79,902 | $ | 635,334 |
| unts receivable, net | | 290,485 | | 44,603 |
| unts receivable pledged as collateral | | 95,309 | | - |
| etable securities | | 4,223 | | 483,900 |
| tory | | 323,058 | | - |
| current assets | | 480,956 | | 563,415 |
| tal Current Assets | | 1,273,933 | | 1,727,252 |
| | | | | |
| rty and equipment, net | | 649,412 | | 771,030 |
| will | | 280,232 | | 3,438,466 |
| gible assets, net | | 1,034,533 | | 80,000 |
| assets | | 25,000 | | 180,000 |
| OTAL ASSETS | $ | 3,263,110 | $ | 6,196,748 |
| | | | | |
| NT LIABILITIES | | | | |
| unts payable | $ | 1,510,123 | $ | 7,577 |
| ed compensation | | 487,508 | | 377,659 |
| ed interest | | 60,723 | | 23,668 |
| red revenue | | 23,725 | | - |
| nt portion of long-term debt obligations | | 33,183 | | - |
| | | | | |
| tal Current Liabilities | | 3,197,518 | | 1,223,904 |
| | | | | |
| m debt, net of current portion | | 3,504,130 | | 3,164,268 |
| | | | | |
| HOLDERS' EQUITY (DEFICIT) | | | | |
| l stock, $.05 par value, 10,500,000 shares authorized, 2,500,000 and 0 shares l and outstanding at December 31, 2009 and December 31, 2008, ely, liquidation ence of $1,500,000 and $0 at December 31, 2009 and December , respectively | | 125,000 | | 271,000 |
| n stock, $.001 par value, 239,500,000 shares authorized, 181,346,946 94,054 shares issued and outstanding at December 31, 2009 and er 31, 2008, respectively | | 181,346 | | 111,093 |
| ury stock | | (327,175) | | (143,456) |
| ional paid-in capital | | 11,248,980 | | 5,314,699 |
| mulated deficit | | (14,636,624) | | (3,744,760) |
| mulated other comprehensive loss | | (12,065) | | - |
| | | | | |
| tal Stockholders' Equity (Deficit) | | (3,420,538) | | 1,808,576 |

| | | | | |
|---|---|---|---|---|
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | $ | 3,263,110 | $ | 6,196,748 |

mpanying notes are an integral part of these consolidated financial statements

MACH ONE CORPORATION
LIDATED STATEMENTS OF OPERATIONS

| | Years Ended December 31, 2009 | Years Ended December 31, 2008 |
|---|---|---|
| t | $ 4,897,438 | $ 104,166 |
| oods sold | 4,807,510 | 34,753 |
| profit | 89,928 | 69,413 |
| g expenses | 4,845,055 | 1,393,219 |
| and equipment impairments | 287,033 | - |
| e asset impairments | 1,652,526 | - |
| l impairment | 3,438,466 | - |
| rom operations | (10,133,152) | (1,323,806) |
| pense: | | |
| loss on sale of marketable securities | (223,087) | - |
| xpense | (639,206) | (151,071) |
| er expense | (862,293) | (151,071) |
| efore provision for income taxes | (10,995,445) | (1,474,877) |
| ax provision | - | - |
| ss | (10,995,445) | (1,474,877) |
| t loss attributable to non-controlling interest in variable ntity | 103,581 | - |
| ss attributable to Mach One Corporation | $ (10,891,864) | $ (1,474,877) |
| ss per common share (basic and diluted) | $ (0.07) | $ (0.02) |
| ted average common shares outstanding: c and diluted | 145,623,939 | 85,550,875 |

mpanying notes are an integral part of these consolidated financial statements

MACH ONE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

| | Preferred Stock Shares | Amount | Common Stock Shares | Amount | Treasury Stock | Paid in Capital | Accumulated OCI | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|
| er 31, | 5,420,000 | $271,000 | 73,152,387 | $73,152 | $- | $1,395,015 | $- | $(2,269,883) | $(530,717) |
| sued for | - | - | 7,275,000 | 7,274 | - | 350,351 | - | - | 357,625 |
| sued ms of | - | - | 1,000,000 | 1,000 | - | 49,000 | - | - | 50,000 |
| sued version ayable | - | - | 1,666,667 | 1,667 | - | 48,333 | - | - | 50,000 |
| sued for im uisition | - | - | 28,000,000 | 28,000 | - | 3,472,000 | - | - | 3,500,000 |
| stock | - | - | - | - | (143,456) | - | - | - | (143,456) |
| | - | - | - | - | - | - | - | (1,474,877) | (1,474,877) |
| er 31, | 5,420,000 | 271,000 | 111,094,054 | 111,093 | (143,456) | 5,314,699 | - | (3,744,760) | 1,808,576 |
| sued for ons | 8,500,000 | 425,000 | 8,000,000 | 8,000 | - | 2,217,000 | - | - | 2,650,000 |
| on of n notes ued | - | - | 34,513,241 | 34,514 | - | 2,219,429 | - | - | 2,253,943 |
| on of n debt | - | - | 2,511,034 | 2,511 | - | 41,498 | - | - | 44,009 |
| on of stock mon | (11,420,000) | (571,000) | 13,500,000 | 13,500 | - | 557,500 | - | - | - |
| sued for | - | - | 10,003,458 | 10,003 | - | 808,276 | - | - | 818,279 |
| sued for | - | - | 725,000 | 725 | - | 57,275 | - | - | 58,000 |
| sued for ation | - | - | 1,000,159 | 1,000 | - | 88,850 | - | - | 89,850 |
| | - | - | 4,346,698 | 4,347 | - | 219,120 | - | - | 223,467 |
| stock s | - | - | - | - | (407,123) | - | - | - | (407,123) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| stock | - | - | - | - | 223,404 | (55,547 ) | - | - | 167,857 |
| ed loss ments | - | - | - | - | - | - | (12,065) | - | (12,065 ) |
| | - | - | - | - | - | - | - | (10,891,864) | (10,891,864) |
| er 31, | 2,500,000 | $125,000 | 181,346,946 | $181,346 | $(327,175) | $11,248,980 | $(12,065) | $(14,636,624) | $(3,420,538 ) |

mpanying notes are an integral part of these consolidated financial statements

MACH ONE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, 2009 | 2008 |
|---|---|---|
| ws from operating activities: | | |
| oss | $ (10,891,864 ) | $ (1,474,877 ) |
| ents to reconcile net loss to net cash used in operating : | | |
| ciation and amortization | 339,430 | 89,037 |
| tization of deferred financing costs | 200,500 | - |
| tization of prepaid management fees | 105,000 | - |
| tion of interest on long-term debt | 169,581 | |
| on sale of marketable securities | 223,087 | - |
| on sale of property, plant and equipment, net | 22,064 | |
| will impairment | 3,438,466 | - |
| gible asset impairment | 1,652,526 | |
| rty and equipment impairment | 287,033 | |
| mon stock issued for services, product & compensation | 765,629 | 407,625 |
| ase) decrease in operating assets (net of acquisition): | | - |
| counts receivable | 262,136 | (43,049 ) |
| ventory | 931,464 | - |
| her current assets | 245,099 | |
| her assets | (25,000 ) | |
| se in operating liabilities (net of acquisition): | | - |
| counts payable and accrued expenses | 411,169 | 91,522 |
| ferred revenue | 18,526 | - |
| adjustments | $ 9,046,710 | $ 545,135 |
| used in operating activities | $ (1,845,154 ) | $ (929,742 ) |
| ws from investing activities: | | |
| eds from the sale of marketable securities | 244,525 | - |
| sitions, net of cash acquired | 30,672 | 337,458 |
| ase of property and equipment, net | (297,724 ) | (277,299 ) |
| (used in) provided by investing activities | $ (22,527 ) | $ 60,159 |
| ws from financing activities: | | |
| eds from short term notes payable | 1,713,225 | 1,497,989 |
| ents on short term notes payable | (101,748 ) | - |
| ents on long-term debt | (59,962 ) | - |
| eds from the sale of treasury stock | 167,857 | - |
| ase of treasury stock | (407,123 ) | - |
| provided by financing activities | $ 1,312,249 | $ 1,497,989 |
| rease) increase in cash | $ (555,432 ) | $ 628,406 |
| ginning of period | 635,334 | 6,928 |

| | | | | |
|---|---|---|---|---|
| d of period | $ | 79,902 | $ | 635,334 |
| ental cash and non-cash flow information | | | | |
| non stock issued for conversion of short term notes payable | | | | |
| elated accrued interest | $ | 2,253,943 | $ | - |
| ersion of preferred stock into common stock | $ | 571,000 | $ | - |
| lized loss on marketable securities | $ | 12,065 | $ | - |
| paid for interest | $ | 57,889 | $ | - |
| non stock issued for payment of long-term debt | $ | 44,009 | $ | 50,000 |
| on sale of treasury stock | $ | 55,547 | $ | - |
| ity for license agreement | $ | 243,700 | $ | - |
| non stock issued for debt financing costs | $ | 200,500 | $ | - |
| unts payable converted to note payable | $ | 439,646 | $ | - |
| ct financing arrangement | $ | 94,818 | $ | - |

mpanying notes are an integral part of these consolidated financial statements

Nature of Operations

he Corporation is a global wellness solutions company with operations in Animal Wellness; Organics &
bles; and BioPharm Process Systems. Through its Animal Wellness Group, the Company focuses on major
ities for positive, long-term health and longevity benefits for disease-threatened animals in the commercial livestock
try industries, especially the beef and dairy sectors. The Organics & Sustainables Group, through its flagship
Ceres Organic Harvest, Inc. (Ceres), addresses the growing needs of food manufacturers in the organic foods
which are challenged to increase production capacity for organic raw commodities and feed stocks that go into the
products. The BioPharm Process Systems Group provides documentation, process modules, process skids, custom
d vessels and custom stainless steel fabrication to the biopharmaceutical industry, and also will be integral in setting
ervicing the projected three U.S.-based laboratories for production of Mach One's Animal Wellness Group Bridge™
ine.

Summary of Significant Accounting Policies

s of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and
y owned subsidiaries, as of the dates of their acquisitions (refer to Note 6. Acquisitions). The wholly owned
ries include Ceres, Pacific Rim Foods, Ltd. (Pacific Rim), and Modular Process Constructors, LLC (MPS). All
mpany transactions and balances have been eliminated in the consolidation.

npany includes in its consolidated financial results entities determined to be variable interest entities (VIEs), for
e Company is deemed to be the VIE's primary beneficiary.

Interest Entity: During the year ended December 31, 2009, the Company was considered the primary beneficiary of
ve Formulations, Inc. (PFI). PFI is an importer and distributor of soy-based organic food products whose initial
ation was provided in the form of loans and inventory by the Company. PFI is wholly-owned by a shareholder of the
y. Refer to Note 4. Consolidation of Variable Interest Entity for further information on our consolidated VIE.

ment Estimates: The preparation of consolidated financial statements in conformity with US generally accepted
ng principles requires management to make estimates and assumptions that affect the reported amounts of assets and
s and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the
amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The
y regularly evaluates estimates and assumptions related to the realizability of accounts receivable, inventory
n, impairment of long-lived assets, and deferred income tax asset valuation allowances. The Company bases its
s and assumptions on current facts, historical experience and various other factors that it believes to be reasonable
e circumstances, the results of which form the basis for making judgments about the carrying values of assets and
es and the accrual of costs and expenses that are not readily apparent from other sources. The actual results
ced by the Company may differ materially and adversely from the Company's estimates. To the extent there are
differences between the estimates and the actual results, future results of operations will be affected.

d Cash Equivalents: For purposes of reporting cash flows, the Company considers all cash accounts which are not
o withdrawal restrictions or penalties, and certificates of deposit with original maturities of 90 days or less to be cash
equivalents. The Company maintains cash balances at four financial institutions. Accounts at each institution are
by the Federal Deposit Insurance Corporation up to $250,000. At times, the cash balances in these accounts may
ederally insured limits. The Company has not experienced any losses in such accounts and believes they are not
to any significant credit risk on cash and cash equivalents.

ble Securities: Marketable securities consist of equity securities, are classified as available for sale and are expected
eemed within one year.

e for sale securities are stated at fair value, with unrealized gains and losses reported as accumulated other ensive income (loss), a separate component of stockholders' equity, until realized. These fair values are primarily ed using quoted market prices. The carrying amount of securities, for the purpose of computing unrealized gains and re determined by specific identification. The cost of securities sold is determined by specific identification.

r Concentrations and Accounts Receivable: Accounts receivable arise in the normal course of business in selling to customers. Concentrations of credit risk with respect to accounts receivable arise because the Company grants d credit in the form of trade accounts receivable to its customers.

npany had two customers that each accounted for more than 10% of revenues, and combined accounted for 32.8% of during 2009. We had no amounts recorded in accounts receivable from these customers as of December 31, 2009. npany had no customers that accounted for more than 10% of revenues during 2008.

s are written off as they are deemed uncollectible based upon a periodic analysis of specific customers, taking into ation the age of past due accounts and the customer's ability to pay. Based on these analyses, management has $15,000 and $0 in allowance for doubtful accounts as of December 31, 2009 and 2008, respectively.

ry: The Company maintains its inventory on a perpetual basis utilizing the first-in first-out (FIFO) Inventories have been valued at the lower of cost or market. As of December 31, 2009 and December 31, 2008, nent has not established an obsolescence reserve for inventory, as we believe that all inventory is usable and that alues of all inventories exceed cost.

and Equipment: Property and equipment is reported at cost less accumulated depreciation. Maintenance and repairs ged to expense as incurred. The cost of property and equipment is depreciated over the following estimated useful he related assets:

| | |
|---|---|
| Building | 39 years |
| Furniture & Fixtures | 7 years |
| Machinery & Equipment | 5 years |

ved and Amortizable Intangible Assets: The Company periodically evaluates the carrying value of long-lived and ble intangible assets to be held and used, including but not limited to, property and equipment and intangible assets, ents and circumstances warrant such a review. The carrying value of a long-lived or amortizable intangible asset is ed impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. In that loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived ir value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk . Losses on long-lived and amortizable intangible assets to be disposed of are determined in a similar manner, at fair values are reduced for the cost to dispose. The Company has reviewed long-lived and amortizable intangible th estimable useful lives and determined that the remaining net carrying value, after impairing certain assets in 2009, rable in future periods.

Recognition: The Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title rred, the selling price is fixed or determinable, collection is reasonably assured and delivery has occurred per the terms. For certain contracts of MPS, the Company recognizes revenue based on the percentage of completion Revenue is deferred when customer billings exceed revenue earned.

Reporting: The Company operates and manages the business under one reporting segment. Currently, neither Wellness nor BioPharm Process Systems has generated significant revenues or acquired significant assets. As such, pany operates and manages the business under one reporting segment.

l: Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities in a business combination. Goodwill is not amortized. We evaluate the carrying value of goodwill annually during er ending December 31, and between such annual evaluations if events occur or circumstances change that would a possible impairment. We use a discounted cash flow model based on management's judgment and assumptions to e the estimated fair value of the Company. An impairment loss generally would be recognized when the carrying of the Company's net assets exceeds the estimated fair value of the reporting unit.

ue of Financial Instruments: The respective carrying value of certain on-balance sheet financial instruments nates their fair values. These financial instruments include cash, accounts receivable, accounts payable and accrued s, and notes payable. Fair values were assumed to approximate cost or carrying values as most of the debt was recently and the assets were acquired within one year. Management is of the opinion that the Company is not to significant interest, credit or currency risks arising from these financial instruments.

Taxes: The Company provides for income taxes using an asset and liability approach. Deferred tax assets and s are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the in effect when these differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not ed. For all periods presented, the Company has recorded a full valuation allowance against its deferred tax assets.

npany recognizes a financial statement benefit of a tax position only after determining that the relevant tax authority ore likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not d, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent d of being realized upon ultimate settlement with the relevant tax authority.

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hensive Income (Loss): Comprehensive Income (Loss) includes net loss and items defined as other comprehensive Items defined as other comprehensive income include unrealized gains (losses) on marketable securities. The y had $(12,065) of other comprehensive income (loss) for the year ended December 31, 2009. There were no other ensive income (loss) items for the year ended December 31, 2008.

fications: Certain reclassifications have been made to the 2008 financial statement presentation to correspond to the ear's format. Total 2008 equity and net loss are unchanged due to these reclassifications.

ccounting Developments In June 2009, the FASB issued guidance to eliminate the quantitative approach previously for determining the primary beneficiary of a variable interest entity and require ongoing qualitative reassessments of an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for fiscal years g after November 15, 2009. The Company does not expect the adoption of this standard to have any current impact ompany's financial statements.

ry 2010, the FASB issued Accounting Standards Update No. 2010-06, Fair Value Measurements and Disclosures. dance requires new disclosures and clarifies some existing disclosure requirements about fair value measurements. tional disclosures required under this guidance will be included in our quarterly report on Form 10-Q for the quarter arch 31, 2010, with the exception of disclosures about purchases, sales, issuances and settlements in the rollforward y in Level 3 fair value measurements. Those disclosures are effective for our quarterly report on Form 10-Q for the nding March 31, 2011.

oing Concern Uncertainty

mpanying financial statements have been prepared on the basis that the Company will continue as a going concern, sumes the realization of assets and the satisfaction of liabilities in the normal course of business. Since inception, acquisition of Ceres and MPS in February 2009, the Company had primarily been engaged in product development perational activities. Minimal revenue has been generated to date and the Company has accumulated losses totaling 624 from inception through December 31, 2009, and a net working capital deficit of $1,923,585. The uncertainty these conditions raises substantial doubt about the Company's ability to continue as a going concern. The nying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

next 18 months, in order to have the capability of achieving our business plan, we believe that we will require at 000,000 in additional funding to pay down certain payables and accruals and to provide working capital. Should we e to obtain additional funding in the next 3 months, we would be required to further cut expenses in our Organics ainables group and temporarily halt operations in our Animal Wellness group until such funding is obtained. We are attempting to raise these funds by means of one or more public or private offerings of debt or equity securities or wever, at this point, we have not specifically identified the type or sources of this funding. We also are exploring ial and joint venture financing opportunities.

, at this point, we have not specifically identified the type or sources of this funding. We also are exploring ial and joint venture financing opportunities.

onsolidation of Variable Interest Entity

mpany identifies variable interest entities and determines when we should include the assets, liabilities, rolling interests and results of activities of a VIE in its consolidated financial statement.

l, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct s or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without al subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive

enerated by its operations.

the Company determined they were required to consolidate PFI as a VIE in our consolidated statement of operations
s determining we were the primary beneficiary of PFI. Therefore, for the year ended December 31, 2009, the
ated statements of operations have been presented on a consolidated basis to include the variable interest in
ore specifically, for the year ended December 31, 2009, PFI amounts included in the consolidated statement of
ns of the Company consist of; selling, general and administrative expenses of $103,810. PFI had no sales during this
All significant intercompany accounts and transactions have been eliminated in consolidation. No amounts from PFI
ded in the consolidated balance sheet as of December 31, 2009 or the consolidated statements of cash flows for the
ed December 31, 2009 as PFI had reimbursed all advances from Ceres as of December 31, 2009 and PFI was no
onsidered a VIE. No amounts from PFI are included in the consolidated balance sheet as of December 31, 2008 or
olidated statements of operations and cash flows for the year ended December 31, 2008 as PFI was a VIE of Ceres,
as not then acquired by the Company

roduct License and Asset Purchase

st 11, 2009, the Company entered into an exclusive license and distribution agreement to acquire the formulations dwide marketing rights to a suite of products that promote joint and bone health in horses, dogs and humans. These and related rights are being acquired from Platte Valley State Bank (Platte Valley), who currently owns all rights g to these products. The products were previously developed, manufactured and distributed by Clark Biotechnology, ). CBI discontinued operations in 2008 due to the death of its founder.

ement calls for minimum royalties totaling $350,000 to be paid as follows:

| | |
|---|---|
| $30,000 | September 11, 2010 |
| $80,000 | September 11, 2011 |
| $80,000 | September 11, 2012 |
| $80,000 | September 11, 2013 |
| $80,000 | September 11, 2014 |

pany has imputed interest on these installments at a rate of 12%, which is equivalent to the Company's estimated g rate as of the date of the agreement. The discounted value of the licensed asset totals $243,700 and has been in intangible assets on our consolidated balance sheet and a corresponding liability included in current portion of n debt and long-term debt (refer to Note 12. Long-term debt) as of December 31, 2009.

pany is treating these minimum royalty payments as a purchase of the related formulations and marketing rights as se minimum royalty payments are made, the Company will have sole title to the formulations and marketing rights.

on, the Company is required to pay additional royalties of 4% of net sales of the products that exceed $2,000,000 in r of the agreement. These royalties will be recorded as incurred. There were no sales of this product during the om August 11, 2009 to December 31, 2009.

st 11, 2009, the Company also purchased certain related equipment from Platte Valley for $50,000. We allocated to assets that we sold on November 9, 2009 for $50,000, resulting in a gain of $20,411. The remaining $20,411 is in property and equipment as of December 31, 2009.

cquisitions

im Foods, Ltd.
mber 31, 2008, pursuant to a Plan and Agreement of Reorganization between the Company, Pacific Rim Foods, Ltd. Rim) and certain shareholders of Pacific Rim, the Company issued 28,000,000 shares of its common stock, valued at 00, and Five Year Zero Coupon Convertible Promissory Notes in the aggregate amount of $1,500,000 in exchange of the issued and outstanding capital stock of Pacific Rim. Pacific Rim is a development stage company with in the food and energy sector in China and Australia. These interests include equity, debt, options, insurance and al property. The underlying commodities represented by these interests include corn and oil and gas. The nent stage of Pacific Rim reflects its early interests in acquiring and controlling a number of shelf stable food g facilities in China with the intent of growing and processing a broad range of commodities. Its initial interests used on sweet corn and its platform interests include Jilin Jimei Foods Ltd, which is the oldest sweet corn joint n China. The interests in Jilin Jimei Foods Ltd include options, debt instruments (inventory loans) and intellectual (trademark and brands). For reasons noted further below in this footnote, the Company intends to liquidate the

Pacific Rim to obtain cash for financing other operations of the Company. We intend to fully liquidate all remaining
December 31, 2010.

Process Constructors, LLC
ary 18, 2009, the Company consummated the acquisition and purchase from Thomsen Group, LLC (Thomsen) of
assets of Modular Process Constructors, LLC (MPS). Pursuant to the Agreement for Purchase and Sale of Business,
nge for the MPS assets, the Company issued to Thomsen 500,000 shares of restricted Series B Convertible Preferred
eries B Preferred Stock), valued at $150,000. Each share of Series B Preferred Stock is convertible into two shares of
pany's common stock. In addition to the issuance of Series B Preferred Stock, the Company executed an Earn-Out
nt with Thomsen for the issuance of up to 35% of the Company's issued and outstanding common stock based upon
ntage of MPS net income to total consolidated net income of the Company for the three-year period ending
r 21, 2011. Under current accounting guidance, contingent consideration arrangements such as these are to be
as a liability or equity at its estimated fair value at the time of the acquisition. As of December 31, 2009, the
y determined that the contingent consideration has no fair value as MPS has agreed to negotiate this contract
nt with our proposed acquisition of White Hat Brands, LLC (see Note 17. Subsequent Events). MPS designs and
ocess equipment used by the biopharmaceutical industry. MPS's skid based solutions offer componentized
on for small and large projects reducing lead time, transport cost, and installation time. MPS provides entire project
including documentation, process modules, custom stainless steel fabrication, and electronic controls to the
aceutical markets.

ganic Harvest, Inc.
ary 20, 2009, pursuant to a Plan and Agreement of Reorganization between the Company and Ceres Organic
Inc. (Ceres), the Company completed the acquisition of all of the issued and outstanding capital stock of Ceres in
e for 8,000,000 shares of the Company's common stock and 8,000,000 shares of Series C Convertible Preferred Stock
Preferred Stock), valued at $2,500,000. Each share of Series C Preferred Stock is convertible into one share of
e common stock. Ceres and its subsidiary Organic Grain and Milling, Inc. supply organic grain and grain-based
ts to the food, feed and dairy industries, including varieties of wheat, flour, oats, corn, flax, barley and other

ne nature and timing of these transactions, as of March 31, 2009, the Company made a good-faith estimate as to the the consideration paid for Pacific Rim, MPS and Ceres and the fair value of acquired assets and assumed liabilities, g identifiable intangibles, and recorded a preliminary purchase price allocation. The Company finalized these s and the purchase price allocation during the quarter ended September 30, 2009, with the exception of the on of a Ceres intercompany asset and liability in the quarter ended December 31, 2009 in the amount of $280,232. company elimination had no effect on amounts allocated to intangible assets or goodwill.

owing table summarizes the final allocation of the purchase price to the fair values of the assets acquired and s assumed at the date of acquisition, in accordance with the purchase method of accounting, as of December 31,

| | Ceres | MPS | Pacific Rim | Total |
|---|---|---|---|---|
| ssets | $ 1,670,117 | $ 3,015 | $ 1,514,834 | $ 3,187,966 |
| ole intangible assets | 2,490,000 | 100,000 | 80,000 | 2,670,000 |
| l subsequently impaired | - | - | 3,438,466 | 3,438,466 |
| l | 178,048 | 102,184 | - | 280,232 |
| ng-term assets | 82,544 | - | 180,000 | 262,544 |
| ssets acquired | 4,420,709 | 205,199 | 5,213,300 | 9,839,208 |
| iabilities | 1,856,975 | 55,199 | 213,300 | 2,125,474 |
| m liabilities | 63,734 | - | - | 63,734 |
| iabilities assumed | 1,920,709 | 55,199 | 213,300 | 2,189,208 |
| rchase consideration | $ 2,500,000 | $ 150,000 | $ 5,000,000 | $ 7,650,000 |

ole intangible assets acquired in the acquisition of Ceres is comprised of; a proprietary product license, an exclusive upplier relationship and a customer list, originally valued at $980,000, $660,000 and $850,000, respectively and d to have useful lives of 15, 5 and 5 years, respectively. During the quarter ended December 31, 2009, the Company ned that the value of these assets were impaired and wrote down these assets to $680,000, $80,000 and $0, vely. The Company amortizes the remainder of these intangible assets using a method that reflects the pattern in e assets are expected to be consumed.

ble intangible assets acquired in the acquisition of MPS are comprised of engineering methodology and a customer he Company estimates has a useful life of 5 years. The Company amortizes these intangible assets using a method cts the pattern in which the assets are expected to be consumed.

ble intangible assets acquired in the acquisition of Pacific Rim are comprised of a brand trademark that the Company s has a useful life of 15 years. While the trademark is currently in use, the Company decided to sell it during fiscal l accordingly, have reported it as an asset held for sale included in other current assets on the consolidated balance of December 31, 2009.

cember 31, 2008, the Company expected to exploit the assets that Pacific Rim holds in China, such as the brand k and options to acquire joint ventures. As of June 30, 2009, the Company had reconsidered these options and is its efforts on the Company's mission to develop bio-solutions to provide and promote human and animal wellness. during the quarter ended June 30, 2009, the Company determined the goodwill initially recorded of $3,438,466 was and was charged to operating expenses in the Company's consolidated statement of operations.

npany has recorded the results of the operations of Pacific Rim, Ceres and MPS in the Company's consolidated t of operations beginning with the effective date of each respective acquisition.

ntangible Assets and Goodwill

e assets, net at December 31, 2009 and 2008 consisted of the following:

| | 2009 | | | 2008 | |
|---|---|---|---|---|---|
| ry product license | $ | 680,000 | | $ | - |
| rk | | - | | | 80,000 |
| relationship | | 80,000 | | | - |
| ing methodology and customer list100 | | 100,000 | | | - |
| assets (See Note 5) | | 243,700 | | | - |
| | | 1,103,700 | | | 80,000 |
| umulated amortization | | (69,167 | ) | | - |
| | $ | 1,034,533 | | $ | 80,000 |

ation of $146,641 and $0 was recorded for the years ended December 31, 2009 and 2008, respectively.

odically reassess the carrying value, useful lives and classification of identifiable intangible assets. Estimated e amortization expense based on current intangibles for the next five years is expected to be as follows: $95,400 in 56,800 in 2011, $195,200 in 2012, 262,300 in 2013 and $324,900 in 2014.

in goodwill, for the two year period ended December 31, 2009, were as follows:

| | |
|---|---|
| December 31, 2007 | $- |
| sition of PRF | 3,438,466 |
| December 31, 2008 | 3,438,466 |
| sition of MPS (1) | 102,184 |
| sition of Ceres | 178,048 |
| rment charge (PRF goodwill) | (3,438,466 ) |
| December 31, 2009 | $280,232 |

(1) This goodwill is deductible for income tax purposes.

nventories

at December 31, 2009 and 2008 consisted of the following:

| | December 31, 2009 | | December 31, 2008 | |
|---|---|---|---|---|
| erials | $ | 13,879 | $ | - |
| goods | | 309,179 | | - |
| | $ | 323,058 | $ | - |

pany has entered into an inventory financing arrangement where OGM sells grain that is reserved for use by Ceres party grain processors (the "Mill"). The Mill has generally agreed to segregate the grain held for Ceres and to process solely for Ceres' use. These sales have been recorded in the financial statements as a product financing arrangement SC 470-40, "Accounting for Product Financing Arrangements." As of December 31,2009, $94,818 remained tory with a corresponding amount included in short-term notes payable and other debt, representing the Company's ractual obligation to repurchase milled products produced from such inventory.

Composition of Certain Financial Statement Captions

rrent assets at December 31, 2009 and 2008 consisted of the following:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| management fee | $ | 105,000 | $ | 30,000 |
| ademark held for sale | | 80,000 | | - |
| advance | | 260,095 | | 520,020 |
| xpenses and other | | 35,861 | | 13,395 |
| | $ | 480,956 | $ | 563,415 |

Property and Equipment

and equipment at December 31, 2009 and 2008 consisted of the following:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| ry & equipment | $ | 639,758 | $ | 821,879 |
| | | 35,000 | | - |
| d improvements | | 99,507 | | 21,790 |
| r equipment | | 39,590 | | 10,322 |
| & fixtures | | 3,074 | | 5,287 |
| | | 35,000 | | - |
| k | | - | | 55,240 |
| | | 851,929 | | 914,518 |
| cumulated depreciation | | (202,517 ) | | (143,488 ) |
| | $ | 649,412 | $ | 771,030 |

tion expense related to property and equipment was $192,789 and $55,750 for the years ended December 31, 2009 , respectively. During the quarter ended December 31, 2009, the Company evaluated the carrying value of property pment for impairment. We identified refrigeration units that were purchased in order to execute a portion of our an. That plan has been subsequently modified, and it was determined that the refrigeration units were no longer Our analysis indicated that the remaining value of the equipment was limited to scrap value. As such, we wrote the g net value of the equipment on our books to $0. Impairment expense related to this write-down was $287,033 for ended December 31, 2009.

Short-term Notes Payable and Other Debt

m notes payable and other debt at December 31, 2009 and 2008 consisted of the following:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| m convertible notes payable | $ | 794,646 | $ | 815,000 |
| Financing Agreement | | 76,345 | | - |
| financing arrangement | | 94,818 | | - |
| m loans and lines of credit | | 98,447 | | - |
| | $ | 1,064,256 | $ | 815,000 |

m Convertible Notes Payable

npany entered into two rounds of financing through Commonwealth Capital during the quarters ended December 31, March 31, 2009.

round (Commonwealth One) was closed in the quarter ended December 31, 2008. Proceeds from the notes were . Interest at 12.0% is due with the principal on various dates from April through June 2009. The notes are unsecured onvertible into shares of the Company’s common stock at $0.045 per share at any time during the term of the notes.

ond round (Commonwealth Two) was closed partially in December 2008, and the remainder in the quarter ended 1, 2009. Proceeds from the notes were $95,000 and $1,602,984 during the quarters ended December 31, 2008 and 1, 2009, respectively. Interest at 12.0% is due with the principal on various dates from April through June 2009. The unsecured and are convertible into shares of the Company’s common stock at $0.075 per share at any time during of the notes.

he quarter ended December 31, 2009, $50,000 of the Commonwealth Two notes were paid off with cash.

ne three months ended September 30, 2009, $350,000 of the Commonwealth One and $1,587,984 of the
nwealth Two notes were converted into 7,777,778 and 21,173,120 shares of the Company's common stock,
ely. During the three months ended June 30, 2009, $100,000 of the Commonwealth One and $60,000 of the
nwealth Two notes were converted into 2,222,222 and 800,000 shares of the Company's common stock, respectively.
ent to December 31, 2009, and as of the date of this report, the remaining outstanding note totaling $100,000 has
bally extended until further notice by the note holders.

npany also entered into loan agreements with an unrelated individual (Plant Notes). Proceeds from the agreements
),000 and $35,000 during the quarters ended December 31, 2008 and March 31, 2009, respectively. Interest at 5.0%
th the principal on June 30, 2010. The notes are unsecured and are convertible into shares of the Company's common
$0.50 per share at any time during the term of the notes.

ction with the acquisition of PRF on December 31, 2008, the Company acquired a note payable for $100,000 to an
l individual (Blake Note). Interest at 10.0% is payable annually. The note is unsecured and is convertible into shares
ompany's common stock at $0.125 per share at any time during the term of the note.

er 2009, Ceres entered into a loan agreement with a vendor to finance the outstanding trade accounts payable with a
Tiryaki Note). Upon execution of the note, the Company reclassed $439,646 of outstanding trade accounts payable
term loans payable. Interest at 10% is due with the principal on June 30, 2010. The note is unsecured and is
ble into shares of the Company's common stock at $0.08 per share at any time during the term.

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nber 2009, the Company entered into a round of financing with Charles Morgan Securities, Inc. Proceeds from the
MS Notes) was $50,000 as of December 31, 2009. Interest at 12.0% is due with the principal on September 30, 2010.
s are unsecured and are convertible into shares of the Company's common stock at $0.08 per share at any time during
of the notes.

version prices of these convertible notes were established at, or above, the then current market price of the Company's
stock and therefore, no beneficial conversion feature discount has been recorded.

ary table of short-term convertible notes payable as of December 31, 2009 and 2008 follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| wealth One | $ | 100,000 | $ | 550,000 |
| wealth Two | | - | | 95,000 |
| tes | | 105,000 | | 70,000 |
| ote | | 100,000 | | 100,000 |
| Note | | 439,646 | | - |
| tes | | 50,000 | | - |
| | $ | 794,646 | $ | 815,000 |

Financing Agreement

ction with the acquisition of Ceres, the Company has an accounts receivable financing agreement (the "Agreement")
nsfac Capital, LLC ("Transfac"). The original Agreement term is one year from the effective date of June 2, 2008 and
able immediately upon notice by Transfac, or within ten days of notice by the Company if the Company secures
from an FDIC insured institution. Upon the acquisition of Ceres by the Company, the term changed to
-month and is cancelable within ten days of notice by Ceres. Under the terms of the Agreement, the Company may
ell its accounts receivable to Transfac each month during the term of the Agreement, up to a maximum amount
ng at any time of $1.5 million in gross receivables submitted, or $1.2 million in net amounts funded based upon an
dvance rate. The Company is obligated to offer accounts totaling a minimum of $300,000 in each month, and
has the right to decline to purchase any offered accounts (invoices).

eement provides for the sale, on a revolving basis, of accounts receivable generated by specified debtors. The
price paid by Transfac reflects a discount that is generally 0.7% for the first twenty days, plus an aging fee of
for each day after the first twenty days. The Company continues to be responsible for the servicing and
ration of the receivables purchased. Transfac fees are reported in the Company's consolidated statement of operations
st expense and were $42,477 for the year ended December 31, 2009. There were no fees incurred for the year ended
r 31, 2008 as the Agreement is with Ceres, which was not acquired until the first quarter of fiscal 2009.

npany accounts for the sale of receivables under the Agreement as a secured borrowing with a pledge of the subject
les as collateral. Accounts receivable pledged as collateral on the accompanying consolidated balance sheets in the
of $95,309 as of December 31, 2009, represents the gross receivables that have been designated as "sold" and serve as
for short-term debt in the amount of $76,345 as of December 31, 2009.

Financing Arrangement

npany has entered into inventory financing arrangements with mills in regards to grain held at these mills for future
ales of the Company. Refer to Note 8. Inventories, for further information regarding these arrangements.

rm Loans and Lines of Credit

mber of 2009, the Company entered into a loan agreement with Thomsen Group, LLC. The note balance as of er 31, 2009 is $50,118, interest at 8.0%, principal and interest payments are due upon demand, and is unsecured. Group, LLC is majority-owned by a director of the Company.

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pany acquired a bank line of credit with the acquisition of Ceres. The balance as of December 31, 2009 is $48,329, t 7.5%, interest payments are due monthly, and principal is due upon demand, and is unsecured.

pany has recorded accrued interest on short-term notes payable and other debt of $60,723 and $23,668 as of er 31, 2009 and 2008, respectively.

Long-term Debt

m debt at December 31, 2009 and 2008 consisted of the following:

| | 2009 | 2008 |
|---|---|---|
| ipon Convertible Subordinated Note Payable, interest at 5.0%, and interest due December 12, 2013, convertible into shares of stock of the Company at $0.125 per share at any time, unsecured | $ 1,558,529 | $ 1,535,000 |
| ipon Convertible Subordinated Note Payable, interest at 5.0%, and interest due December 12, 2013, convertible into shares of stock of the Company at $0.125 per share at any time, unsecured | 1,579,072 | 1,500,000 |
| for license agreement (See Note 5) | 255,077 | - |
| ed note payable, related party (See Note 14) | 105,861 | 105,801 |
| all Business Administration term loan with interest at prime plus .0% at December 31, 2009, due June 7, 2011, and interest payment of $2,246 due monthly, secured by the assets of | 38,774 | - |
| | - | 23,467 |
| | 3,537,313 | 3,164,268 |
| rent portion: | (33,183 ) | - |
| g-term debt | $ 3,504,130 | $ 3,164,268 |

nber 2008, the Company issued Zero Coupon Convertible Subordinated notes payable with a maturity date of er 12, 2013 for proceeds of $3,035,000. No payments are required on the notes until maturity at which time the amount of $3,828,840 is due. Original interest discount (OID) accrues at a rate of 5% per year on the accreted value te. The holder may at any time during the term of the note convert the accreted value of the notes into shares of stock of the Company. If either an event of default occurs under the note, as defined in the note agreement, or a f control occurs with respect to the Company, the holder of the note may put the note to the Company at its accreted

version prices of the Zero Coupon Convertible Subordinated notes ($0.125 per share) were established at, or above, current market price of the Company’s common stock and therefore, no beneficial conversion feature discount has orded. The conversion price is subject to weighted-average anti-dilution adjustments in the event we issue common price below the then-applicable conversion price other than common stock issuances or option grants to the y's employees, directors or officers.

pany does not consider these anti-dilution features to be an embedded derivative and therefore subject to variable ng due to the embedded instrument not meeting the net settlement characteristic as noted in ASC 815-10-15-83(c) 815-10-15-99. More specifically, to meet the net settlement characteristics, an embedded instrument must be able

her (1) net settled under contract terms, (2) net settled through a market mechanism or (3) net settled by delivery of e instrument or asset readily convertible to cash. The Company believes the embedded instrument cannot be net a contract terms or a market mechanism and although though settlement of the embedded instrument could be made delivery of the Company's common stock (i.e. an asset), due to the Company's stock being lightly traded as per ASC 5-130 and as illustrated at ASC 815-10-55-87, 88 and 89 (Cases B through D), to be considered "readily convertible the number of shares of stock to be exchanged must be small relative to the stock's daily transaction Currently, the Company’s daily transaction volume of their common stock is very low. However, moving forward, ed in ASC 815-10-15-139, the Company will continually evaluate whether or not the common stock is considered to y convertible to cash. In the event the Company's daily trading volume of their common stock were to increase ntly to the point where the shares to be exchanged in connection with the convertible notes would be relatively small n to the daily trading volume, the contract would then satisfy the net settlement characteristic and likely may need to nted for as a derivative.

rrent accounting guidance, If the terms of a contingent conversion option does not permit an issuer to compute the of shares that the holder would receive if the contingent event occurs and the conversion price is adjusted, an issuer t until the contingent event occurs and then compute the resulting number of shares that would be received pursuant w conversion price. The number of shares that would be received upon conversion based on the adjusted conversion uld then be compared with the number that would have been received before the occurrence of the contingent event. ss number of shares multiplied by the commitment date stock price equals the incremental intrinsic value that results resolution of the contingency and the corresponding adjustment to the conversion price. That incremental amount recognized when the triggering event occurs.

inimum payments on long-term debt at December 31, 2009 are as follows:

| Years ending December 31, | | |
|---|---|---|
| 2010 | $ | 51,050 |
| 2011 | | 203,584 |
| 2012 | | 80,000 |
| 2013 | | 3,888,298 |
| 2014 | | 80,000 |
| | $ | 4,302,932 |

Basic and Diluted Earnings (Loss) Per Share

pany computes earnings (loss) per share under two different methods, basic and diluted, and presents per share data riods in which statements of operations are presented. Basic earnings (loss) per share is computed by dividing net y the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share is d by dividing net income (loss) by the weighted average number of common stock and common stock equivalents ng. The table below shows the calculation of basic and diluted loss per share from continuing operations for the ded December 31, 2009 and 2008, respectively:

| | | 2009 | | | 2008 | |
|---|---|---|---|---|---|---|
| attributable to Mach One Corporation | $ | (10,891,864 | ) | $ | (1,474,877 | ) |
| dilutive potential common shares | | - | | | - | |
| et loss from continuing operations | $ | (10,891,864 | ) | $ | (1,474,877 | ) |
| of shares: | | | | | | |
| d-average shares outstanding | | 145,623,939 | | | 85,550,875 | |
| d diluted net loss per share attributable to Mach One Corporation | $ | (0.07 | ) | $ | (0.02 | ) |

cember 31, 2009, the Company had (i) 3,000,000 shares of common stock issuable under convertible preferred stock ents, (ii) 200,000 shares of common stock issuable upon the exercise of outstanding warrants and (iii) 38,414,164 common stock issuable under convertible financing arrangements. As of December 31, 2008, the Company had (i) 00 shares of common stock issuable under convertible preferred stock arrangements and (ii) 38,428,889 shares of stock issuable under convertible financing arrangements. These 40,349,020 and 63,848,889 shares as of December and 2008, respectively, which would be reduced by applying the treasury stock method, were excluded from diluted average outstanding shares amount for computing the net loss per common share, because the net effect would be ve for each of the periods presented.

Related Party Transactions

our office and warehouse facility in Belgium, Wisconsin from Monte B. Tobin, our Chairman, and his wife, (the under a five-year net lease. The facility consists of approximately 3,500 square feet of office space and 1,000 square arehouse space, with an option to increase the warehouse space by up to 500 feet. We currently pay a base rent of nately $4,300 per month. The Tobins hold a note receivable from the Company representing unpaid rent and interest 5 and 2006 totaling $105,861. Interest accrues at 12% per year. The note matures on January 1, 2011. Total rent in our statements of operations related to this lease was $43,154 and $49,700, for the years ended December 31,

2008 respectively.

Stockholders’ Equity

Stock

pany is authorized to issue 239,500,000 shares of $.001 par value common stock. The Company has 181,346,946 its common stock issued and outstanding at December 31, 2009. Dividends may be paid on outstanding shares as by the Board of Directors. Each share of common stock is entitled to one vote.

ry 20, 2010, the Company increased its $.001 par value common stock authorized to issue to 500,000,000 shares.

Stock

pany is authorized to issue 10,500,000 shares of $0.05 par value preferred stock.

cember 31, 2008, there were 5,420,000 Series A Convertible Preferred shares outstanding. Of these outstanding 20,000 are convertible at any time into common shares at a ratio of one (1) common share for each Series A share and 5,000,000 are convertible at any time into common shares at a ratio of five (5) common shares for each Preferred share. In addition, each Series A Preferred share has one vote for each common share outstanding. There idation preference relative to Series A Preferred shares.

he three months ended March 31, 2009, the Company executed an agreement with the Series A Convertible Shareholders for a return to the Company of 4,420,000 Series A Preferred shares in return for 2,500,000 shares of stock valued at $221,000.

ne three months ended June 30, 2009, the remaining 1,000,000 Series A Convertible Preferred shares outstanding at
er 31, 2008, were converted into 5,000,000 shares of the Company's common stock.

to the acquisition of MPS, the Company issued 500,000 shares of Series B Preferred Stock. The Series B Preferred
ares are convertible at any time into common shares at a ratio of two common shares for each preferred share. In
each preferred share has one vote for each common share outstanding and has a liquidation preference of $1.00 per
00,000 at December 31, 2009).

to the acquisitions of Ceres, the Company issued 8,000,000 shares of Series C Preferred Stock. The Series C
l Stock shares are convertible at any time into common shares at a ratio of one common share for each preferred
addition, each Preferred share has one vote for each common share outstanding and has a liquidation preference of
share ($1,000,000 at December 31, 2009). In December 2009, 6,000,000 shares of the Series C Preferred Stock were
d into 6,000,000 shares of common stock.

uances

ne three months ended December 31, 2009, the Company issued:

841 shares of common stock valued at $145,987 (approximately $0.07 per share) for consulting services provided
g the three months ended December 31, 2009. This resulted in a charge to operating expenses in the Company's
idated statement of operations.
- 725,000 shares of common stock valued at $58,000 ($0.08 per share) for the purchase of inventory.

59 shares of common stock valued at $39,850 (approximately $0.08 per share) for a retention bonus to an employee
Company. This amount was recorded as compensation expense in the Company's consolidated statement of
ions.
0,000 shares of Series C preferred stock were converted to 6,000,000 shares of common stock of the Company.

ne three months ended September 30, 2009, the Company issued:

8,072 shares of common stock, at prices of $0.045 and $0.075 per share, for the conversion of $1,937,984 of short
otes payable and $167,955 of related accrued interest under the terms of the agreements.
000 shares of common stock, at approximately $0.09 per share, for the conversion of 4,420,000 shares of Series A
rtible Preferred Stock, valued at $221,000, under the terms of the agreements.
284 shares of common stock valued at $105,292 (approximately $0.10 per share) for consulting services provided
g the three months ended September 30 2009. This resulted in a charge to operating expenses in the Company's
idated statement of operations.
00 shares of common stock valued at $50,000 ($0.10 per share) for a retention bonus to an employee of the
any. This amount was recorded as compensation expense in the Company's consolidated statement of operations.

ne three months ended June 30, 2009, the Company issued:

000 shares of common stock, at $0.01 per share, for the conversion of 1,000,000 shares of Series A Convertible
red Stock, valued at $50,000, under the terms of the agreements.
505 shares of common stock, at prices of $0.045 and $0.075 per share, for the conversion of $160,000 of short term
payable and $8,546 of related accrued interest under the terms of the agreements.
000 shares of common stock valued at $166,500 ($0.075 per share) for consulting services provided during the three
s ended June 30, 2009. This resulted in a charge to operating expenses in the Company's consolidated statement of
ions.
698 shares of common stock valued at $23,467 ($0.01 per share) for the conversion of a note payable under the
of the original agreement.

000 shares of common stock valued at $200,000 ($0.10 per share) for the retention of an investment banking firm
rvices performed during the quarter. This resulted in a charge to operating expenses in the Company’s consolidated
ent of operations.
00 shares of common stock valued at $30,000 ($0.075 per share) for professional services related to the issuance of
ort-term convertible note payable. This amount was recorded as deferred financing costs and was amortized ratably
rest expense over the term of the related note.

ne three months ended March 31, 2009, the Company issued:

333 shares of common stock valued at $170,500 ($0.075 per share) for professional services related to the issuance short-term convertible note payable. This amount was recorded as deferred financing costs and was amortized to interest expense over the term of the related note.
000 shares of common stock and 8,000,000 shares of Series C Convertible Preferred Stock, with an estimated value 500,000 were issued to the shareholders' of Ceres in exchange for their shares in Ceres under the acquisition nent between the parties and the Company.
00 shares of Series B Convertible Preferred Stock, with an estimated value of $150,000 were issued to Thomsen in nge for its share ownership in MPS under the acquisition agreement between Thomsen and the Company.

arrants

y 2009, in exchange for services provided, the Company issued a five-year warrant to a consultant to purchase shares of the Company's common stock at an exercise price of $0.125 per share. The fair value of the warrant nated $3,400.

Stock

acquisition of Pacific Rim in fiscal 2008, the Company acquired 1,103,500 shares its own common stock that was $143,456, at an average price of $0.13 per share. During the quarter ended March 31, 2009, the Company d an additional 1,113,000 shares of its common stock for $302,123 in cash, at an average price of $0.25 per share. ne three months ended June 30, 2009, the Company sold 402,800 shares of its common stock held in treasury for in cash, at an average price of $0.16 per share. During the three months ended September 30, 2009, the Company 000 shares of its common held in treasury stock for $85,663 in cash, at an average price of $0.11. During the three nded December 31, 2009, the Company accepted 1,002,835 shares of its common stock as payment for a loan e of $105,000 from PFI, at an average price of $0.11 per share. Additionally, the Company sold 245,000 shares of on stock held in treasury stock for $18,948 in cash, at an average price of $0.08 per share. Losses on sale of our shares are recorded in additional paid in capital in the equity section of our consolidated balance sheet as of r 31, 2009.

Commitments and Contingencies

g Leases

cipal executive office is located at 974 Silver Beach Road, Belgium, Wisconsin 53004. The lease payment of $4,300 h on 3,500 square feet of offices and manufacturing and expired in March 2010. We also lease office space in St. N. The lease payment is $3,600 per month and is paid on a month-to-month basis. We also lease a manufacturing n Oakland, Nebraska. The lease payment is $3,000 per month and expires in August 2010. We have not renewed the the facility in Belgium. Total rent expense under operating leases for the years ended December 31, 2009 and 2008, 705 and $49,700, respectively. Our commitment for rent due in 2010 under these operating leases is $29,600.

npany periodically is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of nent that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on cial position of the Company.

Income Taxes

ponents of income tax expense (benefit) were as follows:

| | 2009 | 2008 |
|---|---|---|

| | | |
|---|---|---|
| | $ - | $ |
| local | - | - |
| | $ - | $ - |
| ax expense | $ - | $ - |
| tax expense | - | |
| | $ - | $ - |

ax expense differs from the amount computed by applying the U.S. federal statutory income tax rate to earnings fore income taxes as follows:

| | 2009 | 2008 |
|---|---|---|
| eral statutory rate at 34% | $ (3,703,000) | $ (1,100,000 ) |
| benefit, net of federal | (329,000) | - |
| ment of a deferred tax liability upon acquisition of certain intangible quired in a stock acquisition | 926,000 | - |
| n valuation allowance | 1,830,000 | 1,100,000 |
| uctible expenses | 1,276,000 | |
| e tax expense | $ - | - |

ponents of the net deferred tax liability at December 31 were as follows:

| | | 2009 | | 2008 |
|---|---|---|---|---|
| liabilities and reserves | $ | 184,000 | $ | - |
| n allowance | | (184,000) | | - |
| ent deferred tax asset | | - | | - |
| m: | | | | |
| ating loss carryforward | | 2,918,000 | | 1,100,000 |
| nt basis difference | | 90,000 | | - |
| d intangible asset basis difference | | (260,000 ) | | - |
| l basis difference | | (2,000) | | - |
| | | | | |
| ion allowance | | (2,746,000) | | (1,100,000 ) |
| -term deferred tax liability | $ | - | $ | - |

cember 31, 2009, we had net operating loss carryforwards of $6.0 million for U.S. federal tax purposes and $2.3 or state tax purposes. These loss carryforwards expire between 2010 and 2029. To the extent these net operating yforwards are available, they will be used to reduce any income tax liability associated with our operations. Section e U.S. Internal Revenue Code generally imposes an annual limitation on the amount of net operating loss wards that might be used to offset taxable income when a corporation has undergone significant changes in stock p. Due to changes in ownership, some of our net operating loss carryforwards will be limited. A Section 382 study et been performed as of the date of these financial statements.

on of our net operating loss carryforwards and other deferred tax temporary differences are contingent upon future arnings. Our net deferred tax assets have been reduced fully by a valuation allowance, as realization is not ed to be likely based on an assessment of the history of losses and the likelihood of sufficient future taxable income.

ubject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. As of December 31, 2009, we nger subject to U.S. federal tax examinations for tax years before 2006. We are subject to state tax audits until the e statutes of limitations expire.

gnize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of r 31, 2009, there were no such items accrued and we had no unrecognized tax benefits. We do not expect any changes in our unrecognized tax positions over the next 12 months.

Subsequent Events

h 24, 2010, the Company issued 3,333,333 shares of its common stock to an individual investor for $100,000 in cash share price of $0.03.

ary and March 2010, 1,760,000 shares of the Series C preferred stock were converted to 1,760,000 shares of stock.

14, 2010, Mach One Corporation, a Nevada corporation (“Mach One”), completed an acquisition of WhiteHat , LLC, a Delaware limited liability company (“WhiteHat”), through the merger of WhiteHat into White Hat on Corp., a wholly-owned subsidiary of Mach One (the “Merger Sub”), pursuant to a Plan and Agreement of Merger nto by the parties on February 25, 2010 (the “Merger Agreement”). The Merger Sub will change its name to WhiteHat , Inc. and will operate as a wholly owned subsidiary of Mach One.

to the terms of the Merger Agreement, as partial consideration (i) $400,000 shall be deposited into a WhiteHat
not later than April 30,2010, to be used by WhiteHat to pay its legal, accounting, marketing and debt expenses and
r the development of its business, and (ii) all of the issued and outstanding shares of common and preferred stock of
t were converted into 154,798,788 shares of Mach One common stock and distributed to the WhiteHat shareholders
In addition, $987,000 of WhiteHat indebtedness was cancelled and converted into 15,343,750 shares of Mach One
stock. Upon the close of the acquisition, the former WhiteHat shareholders owned approximately 45% of the total
d outstanding common stock of Mach One. In the event that less than $400,000 is deposited into a WhiteHat
by April 30, 2010, Mach One shall issue additional shares of its common stock ("Penalty Shares") to the WhiteHat
ders, pro rata. In addition, Mach One is obligated to provide additional capital to the WhiteHat subsidiary of not less
500,000 on or before July 4, 2010. In the event Mach One fails to provide such capital within the required time
Mach One will issue to the former WhiteHat shareholders up to 33,691,592 additional shares of its common stock
onal Shares"). However, in no event will the total number of shares issued to the WhiteHat shareholders at the closing,
with any Penalty Shares and/or Additional Shares exceed 49.9% of Mach One's issued and outstanding common

h 31, 2010, the Company discontinued the operations of OGM. As such, the Company will report discontinued
s in its consolidated financial statements during the quarter ending March 31, 2010.

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CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

icable.

T). CONTROLS AND PROCEDURES.

on of Disclosure Controls and Procedures

tain disclosure controls and procedures designed to provide reasonable assurance that information required to be
l in our reports filed pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded,
d, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and
nd that such information is accumulated and communicated to our management, including our Chief Executive
nd Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosures. A control
no matter how well conceived and operated, can provide only reasonable, not absolute, assurance the objectives of
ol system are met.

cember 31, 2009, our management, with the participation of our Chief Executive Officer and Chief Financial
carried out an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in
-15(e) or 15d-15(e) under the Exchange Act. Based on this evaluation, the Chief Executive Officer and Chief
l Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31,
cause of the identification of the material weaknesses in internal control over financial reporting described below.
tanding the material weaknesses that existed as of December 31, 2009, our Chief Executive Officer and Chief
l Officer have each concluded that the consolidated financial statements included in this Annual Report on Form
sent fairly, in all material respects, the financial position, results of operations and cash flows of the Company and
liaries in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We
to evaluate the potential steps to remediate such material weakness as described below.

do not have a formal audit committee, our Board of Directors oversees the responsibilities of the audit committee.
rd is fully aware that there is lack of segregation of duties due to the small number of employees dealing with
dministrative and financial matters.

ment's Report on Internal Control over Financial Reporting

agement is responsible for establishing and maintaining adequate internal control over financial reporting. Internal
ver financial reporting is a set of processes designed by, or under the supervision of, a company's principal executive
cipal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the
on of financial statements for external purposes in accordance with GAAP and includes those policies and
es that:

n to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and
itions of our assets;
le reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements
ordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of
anagement and directors; and
le reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of
sets that could have a material effect on the financial statements.

of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It
e noted that any system of internal control, however well designed and operated, can provide only reasonable, and
ute, assurance that the objectives of the system will be met. Also, projections of any evaluation of effectiveness to
riods are subject to the risk that controls may become inadequate because of changes in conditions, or that the

f compliance with the policies or procedures may deteriorate.

e supervision and with the participation of our management, including our Chief Executive Officer and Chief
 Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on
stablished in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the
y Commission (COSO), as of December 31, 2009.

ılt of our continued material weaknesses described below, management has concluded that, as of December 31,
r internal control over financial reporting was not effective based on the criteria in "Internal Control-Integrated
ork" issued by COSO.

Weakness in Internal Control over Financial Reporting

al weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote
d that a material misstatement of annual or interim financial statements will not be prevented or detected. In
on with the assessment, management continues to identify the following control deficiencies that represent material
ses at December 31, 2009:

o the limited number of Company personnel, a lack of segregation of duties exists. An essential part of internal
ol is for certain procedures to be properly segregated and the results of their performance be adequately
ved. This is normally accomplished by assigning duties so that no one person handles a transaction from beginning
 and incompatible duties between functions are not handled by the same person. Management plans to establish a
formal review process by the board members in an effort to reduce the risk of fraud and financial misstatements.

Company lacks a board oversight role within the financial reporting process that is actively involved in the
ration of the financial statements. Management continues to search for additional board members that are
endent and can add financial expertise, in an effort to remediate part of this material weakness.

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rstand that we continue to have internal control material weaknesses, but due to the Company's limited funds and to add certain staff personnel, there were no changes to our internal control system in 2009. Management continues s additional entity-level controls it can establish in an effort to address the current lack of segregation of here were no additional material weaknesses noted during 2009.

ual Report does not include an attestation report of our independent registered public accounting firm regarding control over financial reporting. Management's report was not subject to attestation by our independent registered counting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this port.

in Internal Control over Financial Reporting

ne fiscal quarter ended December 31, 2009, there was no change in our internal control over financial reporting (as n Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, nal control over financial reporting.

Other Information.

icable.

I

. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

rd of Directors currently consists of five members. Each director holds office until his successor is duly elected by holders. Executive officers serve at the pleasure of the Board of Directors. Our current directors and executive re:

| | Age | Position |
|---|---|---|
| I. | 51 | President and Chief Operating Officer |
| . | 50 | Chief Financial Officer and Secretary |
| sh, | 63 | Chief Science Officer |
| Thomas | 49 | Director |
| ne | 54 | Director |
| ustis | 60 | Director |
| llstrom | 53 | Director |
| . Tobin | 62 | Director |

I. Grubner- President and Chief Operating Officer
ner was appointed as Interim President on September 1, 2009. Prior to his position with Mach One Corporation, ner was CFO for GeneThera, a publicly traded biotech company. During his tenure with GeneThera, Mr. Grubner onsible for all SEC financial reporting, provided executive management, and executed public and private capital ns. Mr. Grubner has also had a substantial career in the technology business where he held numerous senior ent positions in sales, finance and operations negotiating corporate transactions and alliances with multi-national es that are household names. Mr. Grubner holds a J.D. from John Marshall Law School and a B.A. in economics University of Michigan.

. Sheridan-Chief Financial Officer and Secretary
idan was appointed Chief financial officer of the Company on March 4, 2009. From 2004 to the present Mr. served as a consultant for Hudson Financial, one of the world's largest professional staffing firms. His ilities included financial, advisory, and research positions with large cap companies and included management of structuring processes along with coordination of all accounting activities relating to acquisitions and financing. Mr. also managed and prepared documentation for SEC reporting for public companies as well as development and tation of Financing Offering Memorandums. From 1996 to 2004, Mr. Sheridan was President and CFO of Leisure Solutions, a product development firm. From 1993 to 1996, Mr. Sheridan was Vice President and CFO of HMU ment Corporation providing financial, administrative and property management services to long-term care facilities. 88 to 1993, Mr. Sheridan worked as a Manager of Business Assurance for Coopers & Lybrand and acted as a auditor to healthcare and small cap companies. Mr. Sheridan served 6 years in the United States Navy as a Corpsman and Medical Lab Technician from 1981 to 1987. Mr. Sheridan is a CPA and received a BBA in ng from the University of North Florida.

sh, Ph.D. - Chief Science Officer
sh, Ph.D. originally studied to become a medical doctor and expected to treat human patients. After obtaining his microbiology, he taught for 20 years at the Indiana School of Medicine, University of Minnesota and Minnesota iversity, Mankato - covering 13 areas of medicine, from parasitology to immunology to virology. In 1984, Nash SI, an emerging medical company (now called Surmodics) specializing in human diagnostics. While with BSI, Dr. rked to develop tests for strep, whooping cough, salmonella, toxins and other diagnostics. In the late 1980s, Dr. veloped quick swab tests to detect Listeria in feedlots and E. coli in processing plants. During the first Gulf War, he on anthrax tests until government funding dissipated. Along with two other BSI founders Dr. Nash spun off Camas 987. From the University Technical Center in Minneapolis, they expanded their work in rapid human diagnostics to re — researching Campylobacter, Pasteurella and E. coli 0157:H7 with federal funding. Under the direction of Dr. amas did work for the U.S. Department of Defense, the U.S. Marine Corps, and the U.S.D.A. After nearly three of microbial study, Dr. Nash designed all-natural cattle feed additives to inhibit a dangerous E. coli 1057:H7 strain ove feed efficiency with "impressive results." Dr. Nash holds three patents as a result of his work.

Thomas- Director
mas has been a Senior Infrastructure Engineer at Denver Water utility in Denver, Colorado, since February 2006. In tion he is responsible for that company's communication systems. From 2001 to 2006 Mr. Thomas was the ns Manager for Compel, LLC, a developer of data communication and telecommunication operations. Prior to Mr. Thomas was the Vice President of Northern Communications Group, a regional communications company.

Ballantyne-Director
antyne was appointed to the Board on January 7, 2009. Mr. Ballantyne is an officer and director of several private es including Hoopeston Foods, Inc., Thomsen Group, LLC, and Pacific Rim Foods Ltd. Mr. Ballantyne is a director rman of the audit committee of Life Partners Holdings, Inc. (NASDAQ:LPHI). He also serves as an independent of Creat Resources Holdings Limited (LSE:CRHL), American Lorain Corporation (AMEX:ALN) and Empire Corporation International (OTCBB: EEGC) and a director of Jilin Jimei Foods Ltd., a private company in Changchun During 2003, Texas Steel Partners Inc., a Texas-based steel foundry, filed for reorganization and was liquidated to a bankruptcy Chapter 7 conversion. Mr. Ballantyne was an officer and director and 50% shareholder of Texas

rtners. During the last 17 years, Mr. Ballantyne has been active in acquiring and operating troubled companies or ing divested by public and private companies and has focused over the last four years in food processing plants in United States and Asia. He holds a Bachelor of Science degree in business management from the University of n system.

ustis-Director
is was appointed to the Board on February 20, 2009. Mr. Eustis has over thirty years experience in the organic and
ood industry, both in management and field operations. Mr. Eustis has been the Chief Executive Officer and a
of Ceres Organic Harvest, Inc. since its inception in 1992.

obin – Director
. Tobin served as chief executive officer of The Corporation for Advanced Applications from 1996 to 2008. TCAA
business of bringing to market various otherwise unrelated products, each embodying a specific technology and for
owners believe a market exists (e.g. a glucose testing product, a test for canine disorders and a fire retardant for use
esses and other fabrics). Our company's products were originally among those marketed by TCAA through its then
sidiary. Mr. Tobin acquired VDx from TCAA in 2004 under an agreement requiring Mr. Tobin to contribute 10% of
he receives from any acquiring corporation. TCAA received 3 million shares of Mach One Corporation. While Mr.
pects to continue supervising the operations of TCAA, his activities on behalf of that corporation greatly diminished
g the separation of VDx, and those activities are expected to remain minimal during the foreseeable future. Mr.
erved in the United States Air Force from 1966 to 1970 during which time he also attended the University of
d extension in Germany for two years, studying marketing and sales.

s serve for a one-year term. There are currently no agreements or understandings whereby any officer or director
esign at the request of another person. None of our officers or directors is acting on behalf of or will act at the
of any other person.

ommittees

mmittee

ently have no audit committee. Our board of directors is responsible for reviewing and monitoring our financial
ts and internal accounting procedures, recommending the selection of independent auditors by our board, evaluating
e of the annual audit, reviewing audit results, consulting with management and our independent auditor prior to
ion of financial statements to stockholders and, as appropriate, initiating inquiries into aspects of our internal
ng controls and financial affairs. Currently, all members of our board of directors participate in discussions
ng audit committee matters.

sation and Nominations Committees

ently have no compensation or nominating committee or other board committee performing equivalent functions.
y, all members of our board of directors participate in discussions concerning executive officer compensation and
ons to the board of directors.

Conduct and Ethics

d of directors has adopted a code of business conduct and ethics applicable to our directors, officers and employees,
ance with applicable federal securities laws and the FINRA Rules.

fication of Executive Officers and Directors

les of incorporation generally provide that directors of the corporation shall not be held corporately liable except
pplicable by Nevada statute. Articles of incorporation and our bylaws neither provides for nor precludes
fication of our directors, officers and controlling person. In the event that a claim for indemnification (other than the
by us of expenses incurred or paid by our sole director and officer in the successful defense of any action, suit or
ng) is asserted by such director, officer or controlling person in connection with the securities being registered, we
ess in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of

ate jurisdiction the question whether such indemnification by it is appropriate and will be governed by the final ion of such issue. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted rectors, officers, and controlling persons, or insofar as indemnification under that Act is otherwise permitted, we n advised that in the opinion of the Securities and Exchange Commission such indemnification is against public expressed in the Act and is, therefore, unenforceable.

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IANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own n ten percent of its Common Stock, to file reports of ownership and changes of ownership with the Securities and e Commission ("SEC") and each exchange on which the Company's securities are registered. Officers, directors and han ten percent stockholders are required by SEC regulation to furnish the Company with copies of all ownership ey file.

lely on its review of the copies of such forms received by it, or written representations from the officers, directors, or holding greater than 10% of Company stock, no ownership disclosure form (SEC Form 5) was required for those Five of the required seven Form 3's for the directors have been filed with the SEC. Messrs. Tobin and Severson filed their Form 3’s as of the date of this form 10-K. There are no transfers of the Company's common stock by any ubject to Section 16(a) requirements.

. EXECUTIVE COMPENSATION

owing table sets forth the compensation of our officers during the last two fiscal years ended December 31, 2009 and o other officers or directors received annual compensation in excess of $100,000 during the last two completed fiscal

| ame and ipal Position | | Year | Salary ($) | Bonus ($) | Stock Awards ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| . Tobin | (1) | 2009 | $ 165,000 (5) | - | - | - | $ 165,000 |
| ecutive Officer | | 2008 | 180,000 (6) | - | - | - | 180,000 |
| Nash | (2) | 2009 | 144,000 (7) | - | - | - | 144,000 |
| ience Officer | | 2008 | 111,000 (8) | | - | | 111,000 |
| I. Grubner | (3) | 2009 | 158,000 (9) | - | - | - | 158,000 |
| erating Officer | | 2008 | - | - | - | - | 90,000 |
| . Sheridan | (4) | 2009 | 105,000 (10) | - | - | - | 105,000 |
| ancial Officer | | 2008 | - | - | - | - | - |

Tobin was CEO through the quarter ended September 30, 2009. He is currently employed by the Company in an sory capacity.

(2) Dr. Nash became our CSO in April of 2008.

(3) Mr. Grubner became our COO in January of 2009.

(4) Mr. Sheridan became our CFO in April of 2009.

2,000 of this amount was paid as cash and $23,000 was accrued for accounting purposes for a total of $165,000.

6,000 of this amount was paid in cash and $54,000 was accrued for accounting purposes for a total of $180,000.

5,000 of this amount was paid as cash and $29,000 was accrued for accounting purposes for a total of $144,000.

000 of this amount was paid in cash, $35,000 was paid in the form of stock and $65,000 was accrued for accounting oses for a total of $76,000.

3,000 of this amount was paid as cash and $35,000 was accrued for accounting purposes for a total of $158,000.

7,000 of this amount was paid as cash and $28,000 was accrued for accounting purposes for a total of $105,000.

npany does not have any standard arrangements pursuant to which directors are compensated for services as
.

nent Agreements

npany has an employment agreement with Mr. Tobin beginning in January 2006. The term of the agreement is for s, Years 1-2 at $144,000 per year, and Years 3-5 at $180,000 per year. Bonus provisions also exist at the Board of s direction. The Agreement has cost of living increases, and has provisions for termination with cause. Provisions for ion without cause and for change in control of the company are also included and a payment of a one-time sum of es the current annual salary is included.

tion plan

ot have a stock option plan.

e Pension, Profit Sharing or other Retirement Plans

ot have a defined benefit, pension plan, profit sharing or other retirement plan, although we may adopt one or more lans in the future.

. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED HOLDER MATTERS

al Ownership Table

owing tables set forth as of March 31, 2010 the ownership of our common stock by each person known by us to be ficial owner of more than 5% of our outstanding common stock, each of our executive officers and directors, and all e officers and directors of the Company as a group. To the best of our knowledge, the persons named have sole nd investment power with respect to such shares, except as otherwise noted. There are no known pending or ed arrangements that may cause a change in control.

| Name | Title of Class | Shares Beneficially Owned | Percentage of outstanding Shares (%) |
|---|---|---|---|
| . Tobin | Common | 12,246,667 | 6.48% |
| C. Nash | Common | 500,000 | * |
| . Sheridan | Common | 1,000,159 | * |
| Thomas | Common | 7,950,000(2) | 4.21% |
| Ballantyne | Common | 9,377,600(3) | 4.97% |
| | Class B Preferred | 500,000(4) | 100 % |
| ustis | Common | 8,147,165 | 4.31% |
| counts Family Limited Partnership (5) | Common | 11,216,307 | 5.94% |
| I. Grubner | Common | 2,000,000 | 1.06 % |
| Plant | Common | 14,294,000(1) | 7.57% |
| llstrom | Common | 2,750,000 | 1.46% |
| and Directors (8 persons) | | 44,971,591 | 23.82% |

Less than 1%

udes 4,294,000 shares held by The Corporation for Advanced Applications of which Mr. Plant is President and ntains beneficial ownership.

ncludes 750,000 shares in the name of the Thomas Family Trust of which Mr. Thomas is the beneficial owner.

udes 8,440,000 shares held by Mackay Limited Partnership over which Mr. Ballantyne ia a Managing Director but is a beneficial owner.

of these Class B Preferred Shares are owned by Thomsen Group, LLC of which Mr. Ballantyne is the majority er. Each share of Class B Preferred Stock is convertible at any time into two shares of Common Stock.

(5) Andrew A. Roth is General Partner of AAR Family Limited Partnership.

3. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

our office and warehouse facility in Belgium Wisconsin from Monte B. Tobin, our President, and his wife, under a r net lease. The facility consists of approximately 3,500 square feet of office space and 1,000 square feet of ise space, with option to increase the warehouse space by up to 500 feet. We currently pay a base rent of nately $4,300 per month. Under the lease, rent increases are possible if property taxes increase. The Company would nsible for a pro-rata share of the increase. We believe the rent and other terms of the lease are substantially nt to those that would prevail in an arms-length transaction between unrelated parties.

. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

e fees billed by our principal independent registered public accounting firm for audits of the financial statements for years indicated:

| | | 2009 | | 2008 |
|---|---|---|---|---|
| s | $ | 68,675 | $ | 6,500 |
| ated fees | | 34,263 | | - |
| | | - | | - |
| fees | | - | | - |
| | $ | 102,938 | $ | 6,500 |

es. The fees identified under this caption were for professional services rendered by Moquist Thorvilson Kaufmann & Pieper LLC (MTK) for fiscal year 2009 and Larry O'Donnell, CPA, P.C. for fiscal 2008 in connection with the our annual financial statements. The amounts also include fees for services that are normally provided by the ent public registered accounting firm in connection with statutory and regulatory filings and engagements for the ntified.

elated Fees. The fees identified under this caption were for assurance and related services that were related to the f our financial statements included in our quarterly reports on Form 10-Q and were not reported under the caption ees." This category may include fees related to the performance of audits and attestation services not required by regulations, and accounting consultations about the application of generally accepted accounting principles to transactions.

l Policy. Our entire Board of Directors, acting as the Audit Committee, approves in advance all services provided by pendent registered public accounting firm. All engagements of our independent registered public accounting firms in ars 2009 and 2008 were pre-approved by the Board of Directors.

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.EXHIBITS; FINANCIAL STATEMENT SCHEDULES.

| lo. | Description |
| --- | --- |
| 2.1 | Plan and Agreement of Reorganization dated November 21,2008, between the Company and Pacific Rim Foods, Ltd. (1) |
| 2.2 | Agreement for Purchase and Sale of Business dated Feb.18, 2009 between the Company and Thomsen Group, LLC (2) |
| 2.3 | Earn-Out Agreement between the Company and Thomsen Group, LLC dated Feb. 18, 2009 (3) |
| 2.3 | Plan and Agreement of Reorganization dated Feb. 2, 2009 between the Company and Ceres Organic Harvest, Inc. (4) |
| 3.1 | Articles of Incorporation (5) |
| 3.2 | Articles of Merger filed August 10, 1994 (5) |
| 3.3 | Certificate of Amendment of Articles of Incorporation filed June 6, 2002 increasing authorized shares (5) |
| 3.4 | Certificate of Designation designating rights, powers and preferences of Preferred Stock (5) |
| 3.5 | Bylaws (5) |
| 3.6 | BioQual asset purchase agreement (5) |
| 3.7 | Mach One Vdx purchase agreement (5) |
| 3.8 | Certificate of Designation designating rights, powers and preferences of Series B Convertible Preferred Stock * |
| 3.9 | Certificate of Designation designating rights, powers and preferences of Series C Convertible Preferred Stock * |
| 4.1 | Form of 12% Convertible Note issued to AAR (5) |
| 4.2 | Form of 12% Convertible Note issued to John and Audrey Quackenbush (5) |
| 4.3 | Form of Promissory Note issued to investor in April 2007 (5) |
| 4.4 | Form of Five Year Zero Coupon Convertible Promissory Note due December 31, 2013 |
| 5.1 | Opinion Steven L. Slaw, PC (6) |
| 0.1 | 2005 Investment Advisory Agreement between the Company and Charles Morgan Securities, Inc. (5) |
| 0.2 | Investment Banking Agreement between the Company and Charles Morgan Securities, Inc. (5) |
| 0.3 | Placement Agreement between the Company and Charles Morgan Securities, Inc. relating to AAR placement (5) |
| 0.4 | Form of Securities Purchase Agreement with AAR (5) |
| 0.5 | Amendment to AAR Stock Purchase Agreement and related agreements (5) |
| 0.6 | Form of Security Agreement with AAR (5) |
| 0.7 | Placement Agreement between the Company and Charles Morgan Securities, Inc. relating to Quackenbush placement (5) |
| 0.8 | Form of Securities Purchase Agreement with John and Audrey Quackenbush (5) |
| 0.9 | Amendment to Quackenbush Stock Purchase Agreement and related agreements (5) |
| ).10 | Form of Security Agreement with John and Audrey Quackenbush (5) |
| ).11 | Employment Agreement with Monte B. Tobin (5) |
| ).12 | Lease of plant facility (5) |
| ).13 | Contract with Nutritional Solutions, LLC (6) |
| ).14 | Nash Employment Agreement (7) |
| 21.1 | Subsidiaries of Mach One Corporation * |
| 23.1 | Consent of Steven L. Slaw, PC (Contained in Exhibit 5) (6) |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 * |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 * |
| 31.3 | |

Certification of Chief Exec. Officer and Chief Fin. Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

*Filed herewith
(1)Previously filed as exhibit 10.1 to the Company's Form 8-K filed January 16, 2009
(2)Previously filed as exhibit 10.1 to the Company's Form 8-K filed February 26, 2009
(3)Previously filed as exhibit 10.2 to the Company's Form 8K filed February 26, 2009
(4)Previously filed as exhibit 10.3 to the Company's Form 8-K filed February 26. 2009
(5)Previously filed in Company's SB-2 as amended with the SEC in October 2007.
(6)Previously filed in Company's S-1 as amended with the SEC in July 2008.
(7)Previously filed in Company's S-1 as amended with the SEC in September 2008.

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dance with the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to
d on its behalf by the undersigned, thereunto duly authorized.

Mach One Corporation

pril 16, 2010 By: /s/ Tad M. Ballantyne
Tad M. Ballantyne,
Chief Executive Officer and Director

By: /s/ Patrick G. Sheridan
Patrick G. Sheridan
Chief Financial Officer

By: /s/ Steven M. Grubner
Steven M. Grubner,
Chief Operating Officer