Yasheng Eco-Trade Corp
Form 10-K
April 15, 2010

United States
Securities and Exchange Commission
Washington, D.C. 20549
Form 10-K

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

For the fiscal year ended December 31, 2009
OR

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

For the transition period from _______________to_________________

Commission File Number 001-12000

YASHENG ECO-TRADE CORPORATION
(Name of issuer as specified in its charter)
VORTEX RESOURCES CORP.
(Former name of issuer as specified in its charter)

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

1061 ½ N Spaulding, Los Angeles, CA 90046
(Address of principal executive offices)

Issuer's telephone number, including area code: (323) 822-1750
Issuer's facsimile number, including area code: (323) 822-1784

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value $0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes | | No |X|

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes | | No |X|

Check whether the issuer is not required to file reports pursuant to Section 13 or 15 (d) of the Exchange Act. o

Indicate by checkmark 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 requirement for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “accelerated filer, large accelerated filer or smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller Reporting Company x

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

The aggregate market value of the registrant’s common stock (the only class of voting stock) held by non-affiliates of the Company as of December 31, 2009 was about $1,206,310, based on the closing price of the registrant’s common stock on such date of $0.023 as reported by the Over the Counter Bulletin Board.

At April 15, 2010, 179,709,795 shares of common stock were issued and outstanding.

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Item 1. Business

History of Business

Yasheng Eco-Trade Corporation (formerly known as (“f/k/a”) Vortex Resources Corp,, Euroweb International Corp. and Emvelco Corp.) (“we”, “us”, “YASH”, “Vortex” or the “Company”), is a Delaware corporation and was organized on Novem 9, 1992. We were a development stage company through December 1993. On January 8, 2007, the Company changed its name from “Euroweb International Corp.” to “Emvelco Corp.”. On August 19, 2008, the Company changed its name from “Emvelco Corp.” to “Vortex Resources Corp”. On July 15, 2009 the Company changed its name from “Vortex Resources Corp.” to its current name.

The Company’s holdings in its subsidiaries at December 31, 2009 were as follows:

100% of DCG – discontinued operations
100% of Vortex Ocean One, LLC (See Commitment and contingencies)
Approximately 7% of Micrologic, (held by EA Emerging Ventures Corp, a 100% owned subsidiary of the Company, which was sold on April 15, 2010 to a third party)

The above subsidiaries are presently dormant and the Company is presently conducting its business, the development of the logistics center, through Yasheng Eco-Trade Corporation. The Company board re-visits the mineral industry – see discussion below. The Company’s interest with Micrologic been divested – see below.

Going Concern

The accompanying consolidated financial statements included in this Annual Report on Form 10-K include an opinion from Robinson, Hill & Co., the Company’s independent auditors, that there is substantial doubt as to our ability to continue as a going concern. The financing of the Company’s projects is dependent on the future effect of the so called sub-prime mortgage crisis on financial institutions. This sub-prime crisis may affect the availability and terms of financing available to the Company for the completion of its projects, and the availability and terms of financing may affect the Company’s ability to obtain relevant financing for its ongoing operations as well. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Business Strategy

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

Our mission is to develop an Asian Pacific Cooperation Zone in Southern California to enhance and enable increased trade between the United States and China (See details under Item 7 of this report). The facility will provide a “Gateway to China” through a centralized location for the marketing, sales, customer service, product completion for “Made in the USA” products and distribution of goods imported from China. It will also promote Joint Ventures and exporting opportunities for US companies. The importing or sourcing materials from China has been the solution for creating significant margins for goods sold in the United States. While many large multi-national companies have been able to navigate and capitalize on the opportunities the Chinese industrial complex has created, most US companies simply do not have the resources to manage the complexities of working with companies in China. Some of the complexities for US companies importing from China include selecting the right manufacturer or vendor for your company, addressing transportation, tax and customs issues and quality control and delivery issues..

Due to the complexities and uncertainties US companies have found trying to import goods and services from China, our goal is to establish a centralized US based trade center. The goal is to create a “Gateway to China” with warehouse and office space. The warehouse will be centrally located in Southern California with easy access to the ports of Long Beach and Los Angeles, and railways. The warehouse will have the ability to handle both 20 and 40 foot containers including wet, dry and cold storage. The office space will be designed to provide US headquarters for the Chinese companies involved. One of the keys to success for the Asian Pacific Cooperation Zone is the ability to leverage a common infrastructure of technology, administration and transportation to sell goods and services in the United States. We anticipate the Cooperative zone will be utilized for distribution, sales, marketing, warehousing, administration, customer service, showroom display, pick and pack services as well as other value added services that prepares products for delivery to customers.

The business model is to facilitate the importing and exporting of goods and services. Revenue will be generated through a number of offerings including the lease of office space, storage space, distribution services, and administration services along with other value added services.

Our successful development of the logistics center includes many risks including raising adequate funds to pay for the lease of the facility and development of the facility of which there is no guarantee that such funds will be available, the general state of the economy in both the United States and China and concerns over whether the recession will continue or even possibly deepen.

Yasheng Group

Logistics Center and Potential Acquisition

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

As part of the Company due diligence and closing procedure, the Company requested that Yasheng-BVI (allegedly Yasheng's parent company) provide a current legal opinion from a reputable Chinese law firm attesting to the fact that no further regulatory approval from the Chinese government is required as well as other closing conditions to close the transaction. On November 3, 2009, the Company sent Yasheng and Yasheng-BVI a formal letter demanding various closing items. Yasheng and Yasheng-BVI did not deliver the requested items and, on November 9, 2009 Yasheng and Yasheng-BVI sent a termination notice to the Company advising that the definitive Agreement has been terminated. The Company is presently evaluating its options in moving forward with respect to Group based on various letters of intent and agreements with Group regarding various matters and is presently determining whether it should cease all activities with Group.

As Yasheng failed to enter into a definitive agreement with the Company, we may lose a significant source of our potential clients for the logistics center. As such, we would be required to develop additional sources of clients and develop a significant sales force to achieve favorable results.

Real Estate Development and Financial Services Industries

Until December 31, 2007, the Company's primary focus was on the business of real estate development and financial services industries through its wholly-owned subsidiaries in the United States and Europe. In 2008, the Company took the decision to discontinue its real estate operations. During 2008, the Company sold all its real estate properties

Mineral Resources Industry

In 2008, the Company's primary focus shifted from real estate development and financial services industries to the mineral resources industry, specifically within the gas and oil sub-industry. On May 1, 2008, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with Davy Crockett Gas Company, LLC ("DCG") and its members ("DCG Members"). Pursuant to the DCG Agreement, the Company acquired and the DCG Members sold, 100% of the outstanding membership in DCG in exchange for 50,000,000 shares of preferred stock of the Company. The sales price was $50 million, as calculated by the 50 million shares at an agreed price of $1.00. On June 30, 2008, the Company formed Vortex Ocean One LLC ("Vortex One") with third party -, an individual ("TI"). In addition, we assigned the four leases in Crockett County, Texas to Vortex One. As a condition precedent to TI contributing the required funding, Vortex One pledged all of its assets to TI including the leases. On October 29, 2008, the Company entered into a settlement arrangement with TI, whereby the Company agreed to transfer the 5,250 common shares previously owned by Vortex One to TI. On November 2009 the Company and TI agreed to dissolve all their joint venture and or partnership agreement, and TI waved any equity interest per conversion of his equity position into a debt holder.

Further, in February 28, 2009, TI, as the secured lender to Vortex One, directed Vortex One to sell the term assignments with 80% of the proceeds being delivered to TI, as secured lender, and 20% of the proceeds being delivered to the Company – as per the original agreement. The transaction closed on February 28, 2009 in consideration of a cash payment in the amount of $225,000, a 12 month promissory note in the amount of $600,000 and a 60 month promissory note in the amount of $1,500,000 (the "Notes"). TI paid $25,000 fee, and from the net consideration of $200,000 TI paid the Company its 20% portion of $40,000 on March 3, 2009. No relationship exists between TI, the assignee of the leases and the Company and/or its affiliates, directors, officers or any associate of an officer or director. As TI agreed with the Company to wave any equity interest, the Company is the beneficiary owner of the Notes.

Due to economic and business issues in the development of the oil and gas project in Crockett County, Texas, the board obtained additional reserve report for the Company's interest in DCG and Vortex One, which report indicated that the DCG properties as being negative in value. As a result of such report, the world and US recessions and the depressed oil and gas prices, the board of directors elected to dispose of the DCG property and/or desert the project in its entirety. The Buyer of the term assignments is not performing under the Notes, and in essence is in default. As the Notes are secured with encumbrances on the wells, the Company did not make a reserve for doubtful debt. The Company is presently evaluating its options in moving forward with respect to potentially foreclose on the Notes, or negotiate terms with the Buyer, or revive its operation in the Mineral industry.

Micrologic, Inc.

Micrologic, Inc. ("Micrologic"), is in the business of design and production of EDA applications and Integrated Circuit ("IC") design processes; specifically, the development and production of the NanoToolBox TM tools suite which shortens the time to market factor. NanoToolBox TM is a smart platform that is designed to accelerate IC's design time and shrink time to market factor. The Company own 100,000 shares of Micrologic - vested via EA Emerging Ventures Inc. ("EVC") represented less than ten percent (10%) equity ownership in Micrologic, prior to further dilution.. Micrologic subsequently issued additional securities to third parties diluting our interest to approximately 7% of the issued and outstanding of Micrologic, Inc.

On April 15, 2010 the Company sold all its holdings in Micrologic for consideration of $20,000.

Employees

As of April 15, 2010, the Company employed a total of three full-time employees and one part-time employee, all of whom are in executive and administrative functions. We believe that our relationships with our employees are good.

Item 1A. Risk Factors

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 1B. Unresolved Staff Comments.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 2. Properties

On June 2006, we entered into a lease for approximately 1,500 square feet of office space located at 1061 ½ North Spaulding Ave., West Hollywood, CA 90046 which we rent for $2,500 per month. Future minimum payments for the years ending December 31, 2010 and 2011 are $30,000 and $15,000 (6 months in 2011), respectively. Our lease terminates June 2011 and we have not as yet determined whether we will renew the lease for the existing space or seek new space. The Company is utilizing this space for operational and accounting services. On September 2008 the Company's principal executive offices were relocated from 10990 Wilshire Blvd, Suite 1220, Los Angeles, CA to 9107 Wilshire Blvd., Suite 450, Beverly Hills, CA 90210. This office space was operating as executive suites space and services which we rent for $219 per month as base rent, plus charges of actual spaces uses. In order to minimize cost and being more efficient, the Company vacate said offices and operate in 2009 from its West Hollywood offices.

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Item 3. Legal Proceedings

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

Navigator – Registration Rights - The Company entered into a registration rights agreement dated July 21, 2005, whereby it agreed to file a registration statement registering the 441,566 shares of Company common stock issued in connection with the Navigator acquisition within 75 days of the closing of the transaction. The Company also agreed to have such registration statement declared effective within 150 days from the filing thereof. In the event that Company failed to meet its obligations to register the shares, it may have been required to pay a penalty equal to 1% of the value of the shares per month. The Company obtained a written waiver from the seller stating that the seller would not raise any claims in connection with the filing of registration statement through May 30, 2006. The Company since received another waiver extending the registration deadline through May 30, 2007 without penalty. As of June 30, 2008 (effective March 31, 2008), the Company was in default of the Registration Rights Agreement and therefore made a provision for compensation for $150,000 to represent agreed final compensation (the "Penalty"). The holder of the Penalty subsequently assigned the Penalty to three unaffiliated parties (the "Penalty Holders"). On December 26, 2008, the Company closed agreements with the Penalty Holders pursuant to which the Penalty Holders agreed to cancel any rights to the Penalty in consideration of the issuance 66,667 shares of common stock to each of the Penalty Holders. The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. Each of the Penalty Holders is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Trafalgar Capital Specialized Investment Fund, Luxembourg - The Company via series of agreements (directly or via affiliates) with European based alternative investment fund - Trafalgar Capital Specialized Investment Fund, Luxembourg (“Trafalgar”) established a financial relationship which should create a source of funding to the Company and its subsidiaries (see detailed description of said series of agreements in the Company filing). The Company position is that the DCG transactions (among others) would not have been closed by the Company unless Trafalgar had provided the needed financing needed for the drilling program. On April 14, 2009, the Company filed a complaint in Superior Court of California, County of Los Angeles, and Case No. BC 411768 against Trafalgar Capital Specialized Investment Fund, Luxembourg and its affiliates (which was served on June 5, 2009 via registered mail and on September 10, 2009 in personal service), alleging breach of contract and fraud and alleged damages in the amount of $30,000,000. On or about August 2008, Trafalgar obtained a default judgment against the Company in a lawsuit brought by it (but never served on the Company) in Florida (Case No. 09-60980) for $2,434,196.06. The Company appealed said judgment, based on non-service and its appeal was granted on April 9, 2010 so this judgment been vacated. On April 15, 2010 effective December 31, 2009 the company and Trafalgar settled all outstanding disputes. The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Under the terms of the settlement, Trafalgar will be issued Preferred Stock of the Company, which is convertible to common shares at the option of the holders, into 600,000,000 common shares of the Company, at any time upon written notice to the company; this is more than the total authorized shares of the Company. In the event of conversion of the note, the Company will authorize more shares to be issued at that point (The parties acknowledged that the Company has not sufficient authorized shares to affect said issuance) Trafalgar will appoint 4 directors to the Company’s Board of Directors. Under the terms of the settlement, Trafalgar agreed to continue and pursue the core business of the Company.

Verge Bankruptcy & Rusk Litigation - On January 23, 2009, Verge Living Corporation (the “Debtor”), a former wholly owned subsidiary of Atia Group Limited (“AGL), a former subsidiary of the Company, filed a voluntary petition (the “Chapter 11 Petitions”) for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the

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

Yalon Hecht - On February 14, 2007, the Company filed a complaint in the Superior Court of California, County of Los Angeles against Yalon Hecht, a foreign attorney alleging fraud and seeking the return of funds held in escrow, and sought damages in the amount of approximately 250,000 Euros (approximately $316,000 as of the date of actual transferring the funds), plus interest, costs and fees. On April 2007, Mr. Hecht returned $92,694 (70,000 Euros on the date of transfer) to the Company which netted $72,694. On June 2007, the Company filed a claim seeking a default judgment against Yalon Hecht. On October 25, 2007, the Company obtained a default judgment against Yalon Hecht for the sum of $249,340.65. As of today, the Company has not commenced procedures to collect on the default judgment.

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

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

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

Sharp - On October 20, 2009, an alleged former shareholder of the Company (Mr. Sharp), has filed a lawsuit against the Company and Mr. Attia in San Diego County, California (case number SC105331). Mr. Sharp subsequently attempted to settle the matter for a nominal fee, which the Company refused to accept. The Company disputes all of Mr. Sharp's claims as meritless, frivolous and unsubstantiated and believes that it has substantial and meritorious legal and factual defenses, which the Company intends to pursue vigorously. The Court on January 10, 2010 imposed sanctions upon Sharp to be paid to Defendants no later than February 8 in the amount of $1,250.00. The Order was entered January 25, 2010. Despite several requests, Sharp has not paid the sanctions. As such the case is being transferred to Los Angeles. On April 5, 2010 the Company filed a motion to court to reclassified the Sharp complaint as limited scope or as a small court claim case

Item 4. (Removed and Reserved).

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

On November 1, 2007, the Company received a NASDAQ Staff Determination (the "Determination") indicating that the Company has failed to comply with the requirement for continued listing set forth in Marketplace Rule 4310(c)(4) requiring the Company to maintain a minimum bid price of $0.80 and that its securities are, therefore, subject to delisting from the NASDAQ Capital Market if it does not regain compliance by April 29, 2008. If the bid price of the Company's common stock closes at $1.00 per share or more for a minimum of 10 consecutive business days any time prior to April 29, 2008, then the NASDAQ Staff will provide written notification that it complies with the Rule. On February 11, 2008, the Company received a decision letter from NASDAQ informing the Company that it has regained compliance with Marketplace Rule 5310(c)(4). The Staff letter noted that the closing bid price of the Company's common stock has been at $1.00 per share or greater for at least 10 consecutive business days.
During 2008 The Company elected to move from The NASDAQ Stock Market to the OTCBB to reduce, and more effectively manage, its regulatory and administrative costs, and to enable Company's management to better focus on its business. The Company is traded on the OTCBB under the symbol VXRC (on February 24, 2009 the Company symbol was changed from VTEX into VXRC). Before that, the Company's common stock was traded on the NASDAQ Capital Market ("NASDAQ") under the symbol "EMVL". On July 15, 2009 the Company changed its name from "Vortex Resources Corp." to its current name, which subsequently changed the Company symbol into "YASH".

The following table sets forth the high and low bid prices for the Company's common stock during the periods indicated as reported by NASDAQ or OTCBB.

Quarter Ended:	High ($)	Low ($)
2008		
March 31, 2008	$ 0.85	$ 0.85
June 30, 2008	2.00	0.80
September 30, 2008	1.10	1.09
December 31, 2008	0.02	0.02
2009		
March 31, 2009	$ 1.00	$ 0.54
June 30, 2009	0.95	0.693
September 30, 2009	0.175	0.1505
December 31, 2009	0.0284	0.0172

On February 24, 2009, the Company affected a reverse split of its issued and outstanding shares of common stock on a 100 for 1 basis. As a result of the reverse split, the issued and outstanding shares of common stock were reduced on a basis of one share for every 100 shares outstanding. The shareholders holding a majority of the issued and outstanding shares of common stock and the board of directors approved the reverse split on November 24, 2008. As part of the reverse that became effective on February 24, 2009 the Company was quoted on the Over-the-Counter Bulletin Board under the symbol VXRC.OB. During 2009, the Company was quoted on the Frankfurt exchange, under the symbol HTE2. The Company did not initiate this quotation nor has it filed any reports with the Frankfurt Exchange.

On April 14, 2010 the closing bid price on the OTCBB for the Company's common stock was $0.012.

Holders of Common Stock

As of March 5, 2010, the Company had 153,909,795 shares of common stock outstanding and 119 shareholders of record. The Company was advised by its transfer agent, the American Stock Transfer & Trust Company, that according to a search made by Broadridge Financial Solutions, the Company has on March 3, 2010 approximately 5,995 beneficial owners who hold their shares in street names.

Dividends

It has been the policy of the Company to retain earnings, if any, to finance the development and growth of its business.

Equity Compensation Plan Information

2004 Stock Incentive Plan - As of December 31, 2009, there were 330,000 options outstanding with a weighted average exercise price of $3.77. No options were exercised during the year ended December 31, 2009 and the year ended December 31, 2008.

The following table summarizes information about shares subject to outstanding options as of December 31, 2009, which was issued to current or former employees, consultants or directors pursuant to the 2004 Incentive Plan and grants to Directors:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sale of Securities that were not registered Under the Securities Act of 1933

Common Stock:

On February 14, 2008, the Company raised Three Hundred Thousand Dollars ($300,000) in connection with a private offering to various accredited investors. The offering is for Company common stock which was issued as "restricted securities" at $1.00 per share. The money raised was used for working capital and business operations of the Company. The private offering was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for each Private Placement.

On March 30, 2008, the Company raised $200,000 from a private offering. The private placement was for Company common stock which shall be "restricted securities", which was sold at $1.00 per share. The offering included 200,000 warrants to be exercised at $1.50 for two years, and additional 200,000 warrants to be exercised at $2.00 for four years. The money raised from the sale of the Company's securities was used for working capital and business operations of the Company. The sale of the securities was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for the sale of securities. The investor is D'vora Greenwood (Attia), the sister of Mr. Yossi Attia. Mr. Attia did not participate in the board meeting which approved this transaction.

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

On June 6, 2008, the Company raised $300,000 from the private offering pursuant to a Private Placement Memorandum ("PPM"). The private placement was for Company common stock which shall be "restricted securities" and were sold at $1.00 per share. The money raised from the private placement of the Company's shares was used for working capital and business operations of the Company. The PPM was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for each Private Placement. Based on information presented to the Company, and in lieu of the Company position which was sent to the investor on June 18, 2008 the investor is in default for not complying with his commitment to invest an additional $225,000 and the Company vested said 3,000 shares under a trustee.

On June 11, 2008, the Company entered into a Services Agreement with Mehmet Haluk Undes (the "Undes Services Agreement") pursuant to which the Company engaged Mr. Undes for purposes of assisting the Company in identifying, evaluating and structuring mergers, consolidations, acquisitions, joint ventures and strategic alliances in Southeast Europe, Middle East and the Turkic Republics of Central Asia. Pursuant to the Undes Services Agreement, Mr. Undes has agreed to provide the Company services related to the identification, evaluation, structuring, negotiating and closing of business acquisitions, identification of strategic partners as well as the provision of legal services. The term of the agreement is for five years and the Company has agreed to issue Mr. Undes 5,250 shares of common stock that was issued on August 15, 2008.

On June 30, 2008 and concurrent with the formation and organization of Vortex One, whereby the Company contributed 5,250 shares of common stock (the "Vortex One Shares"), a common stock purchase warrant purchasing 2,000 shares of common stock at an exercise price of $1.50 per share (the "Vortex One Warrant")..

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

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

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

On August 8, 2008, assigned holders of the Undes Convertible Note gave notices to the Company of their intention to convert their original note dated June 5, 2007 into 250,000 common shares of the Company. The portion of the accrued interest from inception of the note in the amount of $171,565 was not converted into shares. The Company accepted these notices and issued the said shares.

On August 1, 2008, all holders of the Company’s preferred stock notified the Company about converting said 100,000 preferred stock into 500,000 common shares of the Company. The conversion of preferred shares to common shares marks the completion of the acquisition of Davy Crockett Gas Company, LLC. The Company accepted such notice and instructed the Company’s transfer agent on August 15, 2008 to issue said 500,000 common shares to the former members of DCG, as reported and detailed on the Company’s 14A filings.

In connection of selling a convertible note to Trafalgar (see further disclosures in this report), the Company issued on September 25, 2008 the amount of 547 common shares at $0.001 par value per share to Trafalgar as a fee. As part of collateral to said note, the Company issued to Trafalgar 45,000 common stock 0.001 par values per shares, as security for the Note. Said shares consider being escrow shares, and accordingly are not included in the outstanding common shares of the company.

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

On December 5, 2008 the Company cancelled 150,000 of its common shares held by certain shareholder, per comprehensive agreement detailed in this report under Preferred Stock section. Said shares were surrendered to the Company secretary for cancellation.

On December 26, 2008, the Company closed agreements with the Penalty Holders pursuant to which the Penalty Holders agreed to cancel any rights to the Penalty in consideration of the issuance 66,667 shares of common stock to each of the Penalty Holders, totaling in issuing 200,000 of the Company common shares. The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. Each of the Penalty Holders is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

On January 23, 2009, the Company completed the sale of 50,000 shares of the Company's common stock to one accredited investor for net proceeds of $75,000 (or $0.015 per common share). The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. The investor is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

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

On March 5, 2009, the Company and Yasheng implemented an amendment to the Term Sheet pursuant to which the parties agreed to explore further business opportunities including the business of logistic centers, and/or alliance with other major groups complimenting and/or synergetic to the Vortex/Yasheng JV as approved by the board of directors on March 9, 2009. Further, in accordance with the amendment, the Company issued 50,000,000 shares to Yasheng and 38,461,538 shares to Capitol Properties (which was acting as agent for Yasheng) as consideration for exploring the business opportunities, based on the pro-ration set in the January Term Sheet. The shares of common stock were issued based on the Board consent on March 9, 2009, in connection with this transaction in a private transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and/or Rule 506 promulgated there under. Yasheng and Capitol are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. As the Yasheng transaction did not close, the Company recorded direct transaction-related expenses of $348,240, which represented the Company's direct expenses associated with said transaction. On April 5, 2010 the Company issued a formal request to Yasheng demanding that they surrender the 50,000,000 shares that were issued to them, as well as reimburse the Company for its expenses associated with the transaction in the amount of $348.240.

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

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

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

On August 17, 2009, the Company entered into a Subscription Agreement with an accredited investor pursuant to which the investor agreed to acquire up $400,000 in shares of common stock of the Company at a per share purchase price equal to the average closing price for the five trading days prior to close. On August 17, 2009, the accredited investor purchased 350,877 restricted shares of common each at $0.57 per share for an aggregate purchase price of $200,000, which was paid in cash. On August 31, 2009, the accredited investor purchased an additional 150,060 shares of common stock at $.3332 per share for an aggregate purchase price of $50,000, which was paid in cash. On

September 4, 2009, an accredited investor purchased 574,718 restricted shares of common each at $.22136 per share for an aggregate purchase price of $127,219.48, which was paid in cash. The shares of common stock were offered and sold to the accredited investor in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and/or Rule 506 promulgated thereunder. The investor is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

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

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

On December 30, 2009, the Company entered into a Preferred Stock Purchase Agreement dated as of December 30, 2009 (the "Agreement") – See below for details. Pursuant to the Agreement, the Company agreed to pay the Investor a commitment fee of $250,000 (the "Commitment Fee"), payable at the earlier of the six monthly anniversary of the execution of the Agreement or the first tranche. The Company has the right to elect to pay the Commitment Fee in immediately available funds or by issuance of shares of Common Stock. As such the Company issued to the Investor 10,000,000 shares of Common Stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933.

On December 30, 2009, the Company entered into an Exchange Agreement with Moran Atias ("Atias") whereby the Company and Ms. Atias exchanged $100,000 of a promissory note in the amount of $250,000 held by Ms. Atias into 11,903,333 shares of Common Stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias, was initially issued on August 8, 2008.

On January 20, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Moran Atias ("Atias") whereby the Company and Ms. Atias exchanged $100,000 of a promissory note in the amount of $150,000 held by Ms. Atias into 13,000,000 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias (see above), was initially issued on August 8, 2008. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities.

On March 23, 2010, the Company issued 8,000,000 shares of its common stock 0.001 par values per share, to Donfeld, Kelley & Rollman ("Kelley"), the Company lawyer, as partial payment for legal fees due. The promissory note, which was converted by Kelley, was issued on August 30, 2009. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities

On April 9, 2010, the Company, in an effort to pay-off outstanding debt of the Company, entered into an Exchange Agreement with Moran Atias ("Atias") whereby the Company and Ms. Atias exchanged $50,000 of a promissory note in the amount of $50,000 held by Ms. Atias into 12,714,286 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which its total balance outstanding was converted by Ms. Atias was initially issued on August 8, 2008. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities.

On April 9, 2010, the Company, in an effort to pay-off outstanding debt of the Company, entered into an Exchange Agreement with Priscilla Dunckel ("PD") whereby the Company and PD exchanged $20,000 of a promissory note in the amount of $20,000 held by PD into 5,085,714 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which the note was converted by PD was initially issued on August 8, 2008. The Company's issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities.

Preferred Stock:

Series A - As disclosed in Form 8-Ks filed on May 7, 2008 and May 9, 2008, on May 1, 2008, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with DCG and the members of DCG Members. Pursuant to the DCG Agreement, the Company acquired and, the DCG Members sold, 100% of the outstanding securities in DCG. DCG is a limited liability company organized under the laws of the State of Nevada and headquartered in Bel Air; California is a newly formed designated LLC which holds certain development rights for gas drilling in Crockett County, Texas. In consideration for 100% of the outstanding securities in DCG, the Company issued the DCG Members promissory notes in the aggregate amount of $25,000,000 payable together with interest in May 2010 (the "DCG Notes"). On August 1, 2008, all holders of the Company's preferred stock Series A, notified the Company of their intention to convert said 100,000 preferred stock into 500,000 common shares of the Company. The conversion of preferred shares to common shares marks the completion of the acquisition of DCG. The Company accepted such notice and instructed the Company's transfer agent on August 15, 2008 to issue said common shares to the former members of DCG, as reported and detailed on the Company's 14A filings.

Series B - On December 5, 2008 the Company entered into and closed end Agreement with T.A.S. Holdings Limited ("TAS") (the "TAS Agreement") pursuant to which TAS agreed to cancel the debt payable by the Company to TAS in the amount of approximately $1,065,000 and its 150,000 shares of common stock it presently holds in consideration of the Company issuing TAS 1,000,000 shares of Series B Convertible Preferred Stock, which such shares carry a stated value equal to $1.20 per share (the "Series B Stock"). The Series B Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.0016 per share. The Series B Stock shall have voting rights on an as converted basis multiplied by 6.25. Holders of the Series B Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.06 per share of Series B Stock paid semi-annually on June 30 and December 31 commencing June 30, 2009. In the event of any liquidation or winding up of the Company, the holders of Series B Stock will be entitled to receive, in preference to holders of common stock, an amount equal to the stated value plus interest of 15% per year. The Series B Stock restricts the ability of the holder to convert the Series B Stock and receive shares of the Company's common stock such that the number of shares of the Company common stock held by TAS and its affiliates after such conversion does not exceed 4.9% of the Company's then issued and outstanding shares of common stock. The Series B Stock was offered and sold to TAS in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. TAS is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company filed its Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock with the State of Delaware. The preferred shares were subsequently converted to 7,500,000 shares of common stock and are included in the EPS calculation.

Series C - On November 26, 2009, the Company issued 210,087 shares of Series C Preferred Stock for aggregate consideration of $4,945. Each six shares of Series C Preferred Stock is convertible into one share of common stock; provided, however, in the event that the shares of Series C Preferred Stock have been outstanding for a period of one year, then it shall be automatically converted into shares of common stock in accordance with the aforementioned conversion formula. The Company issued the securities to one non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

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

Series E – Not issued yet – On April 15, 2010 the Company's Board of Directors approved settlement agreement with Trafalgar effective December 31, 2009 (see Item III – Legal Proceedings). The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Via mechanism of Preferred Stocks, the debt is Convertible at the Option of the Holders, into Six Hundred Million (six hundred million) common shares of the Company, at any time upon written notice to the company (The parties acknowledged that the Company does not have sufficient authorized shares to affect said conversion).

Treasury Stock Repurchase

In June 2006, the Company's Board of Directors approved a program to repurchase, from time to time, at management's discretion, up to 700,000 shares of the Company's common stock in the open market or in private transactions commencing on June 20, 2006 and continuing through December 15, 2006 at prevailing market prices. Repurchases will be made under the program using our own cash resources and will be in accordance with Rule 10b-18 under the Securities Exchange Act of 1934 and other applicable laws, rules and regulations. A licensed Stock Broker Firm is acting as agent for our stock repurchase program. Pursuant to the unanimous consent of the Board of Directors in September 2006, the number of shares that may be purchased under the Repurchase Program was increased from 700,000 to 1,500,000 shares of common stock and the Repurchase Program was extended until October 1, 2007, or until the increased amount of shares is purchased. On November 20, 2008, the Company issued a press release announcing that its Board of Directors has approved a share repurchase program. Under the program the Company is authorized to purchase up to ten million of its shares of common stock in open market transactions at the discretion of management. All stock repurchases will be subject to the requirements of Rule 10b-18 under the Exchange Act and other rules that govern such purchases.

As of September 30, 2009 the Company had 1,000 treasury shares in its possession scheduled to be cancelled.

Pursuant to the Sale Agreement of Navigator, the Company got on closing (February 2, 2007) 622,531 shares of the Company’s common stock as partial consideration. The Company shares were valued at $1.34 per share, representing the closing price of the Company on the NASDAQ Capital Market on February 16, 2007, the closing of the sale. The Company canceled the common stock acquired during the disposition in the amount of $834,192. All, the Company 660,362 treasury shares were retired and canceled during August and September 2008.

On November 20, 2008, the Company issued a press release announcing that its Board of Directors has approved a share repurchase program. Under the program the Company is authorized to purchase up to 100,000 of its shares of common stock in open market transactions at the discretion of management. All stock repurchases will be subject to the requirements of Rule 10b-18 under the Exchange Act and other rules that govern such purchases.

As of December 31, 2009 the Company has 1,000 treasury shares in its possession (which been purchased in the open market per the above program) scheduled to be cancelled.

Item 6. Selected Financial Data.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 7. Management’s Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion of the results of our operations and financial condition should be read in conjunction with our financial statements and the related notes, which appear elsewhere in this annual report.

Results of Operations

Year Ended December 31, 2009 compared to Year Ended December 31, 2008

Due to the new financial investment in developing a logistics center in 2009, and the discontinuation of Gas and Oil activity, which commenced in May 2008, the consolidated statements of operations for the years ended December 31, 2009 and 2008 are not comparable. This section of the report, should be read together with Notes of the Company consolidated financials especially - Change in the Reporting Entity: In accordance with Financial Accounting

Standards, FAS 154, Accounting Changes and Error Corrections , when an accounting change results in financial statements that are, in effect, the statements of a different reporting entity, the change shall be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods. Previously issued interim financial information shall be presented on a retrospective basis.

The consolidated statements of operations for the years ended December 31, 2009 and 2008 are compared (subject to the above description) in the sections below:

Revenues

The following table summarizes our revenues for the year ended December 31, 2009 and 2008:

Year ended December 31,	2009	2008
Total revenues	$ —	$ —

There was a sale of a property in 2008. Since the board resolved to discontinue real estate operations during 2008, revenues of $1,990,000 from the real estate property are included as part of discontinued operations for years ended December 31, 2008

Cost of revenues

The following table summarizes our cost of revenues for the year ended December 31, 2009 and 2008:

Year ended December 31,	2009	2008
Total cost of revenues	$ —	$ —

Since the board resolved to discontinue real estate operations during 2008, cost of sales of $2,221,929 for the real estate property are included as part of discontinued operations for the year ended December 31, 2008

Compensation and related costs

The following table summarizes our compensation and related costs for the year ended December 31, 2009 and 2008:

Year ended December 31,	2009	2008
Compensation and related costs	$ 410,156	$ 558,073

Overall compensation and related costs decreased by about 27%, or $147,917, primarily as the result of reduction of employees.

Consulting, professional and director fees

The following table summarizes our consulting, professional and director fees for the year ended December 31, 2009 and 2008:

Year ended December 31	2009	2008
Consulting, professional and director fees	$ 790,373	$ 13,049,759

Overall consulting, professional and director fees decreased by about 94%, or $12,259,386, primarily as the result of a fee charge of $9,782,768 to C. Properties as a fee associated with the DCG transaction and a $2,108,161 charge to stock compensation expense for various grants of shares and warrants in relation to the cost of several consultants, investment bankers, advisors, accounting and lawyers fee in 2008. These charges did not occur in 2009.

Other selling, general and administrative expenses

The following table summarizes our other selling, general and administrative expenses for the year ended December 31, 2009 and 2008:

Year ended December 31		2009		2008
Other selling, general and administrative expenses	$	203,670	$	413,576

Other selling, general and administrative expenses decreased by 51%, or $209,906, from 2008 to 2009. This change is due to management resizing its business, changing its business model, and reducing its employees. Since the board resolved to discontinue real estate operations during 2008, other selling, general and administrative expenses of $0 for the real estate properties are included as part of discontinued operations for the years ended December 31, 2008.

Goodwill impairment

The following table summarizes our goodwill impairment fees for the year ended December 31, 2009 and 2008:

Year ended December 31		2009		2008
Goodwill impairment	$	--	$	34,490,000

For the year ended December 31, 2008, an analysis was performed on the goodwill associated with the investment in DCG that occurred during the year (which was booked against Equity), and an impairment expense was charged against the P&L for $34,490,000 million.

Depreciation and amortization

The following table summarizes our depreciation and amortization for the year ended December 31, 2009 and 2008:

Year ended December 31,		2009		2008
Depreciation	$	—	$	—

There is no depreciation expense in the years ended December 31, 2009 and 2008 due to the capitalization of depreciation into the Investment in Land Development accounts for the majority owned subsidiary.

The following table summarizes our other expenses for the year ended December 31, 2009 and 2008:

Year ended December 31,		2009		2008
Other expenses	$	348,240	$	—

These expenses in 2009, which did not occur in 2008, are direct expenses incurred in connection with the Yasheng transaction, the outcome of which is currently uncertain.

Net interest income (expense)

The following table summarizes our net interest income for the year ended December 31, 2009 and 2008:

Year ended December 31,		2009		2008
Interest income	$	171,567	$	729,097
Interest expense	$	(3,280,731)	$	(1,922,983)
Net interest income (expense)	$	(3,449,164)	$	(1,193,886)

The decrease in interest income is attributable to the Company having sold its real estate assets in 2008, thereby reducing the Company's base of properties which entitled it to receive interest income in 2008.

The increase in interest expense is primarily due to on the issuance of notes payable during 2008 and 2009. On the other hand, the line of credit was paid back during 2008, and short-term borrowing overall has decreased sharply from 2008 to 2009. Some stock was issued during 2009, and management will seek to exploit equity financing as opposed to debt going forward wherever possible and feasible. The interest expense in 2009 also includes the discount portion of the seller's note issued in connection with the sale of the DCG wells, which was issued at face value. The discount under that note was computed at the Company's approximate cost of borrowing, 12%.

Liquidity and Capital Resources

As of December 31, 2009, our cash, cash equivalents and marketable securities were $85,789 (in 2008 it was $123,903), a decrease of approximately $38,114 from the end of fiscal year 2008. The decrease in our cash, cash equivalents and marketable securities is primarily the result of pay-off bank loans and conversion of notes payable, and also cash was used to operate our business.

Cash flow used by operating activities for the year ended December 31, 2009 was $690,279, and cash flow used by operating activities in 2008 was $230,983. Although the net loss was much larger in 2008 than in 2009, much of that net loss in 2008 was the (non-cash) 35MM goodwill impairment of the DCG wells (discontinued operations). As previously noted, however, the operations of the Company are not truly comparable between 2008 and 2009, due to the changed business model.

Cash flow provided by investing activities for the year ended December 31, 2009 was $25,000 and cash flow used by investing activities in 2008 was $327,102. The change was primarily due to the reduction in 2008 of loan advances to ERC and Verge.

Cash provided by financing activities in the year ended December 31, 2009 was $627,165, and cash flow used by financing activities was $341,792 for the year ended December 31, 2008. This change is mainly due to the repayment of a bank loan in 2008.

The Company held restricted Certificate of Deposits (CD) with the Bank to access a revolving line of credit. These deposits are interest bearing and approximated $4.196 million as of September 30, 2008. On November 8, 2007, the lines of credits were increased and extended as the following: $4,180,000 until October 16, 2008 and $4,229,000 until September 1, 2008. Both lines bear interest of 5.87% and are secured by restricted cash deposited in CD's with the bank. On August 2008, the company notified the bank, not to extend the deposits, and pay it off from the CD. In the event the Company makes future acquisitions or investments, additional bank loans or fund raising may be used to finance such future acquisitions. The Company may consider the sale of non-strategic assets. The Company currently anticipates that its available cash resources will not be sufficient to meet its prior anticipated working capital requirements, though it will be sufficient manage the existing business of the Company without further development.

Plan of operation

The Company intends to continue to develop its logistics center with or without the continued support and involvement of Yasheng. Its efforts will be focused on obtaining the required financing to develop the center, selecting the appropriate facility for lease and commencing sales. Per Yasheng's cancellation of the Exchange Agreement (see above) there is no guarantee that the Company will be able to successfully develop its logistic center.

The above efforts are subject to obtaining adequate financing on acceptable terms. The Company anticipates that it will be spending approximately $2,000,000 over the next 12 month period pursuing its stated plan. The Company's present cash reserves and monetary assets are not sufficient to carry out its plan of operation without substantial additional financing. The Company is currently attempting to arrange for financing through mezzanine arrangements, debt or equity that would enable it to proceed with its plan of investment operation. (See above – Preferred Shares Series D) However, there is no guarantee that we will be able to close such financing transaction or, if financing is available, that the terms will be acceptable to the Company.

Item 7A. Quantitative And Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

The audited Consolidated Financial Statements of the Company for the years ended December 31, 2009 and December 31, 2008, are included herein beginning with the index hereto on page F-1 ..

Item 9. Changes In and Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

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

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

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

Evaluation of Disclosure and Controls and Procedures. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation and for the reasons set forth below, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures are currently not effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management, with the participation of our principal executive officer, financial and accounting officer, has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2009 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations . Based on this evaluation, because of the Company’s limited resources and limited number of employees, management concluded that, as of December 31, 2009, our internal control over financial reporting is not effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The ineffectiveness of our disclosure controls and procedures is the result of certain deficiencies in internal controls that constitute material weaknesses as discussed below. The material weaknesses identified did not result in the restatement of any previously reported financial statements or any other related financial disclosure, nor does management believe that it had any effect on the accuracy of the Company's financial statements for the current reporting period. We lack segregation of duties in the period-end financial reporting process. The Company has historically had limited accounting and minimal operating revenue and, as such, all accounting and financial reporting operations have been and are currently performed by one individual. The party that performs the accounting and financial reporting operations is the only individual with any significant knowledge of generally accepted accounting principles. The person is also in charge of the general ledger (including the preparation of routine and non-routine journal entries and journal entries involving accounting estimates), the selection of accounting principles, and the preparation of interim and annual financial statements (including report combinations, consolidation entries and footnote disclosures) in accordance with generally accepted accounting principles. In addition, the lack of additional staff with significant knowledge of generally accepted accounting principles has resulted in ineffective oversight and monitoring. The company intends to add accounting staff, subject to adequate financing, in order to assist in reducing its risk in these areas and plans to add additional personnel in accounting and internal auditing in the near future, which is subject to obtaining the required financing.

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

Changes in internal controls

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during the year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth certain information regarding the executive officers and directors of the Company as of December 31, 2009:

Name	Age	Position with Company
Yossi Attia	48	Director, Chief Executive Officer, Principal Financial Officer and President
Stewart Reich	66	Director and Audit and Compensation Committees Chairman
Gerald Schaffer	86	Director and Audit and Compensation Committee's member
Alison M. Moses	43	Secretary (*)

Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company and until their successors are elected. Officers are elected annually and serve at the discretion of the Board of Directors.

Yossi Attia has been self employed as a real estate developer since 2000. Mr. Attia was appointed to the Board of Directors ("Board") on February 1, 2005, as CEO of ERC on June 15, 2006 and as the CEO and President of the Company on August 14, 2006. Prior to entering into the real estate development industry, Mr. Attia served as the Senior Vice President of Investments of Interfirst Capital from 1996 to 2000. From 1994 through 1996, Mr. Attia was a Senior Vice President of Investments with Sutro & Co. and from 1992 through 1994. Mr. Attia served as the Vice President of Investments of Prudential Securities. Mr. Attia received a Bachelor of Arts ("BA") in economics and marketing from Haifa University in 1987 and a Masters of Business Administration ("MBA") from Pepperdine University in 1995. Mr. Attia held Series 7 and 63 securities licenses from 1991 until 2002. Effective March 21, 2005, Mr. Attia was appointed as a member of the Audit Committee and the Compensation Committee. In June 2006, Mr. Attia was appointed as the CEO of ERC. Upon his appointment as the CEO of ERC, Mr. Attia was not considered an independent Director. Consequently, Mr. Attia resigned from all committees. In August 2006, Mr. Attia was appointed as the CEO and President of the Company. Upon closing the acquisition of AGL Mr. Attia was appointed as the CEO of AGL. Mr. Yossi Attia serves as chairmen of the board of AGL.

Stewart Reich, was Chairman of the Board since June 2004 until August 2008, was CEO and President of Golden Telecom Inc., Russia's largest alternative voice and data service provider as well as its largest ISP, since 1997. In September 1992, Mr. Reich was employed as Chief Financial Officer ("CFO") at UTEL (Ukraine Telecommunications), of which he was appointed President in November 1992. Prior to that, Mr. Reich held various positions at a number of subsidiaries of AT&T Corp. Mr. Reich have been a Director of the Company since 2002. Mr. Reich is head of the Audit and the Compensation Committees.

Gerald Schaffer was unanimously appointed to the Board of Directors of the Company on June 22, 2006, as well as a member of the Audit and Compensation Committees. Mr. Schaffer has been extensively active in corporate, community, public, and government affairs for many years, having served on numerous governmental boards and authorities, as well as public service agencies, including his current twenty-one year membership on the Board of Directors for the American Lung Association of Nevada. Additionally, Mr. Schaffer is a past member of the Clark County Comprehensive Plan Steering Committee, as well as a former Commissioner for Public Housing on the Clark County Housing Authority. For many years he served as a Planning Commissioner for the Clark County Planning Commission, which included the sprawling Las Vegas Strip. His tenure on these various governmental entities was enhanced by his extensive knowledge of the federal government. Mr. Schaffer is Chairman Emeritus of the Windsor Group and a founding member of both Windsor and its affiliate - Gold Eagle Gaming. Over the years the principals of Windsor have developed shopping and marketing centers, office complexes, hotel/casinos, apartments, residential units and a wide variety of large land parcels. Mr. Schaffer continues to have an active daily role in many of these subsidiary interests. He is also President of the Barclay Corporation, a professional consulting service, as well as the Barclay Development Corporation, dealing primarily in commercial land acquisitions and sales. Mr. Schaffer resides in Nevada and oversees the Company’s interest in the Verge project, specifically with compliance and obtaining governmental licensing.

Alison M. Moses has over 15 years of senior level paralegal experience with significant experience in corporate, finance and bankruptcy transactions and additional expertise with filings related to the Securities and Exchange Commission Blue Sky and state, county and local licensing and compliance regulatory agencies. Ms. Moses began her career at Countrywide Home Loans as a Senior Licensing Administrator in March 1992 where she remained until April of 1997. From April 1997 through July 2000, Ms. Moses worked for IndyMac Bancorp, Inc. holding the positions of Senior Licensing Paralegal and Corporate, Business & Finance Paralegal. From July 2000 until January 2002 Ms. Moses remained at Morgan, Lewis & Bockius LLP in the position of Corporate, Business & Finance Paralegal. In July 2002, Ms. Moses became Professional Legal Assistant at the law firm of O'Melveny & Myers LLP, where she worked until August of 2005. From August 2005 through March 2006, Ms. Moses was employed at Jones Day as a Senior Corporate Paralegal and from the years March 2006 until September 2008 she held the title of Senior Corporate Paralegal at the firm of Heller Ehrman LLP. In September 2008, Ms. Moses accepted a position as Senior Corporate Paralegal at the law firm of Paul, Hastings, Janofsky & Walker LLP where she remained until moving onto to the Law Offices of Robert M. Yaspan as a Senior Corporate & Bankruptcy Paralegal, where she is currently employed.

*) Robin Ann Gorelick from 1992 to the present, has served as the Managing Partner at the Law Offices of Gorelick & Associates, specializing in the representation of various public and private business entities. Ms. Gorelick received her Juris Doctor ("JD") and her BA in economics and political science from the University of California, Los Angeles in 1982 and 1979, respectively. Ms. Gorelick is admitted to practice law in California, the District of Columbia and Texas. On October 4, 2007, Robin Gorelick, resigned as a director of Emvelco the Company. Ms. Gorelick continues to act as general counsel and corporate secretary for the Company. On December 30, 2009, Robin Ann Gorelick resigned as Corporate Secretary of the Company. There is no disagreement known to any executive officer of the Company between the Company and Ms. Gorelick on any matter relating to the Company's operations, policies or practices. The Board of Directors then appointed Alison M. Moses as Secretary of the Company.

Mace Miller was appointed on July 28, 2008 as a director of the Company, received his BBA in Accounting and an MBA with International Concentration from the University of Texas at El Paso in 1989 and 1992, respectively. Further, Mr. Mace received his law degree from the University of Texas at El Paso in 1992. From 2001 to 2006, Mr. Miller has been a principal with Raymond James Financial Services. Mr. Miller, since 2006, has been a partner with Coronado Capital Advisers, where he has been responsible for the administration and creation of proprietary hedge fund. He has been a frequent speaker at various international venues, including the Raymond James National Conference, on tax mitigation and anti-money laundering issues related to hedge funds. Recognized as an expert in international finance, Mr. Miller has consulted on numerous bond offerings in the United States and the Dominican Republic on behalf of institutions and investors alike. Mr. Miller is a licensed Attorney with the State of Texas. Mr. Miller resigned as a director on October 7, 2009. There is no disagreement known to any executive officer of the Company between the Company and Mr. Miller on any matter relating to the Company's operations, policies or practices

ROLE OF THE BOARD

Pursuant to Delaware law, our business, property and affairs are managed under the direction of the Board. The Board has responsibility for establishing broad corporate policies and for the overall performance and direction of Vortex, but is not involved in day-to-day operations. Members of the Board keep informed of the business by participating in Board and committee meetings, by reviewing analyses and reports sent to them regularly, and through discussions with the executive officers.

2009 BOARD MEETINGS

In 2009, the Board had 4 meetings telephonically and 17 meetings through unanimous written consents and additional resolutions. No director attended less than 75% of all of the combined total meetings of the Board and the committees on which they served in 2009.

The Board has determined that Messrs Reich, Miller and Schaffer, are independent directors as such term is defined in rule 4200(a) (15) of the listing standards of the National Association of Securities Dealers.

Audit Committee Financial Expert

The Board has determined that Mr. Reich qualifies as "audit committee financial expert" as such term is defined in Item 407 of Regulation S-K, and is independent as defined in rule 4200(a) (15) of the listing standards of the National Association of Securities Dealers..

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Board reviews the internal accounting procedures of the Company and consults with and reviews the services provided by our independent accountants. The Audit Committee consists of Gerald Schaffer, Stewart Reich and Mace Miller is independent members of the Board. The Audit Committee held 4 meetings in 2009.

The audit committee has reviewed and discussed the audited financial statements with management; the audit committee has discussed with the independent auditors the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and the audit committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as adopted by the Public Company.

Compensation Committee

The Compensation Committee of the Board performs the following: i) reviews and recommends to the Board the compensation and benefits of our executive officers; ii) administers the stock option plans and employee stock purchase plan; and iii) establishes and reviews general policies relating to compensation and employee benefits. The Compensation Committee consisted of Messrs Reich, Schaffer and Miller. No interlocking relationships exist between the Board or Compensation Committee and the Board or Compensation Committee of any other company. During the past fiscal year the Compensation Committee met 4 times.

SECTION 16(A) BENEFICIAL OWNERSHIP COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s Directors and executive officers, and persons who own more than 10 percent of the Company’s common stock, to file with the SEC the initial reports of ownership and reports of changes in ownership of common stock. Officers, Directors and greater than 10 percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Specific due dates for such reports have been established by the SEC and the Company is required to disclose in this Proxy Statement any failure to file reports by such dates during fiscal 2007. Based solely on its review of the copies of such reports received by it, or written representations from certain reporting persons that no Forms 5 were required for such persons, the Company believes that during the fiscal year ended December 31, 2009, there was no failure to comply with Section 16(a) filing requirements applicable to its officers, Directors and ten percent stockholders.

POLICY WITH RESPECT TO SECTION 162(m)

Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), provides that, unless an appropriate exemption applies, a tax deduction for the Company for compensation of certain executive officers named in the Summary Compensation Table will not be allowed to the extent such compensation in any taxable year exceeds $1 million. As no executive officer of the Company received compensation during 2008 approaching $1 million, and the Company does not believe that any executive officer’s compensation is likely to exceed $1 million in 2009, the Company has not developed an executive compensation policy with respect to qualifying compensation paid to its executive officers for deductibility under Section 162(m) of the Code.

CODE OF ETHICS

The Company has adopted its Code of Ethics and Business Conduct for Officers, Directors and Employees that applies to all of the officers, Directors and employees of the Company, which is currently not available on the Company's website. A copy of the Company's Code of Ethics may be obtained from the Company, free of charge, upon written request to the Company Secretary.

Item 11. Executive Compensation.

The following table sets forth the cash compensation (including cash bonuses) paid or accrued and equity awards granted by us for years ended December 31, 2009 and 2008 to the Company's CEO and our most highly compensated officers other than the CEO at December 31, 2009 and 2008 whose total compensation exceeded $100,000.

SUMMARY COMPENSATION TABLE

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Yossi Attia	2009	$ 240,000	$ 120,000	$ —	$ —	—	$360,000
	2008	240,000	120,000	—	—	—	$360,000
Robin Gorelick	2009	77,000	—	—	—	—	$77,000
	2008	$ 168,000	—	24,048	—	—	$192,048

OUTSTANDING EQUITY AWARDS

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Yossi Attia (1)	1,000(2)	—	—	$ 3.40	03/12/2011	--(3)	$ --(3)	—	—

(1) Mr. Attia was appointed as Chief Executive Officer of the Company on August 14, 2006.

(2) On March 22, 2005, the Company granted 1,000 options to Yossi Attia. The stock options granted vest at the rate of 250 options on each September 22 of 2005, 2006, 2007 and 2008, respectively. The exercise price of the options ($3.40) is equal to the market price on the date the options were granted.

(3) In accordance with Mr. Attia's employment agreement, Mr. Attia was entitled to receive 111,458 shares of common stock for the first year. No shares have been issued and Mr. Attia has waived his right to these shares.

Except as set forth above, no other named executive officer has received an equity award.

DIRECTOR COMPENSATION

The following table sets forth with respect to the named Director, compensation information inclusive of equity awards and payments made in the year end December 31, 2009.

Name	Fees Earned or Paid in Cash	Fees Earned or Accrued but not Paid in Cash
Stewart Reich	$ ---	$ 57,504
Gerald Schaffer	---	50,004
Total	$ ---	$ 107,508

OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

There were no other grants of Stock Options/SAR made during the fiscal year ended December 31, 2009.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION/SAR VALUES

Name	Shares acquired on exercise (#)	Value realized ($)	Number of securities underlying unexercised options/SARs at FY-end (#) Exercisable/ Unexercisable	Value of the unexercised in the money options/SARs at FY-end ($)* Exercisable/ Unexercisable
Yossi Attia, CEO, Director	None	None	1,000	$ 0.00

* Fair market value of underlying securities (calculated by subtracting the exercise price of the options from the closing price of the Company's common stock quoted on the OTC as of December 31, 2009, which was about $0.023 per share. None of Mr. Attia's options are presently in the money.

EMPLOYMENT AND MANAGEMENT AGREEMENTS

Effective July 1, 2006, the Company entered into a five-year employment agreement with Yossi Attia as the President and provides for annual compensation in the amount of $240,000, an annual bonus not less than $120,000 per year, and an annual car allowance. On August 14, 2006, the Company amended the agreement to provide that Mr. Attia shall serve as the Chief Executive Officer of the Company for a term of two years commencing August 14, 2006 and granting annual compensation of $250,000 to be paid in the form of Company shares of common stock. The number of shares to be received by Mr. Attia is calculated based on the average closing price 10 days prior to the commencement of each employment year. Mr. Attia has waived his rights to these shares.

On August 19, 2008, the Company entered into that certain Employment Agreement with Mike Mustafoglu, effective July 1, 2008, pursuant to which Mr. Mustafoglu agreed to serve as the Chairman of the Board of Directors of the Company for a period of five years. Mr. Mustafoglu will receive (i) a salary of $240,000; (ii) a performance bonus of 10% of net income before taxes, which will be allocated by Mr. Mustafoglu and other key executives at the sole discretion of Mr. Mustafoglu; and (iii) a warrant to purchase 10 million shares of common stock of the Company at an exercise price equal to the lesser of $.50 or 50% of the average market price of the Company's common stock during the 20 day period prior to exercise on a cashless basis (the "Mustafoglu Warrant"). The Mustafoglu Warrant shall be released from escrow on an equal basis over the employment period of five years. As a result, 2,000,000 shares of the Mustafoglu Warrant will vest per year. Effective July 16, 2008, the Board of Directors of the Company approved that certain Mergers and Acquisitions Consulting Agreement (the "M&A Agreement") between the Company and TransGlobal Financial LLC, a California limited liability company ("TransGlobal"). Pursuant to the M&A Agreement, TransGlobal agreed to assist the Company in the identification, evaluation, structuring, negotiation and closing of business acquisitions for a term of five years. As compensation for entering into the M&A Agreement, TransGlobal shall receive a 20% carried interest in any transaction introduced by TransGlobal to the Company that is closed by the Company. At TransGlobal's election, such compensation may be paid in restricted shares of common stock of the Company equal to 20% of the transaction value. Mike Mustafoglu, who is the Chairman of TransGlobal Financial, was elected on July 28, 2008 at a special shareholder meeting as the Company's Chairman of the Board of Directors. On December 24, 2008, Mr. Mustafoglu resigned as Chairman of the Board of Directors of Company to pursue other business interests. Further, that certain Mergers and Acquisitions Consulting Agreement between the Company and TransGlobal was terminated. Mr. Mustafoglu is the Chairman of TransGlobal

The board of directors of AGL approved an employment agreement between the Company and Mr. Shalom Attia, the controlling shareholder and CEO of AP Holdings Ltd. The agreement goes into effect on the date that the aforementioned allotments are consummated and stipulates that Mr. Shalom Attia will serve as the VP – European Operations of AGL in return for a salary that costs the Company an amount of US$ 10 thousand a month. Mr. Attia is also entitled to reimbursement of expenses in connection with the affairs of the Company, in accordance with Company policy, as set from time to time. In addition, Mr. Shalom Attia is entitled to an annual bonus of 2.5% of the net, pre-tax income of AGL in excess of NIS 8 million. The agreement was ratified by the general shareholders meeting of AGL on 30 October 2007.

Effective July 1, 2006, Verge entered into a non written year employment agreement with Darren C Dunckel as the President of Verge which commenced on July 11, 2006 and provides for annual compensation in the amount of $120,000, the employment expense which was capitalized related to such agreement was $120,000 for each year ended December 31, 2008 and 2007. Mr. Dunckel subsequently resigned as a director of the Company and Verge was disposed of.

The Company has no pension or profit sharing plan or other contingent forms of remuneration with any officer, Director, employee or consultant, although bonuses are paid to some individuals.

DIRECTOR COMPENSATION

Before June 11, 2006, Directors who are also officers of the Company were not separately compensated for their services as a Director. Directors who were not officers received cash compensation for their services: $2,000 at the time of agreeing to become a Director; $2,000 for each Board Meeting attended either in person or by telephone; and $1,000 for each Audit and Compensation Committee Meeting attended either in person or by telephone. Non-employee Directors were reimbursed for their expenses incurred in connection with attending meetings of the Board or any committee on which they served and were eligible to receive awards under the Company’s 2004 Incentive Plan. The Board has approved the modification of Directors’ compensation on its special meeting held on June 11, 2006. Directors who are also officers of the Company are not separately compensated for their services as a Director. Directors who are not officers receive cash compensation for their services as follows: $40,000 per year and an additional $5,000 if they sit on a committee and an additional $5,000 if they sit as the head of such committee. Non-employee directors are reimbursed for their expenses incurred in connection with attending meetings of the Board or any committee on which they serve and are eligible to receive awards under our 2004 Incentive Plan. During 2008 the Board modified its member’s compensation to include only compensation only to committee’s member that was appointed by the prior board, as following: each member: $4,167 per month and chairman $4,792 per month.

STOCK OPTION PLAN

2004 Incentive Plan

a) Stock option plans

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

The Company has granted the following options under the Plan:

On April 26, 2004, the Company granted 125,000 options to its Chief Executive Officer, an aggregate of 195,000 options to five employees and an aggregate of 45,000 options to two consultants of the Company (which do not qualify as employees). The stock options granted to the Chief Executive Officer vest at the rate of 31,250 options on November 1, 2004, October 1, 2005, October 1, 2006 and October 1, 2007. The stock options granted to the other employees and consultants vest at the rate of 80,000 options on November 1, 2004, October 1, 2005 and October 1, 2006. The exercise price of the options ($4.78) was equal to the market price on the date of grant. The options granted to the Chief Executive Officer were forfeited/ cancelled in August 2006 due to the termination of his employment. Of the 195,000 options originally granted to employees, 60,000 options were forfeited or cancelled during 2005, while the remaining 135,000 options were forfeited or cancelled in August 2006 due to termination of the five employee contracts. 15,000 options granted to one of the consultants were also forfeited or cancelled in April 2006 due to the termination of the consultant's contract.

Through December 31, 2005, the Company did not recognize compensation expense under APB 25 for the options granted to the Chief Executive Officer and the five employees as the options had a zero intrinsic value at the date of grant. The adoption of SFAS 123R on January 1, 2006 resulted in a compensation charge of $36,817 and $21,241 for the years ended December 31, 2007 and 2006, respectively.

In accordance with SFAS 123, as amended by SFAS 123R, and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", the Company computed total compensation charges of $162,000 for the grants made to the two consultants. Such compensation charges are recognized over the vesting period of three years. Compensation expense for the year ended December 31, 2006 was $9,921.

On March 22, 2005, the Company granted an aggregate of 200,000 options to two of the Company's Directors. These stock options vest at the rate of 50,000 options on each September 22 of 2005, 2006, 2007 and 2008, respectively. The exercise price of the options ($3.40) was equal to the market price on the date the options were granted. Through December 31, 2005, the Company did not recognize compensation expense under APB 25 as the options had a zero intrinsic value at the date of grant. The adoption of SFAS 123R on January 1, 2006 resulted in a compensation charge of $36,817 and $128,284 for the years ended December 31, 2007 and 2006, respectively. One of the directors was elected as Chief Executive Officer from August 14, 2006.

On June 2, 2005, the Company granted 100,000 options to a director of the Company, which vests at the rate of 25,000 options on December 2 of 2005, 2006, 2007, and 2008, respectively. Through December 31, 2005, the Company did not recognize compensation expense under APB 25 as the options had a zero intrinsic value at the date of grant. The adoption of SFAS 123R on January 1, 2006 resulted in a compensation charge of $89,346 for the year ended December 31, 2006. On November 13, 2006, the Director filed his resignation. His options were vested unexercised in February 2007.

(b) Other Options

On October 13, 2003, the Company granted two Directors 100,000 options each, at an exercise price (equal to the market price on that day) of $4.21 per share, with 25,000 options vesting on each April 13, 2004, 2005, 2006 and 2007. There were 100,000 options outstanding as of December 31, 2006. The adoption of SFAS 123R on January 1, 2006 resulted in a compensation charge of $6,599 and $31,824 during the years ended December 31, 2007 and 2006, respectively.

As of December 31, 2009, there were 330,000 options outstanding with a weighted average exercise price of $3.77.

No options were exercised during the year ended December 31, 2009 and the year ended December 31, 2008.

The following table summarizes information about shares subject to outstanding options as of December 31, 2009, which was issued to current or former employees, consultants or directors pursuant to the 2004 Incentive Plan and grants to Directors:

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

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(c) Warrants

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

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

Name	Date	Terms	No. of Warrants	Exercise Price
Party 1	3/30/2008	2 years from Issuing	200,000	$1.50
Party 1	3/30/2008	2 years from Issuing	200,000	$2.00
Party 2	6/05/2008	2 years from Issuing	300,000	$1.50
Party 3	6/30/2008	2 years from Issuing	200,000	$1,50
Party 4	9/5/2008	2 years from Issuing	200,000	$1.50

Cashless Warrants:

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

(d) Shares

On May 6, 2008 the Company issued 500,000 shares of its common stock, $0.001 par value per share, to Stephen Martin Durante in accordance with the instructions provided by the Company pursuant to the 2004 Employee Stock Incentive Plan registered on Form S-8 Registration

On June 11, 2008, the Company entered into a Services Agreement with Mehmet Haluk Undes (the “Undes Services Agreement”) pursuant to which the Company engaged Mr. Undes for purposes of assisting the Company in identifying, evaluating and structuring mergers, consolidations, acquisitions, joint ventures and strategic alliances in Southeast Europe, Middle East and the Turkic Republics of Central Asia. Pursuant to the Undes Services Agreement, Mr. Undes has agreed to provide us services related to the identification, evaluation, structuring, negotiating and closing of business acquisitions, identification of strategic partners as well as the provision of legal services. The term of the agreement is for five years and the Company has agreed to issue Mr. Undes 525,000 shares of common stock that shall be registered on a Form S8 no later than July 1, 2008.

On August 13, 2008, the Company issued 16,032 shares of its common stock, $0.001 par value per share, to Robin Ann Gorelick, the Company Secretary, in accordance with the instructions provided by the Company pursuant to the 2004 Employee Stock Incentive Plan registered on Form S-8 Registration

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

2008 Stock Incentive Plan:

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

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

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

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

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

I t e mSecurity Ownership Of Certain Beneficial Owners And Management and Related Stockholder Matters.
12.

The following table sets forth certain information relating to the ownership of our voting securities by (i) each person known by us be the beneficial owner of more than five percent of the outstanding shares of our common stock, (ii) each of our directors, (iii) each of our named executive officers, and (iv) all of our executive officers and directors as a group. Unless otherwise indicated, the information relates to these persons, beneficial ownership as of April 15, 2010. Except as may be indicated in the footnotes to the table and subject to applicable community property laws, each person has the sole voting and investment power with respect to the shares owned.

Title of Class	Name of Beneficial Owner (1)	Amount of Class Beneficially Owned	Percentage of Class
Common	Yossi Attia (2)(3)(4)	1,000	*
Common	Robin Ann Gorelick **	0	*
Common	Stewart Reich (3) (4)	1,000	*
Common	Mace K. Miller **	0	*
Common	Gerald Schaffer (3)	0	*
Common	Yasheng Group (6)	50,000,000	27.8%
Common	Capitol Properties LLC (7)	38,461,538	21.4%
	All executive officers and directors as a group (consisting of 6 individuals)	1,000	*

* less than 1.00%

** Resigned at the date of this table.

(1) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares which such person has the right to acquire within 60 days after April 15, 2010. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on April 15, 2010, any security which such person or group of persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership for such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) An officer of the Company.

(3) A director of the Company.

(4) Includes an option to purchase 1,000 shares of common stock at an exercise price of $3.40 per share.

(5) Intentionally left blank.

(6) Yasheng Group is a publicly traded company listed on the pink sheets. As a result, its board of directors of Yasheng has voting and dispositive control over the securities held by it. On April 5, 2010 the Company issued a formal request to Yasheng demanding that they surrender of the 50,000,000 shares that were issued to them, as well as reimburse the Company for its expenses associated with the transaction in the amount of $348,240.

(7) Haggai Ravid has voting and dispositive control over the securities held by Capitol.

The foregoing table is based upon 179,709,795 shares of common stock outstanding as of April 15, 2010.

Item 13. Certain Relationships And Related Transactions, and Director Independence.

Mr. Darren Dunckel, a former member of the Board, serves as CEO and President of ERC as well as Verge, which are both Nevada corporations and former subsidiaries of the Company. As President, he oversees management of real estate acquisitions, development and sales in the United States and in Croatia where ERC holds properties. Concurrently, Mr. Dunckel is the Managing Director of The International Holdings Group Ltd. ("TIHG"), the sole shareholder of ERC and as such manages the investment portfolio of this holding company. Mr. Dunckel has entered into various transactions and agreements with the Company on behalf of ERC, Verge and TIHG (all of which are related entities given Mr. Dunckel's involvement as their CEO). On December 31, 2006, Mr. Dunckel executed the Agreement and Plan of Exchange on behalf of TIHG which was issued shares in ERC in consideration for the exchange of TIHG's interest in Verge. Pursuant to that certain Stock Transfer and Assignment of Contract Rights Agreement dated as of May 14, 2007, the Company transferred its shares in ERC in consideration for the assignment of rights to that certain Investment and Option Agreement, and amendments thereto, dated as of June 19, 2006 which gives rights to certain interests and assets. Mr. Dunckel has represented and executed the foregoing agreements on behalf of ERC, Verge and TIHG as well as executed agreements on behalf of Verge to transfer 100% of Verge. Effective July 1, 2006, Verge entered into a non written year employment agreement with Darren C Dunckel as the President of Verge which commenced on July 11, 2006 and provides for annual compensation in the amount of $120,000, the employment expense of which was capitalized related to such agreement was $120,000 for each year ended December 31, 2008 and 2007. Verge loaned to Mr. Darren Dunckel, the sum of $93,822, of which $90,000 was paid-off via Mr. Dunckel's employment agreement, and the balance of $3,822 is included in Prepaid and other current assets as of December 31, 2006. As of December 31, 2007, the balance for advances to Mr. Dunckel was paid off. On October 2008 a group of investors associated with Mr. Dunckel acquired Verge from AGL in a transaction to which the company is not a party. Upon closing the acquisition of AGL Mr. Attia was appointed as the CEO of AGL. Mr. Yossi Attia serves as chairmen of the board of AGL.

The board of directors of AGL approved an employment agreement between the Company and Mr. Shalom Attia, the controlling shareholder and CEO of AP Holdings Ltd. The agreement goes into effect on the date that the aforementioned allotments are consummated and stipulates that Mr. Shalom Attia will serve as the VP – European Operations of AGL in return for a salary that costs the Company an amount of US$ 10 thousand a month. Mr. Attia is also entitled to reimbursement of expenses in connection with the affairs of the Company, in accordance with Company policy, as set from time to time. In addition, Mr. Shalom Attia is entitled to an annual bonus of 2.5% of the net, pre-tax income of AGL in excess of NIS 8 million. The agreement was ratified by the general shareholders meeting of AGL on 30 October 2007.

On March 31, 2008, the Company raised $200,000 from a private offering of its securities pursuant to a Private Placement Memorandum ("PPM"). The private placement was for Company common stock which shall be "restricted securities" and were sold at $1.00 per share. The offering included 200,000 warrants to be exercised at $1.50 for two years (for 200,000 shares of the Company common stock), and an additional 200,000 warrants to be exercised at $2.00 for four years (for 200,000 shares of the Company common stock). Said Warrants may be exercised to ordinary common shares of the Company only if the Company issues subsequent to the date of the PPM, 25 million or more shares of its common stock. The money raised from the private placement of the Company's shares will be used for working capital and business operations of the Company. The PPM was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for each Private Placement. The investor is D'vora Greenwood (Attia), the sister of Mr. Yossi Attia. Mr. Attia abstained from voting on this matter in the board meeting which approved this PPM.

On September 1, 2008 Star Equity Investment LLC a third party acquired from Mr. Attia, a $1 million note due by the Company since January 1, 2008. Said note is bearing 12% interest commencing October 1st, 2008 and can be converted (including interest) into common shares of the Company at a fixed price of $0.75 per share. Star Equity

Investment LLC noticed the Company that due to the Company default on said note, it willing to enter negotiations to modify its instrument. The parties agreed to settle by converting the note including interest into 8.5 million common shares of the Company.

On September 5, 2008 the Company entered a short term loan memorandum, with Mehmet Haluk Undes, for a short term loan (“bridge”) of $220,000 to bridge the drilling program of the Company. As a consideration for said facility, the Company grants the investor with 100% cashless warrants coverage for two years at exercise price of $1.50 per share. The investor made a loan of $220,000 to the company on September 15, 2008 (where said funds were wired to the company drilling contractor), that was paid in full on October 8, 2008. Accordingly the investor is entitled to 200,000 cashless warrants from September 15, 2008 at exercise price of $1.50 for a period of 2 years. The Company contest said warrants entitlements to the investor, based on a cause.

On December 5, 2008 the Company entered into and closed an Agreement with T.A.S. Holdings Limited (“TAS”) (the “TAS Agreement”) pursuant to which TAS agreed to cancel the debt payable by the Company to TAS in the amount of approximately $1,065,000 and its 15,000,000 shares of common stock it presently holds in consideration of the Company issuing TAS 1,000,000 shares of Series B Convertible Preferred Stock, which such shares carry a stated value equal to $1.20 per share (the “Series B Stock”).

The Series B Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.0016 per share. The Series B Stock shall have voting rights on an as converted basis multiplied by 6.25. Holders of the Series B Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.06 per share of Series B Stock paid semi-annually on June 30 and December 31 commencing June 30, 2009.

In the event of any liquidation or winding up of the Company, the holders of Series B Stock will be entitled to receive, in preference to holders of common stock, an amount equal to the stated value plus interest of 15% per year.

The Series B Stock restricts the ability of the holder to convert the Series B Stock and receive shares of the Company's common stock such that the number of shares of the Company common stock held by TAS and its affiliates after such conversion does not exceed 4.9% of the Company's then issued and outstanding shares of common stock.

The Series B Stock was offered and sold to TAS in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. TAS is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company filed its Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock with the State of Delaware

Based on agreements that the company is not side too, Dr. Rubin was partial owner of T.A.S. Dr. Rubin resigned from the Company Board of Directors on April 7, 2010 to pursue other opportunities.

Item 14. Principal Accountants Fees And Services

The following table presents aggregate fees for professional audit services rendered by Robison Hill and Company for the audits of the Company's annual financial statements for the fiscal years ended December 31, 2009 and 2008, respectively, and fees billed for other services rendered.

	2009	2008
Audit Fees	$ 24,960	$ 41,800
Total	$ 24,960	$ 41,800

The Company's Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. All services rendered have been approved by the Audit Committee.

Item 15. Exhibits, Financial Statement Schedules.

Exhibit No.	Description
2.1	Amendment No. 1 to that certain Share Exchange Agreement by and between Vortex Resources Corp. and Trafalgar Capital Specialized Investment Fund, Luxembourg dated April 29 2008 (15)
2.2	Agreement and Plan of Exchange with Davy Crockett Gas Company, LLC and the members of Davy Crockett Gas Company, LLC dated May 1, 2008 (16)

2.3	Amendment No. 1 to the Agreement and Plan of Exchange with Davy Crockett Gas Company, LLC and the members of Davy Crockett Gas Company, LLC dated June 11, 2008 (19)
2.4	Shares Purchase Agreement between Vitonas Investments Limited, a Hungarian corporation, Certus Kft., a Hungarian corporation, Rumed 2000 Kft., a Hungarian corporation and Euroweb International Corp., a Delaware corporation, dated as of February 23, 2004. (33)
2.5	Share Purchase Agreement by and between Euroweb International Corp. and Invitel Tavkozlesi Szolgaltato Rt. (34)
2.6	Shares Purchase Agreement between Vitonas Investments Limited, a Hungarian corporation, Certus Kft., a Hungarian corporation, Rumed 2000 Kft., a Hungarian corporation and Euroweb International Corp., a Delaware corporation, dated as of February 23, 2004. (33)

3.1	Certificate of Incorporation filed November 9, 1992 (1)
3.2	Amendment to Certificate of Incorporation filed July 9, 1997 (2)
3.3	Bylaws(1)
3.4	Certificate of Designation of Preferences, Rights, and Limitations of Series A Preferred Stock (19)
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock (26)
3.6	Restated Certificate of Incorporation (33)
3.7	Certificate of Amendment to the Restated Certificate of Incorporation, dated July 29, 2008 (22)
3.8	Certificate of Ownership of Emvelco Corp. and Vortex Resources Corp.(23)
3.9	Certificate of Amendment to the Certificate of Incorporation , dated February 24, 2009 (28)
3.10	Form of Common Stock Certificate (1)
3.11	Certificate of Designations of Preferences, Rights and Limitations of Series D Preferred Stock dated December 18, 2009. (36)
3.12	Certificate of Designation – Series C (38)
4.1	Convertible Note issued to Trafalgar Capital Specialized Investment Fund, Luxembourg, dated September 2008 (24)
4.2	Form of Convertible Note dated May 1, 2008 issued to the members of Davy Crockett Gas Company, LLC (16)
4.3	All Inclusive Promissory Note, dated November 27, 2007, issued by 13059 Dickens LLC in the name of Kobi Louria (14)
4.4	Form of Warrant to Purchase 200,000 Shares of Common Stock issued in the name of Vortex One, LLC (20)
10.1	Share Purchase Agreement, dated February 2004, by and between PANTEL TAVKOZLESI ES KOMMUNIKACIOS RT. And Euroweb International Inc. (3)
10.2	Form of Guaranty, dated February 23, 2004 by EuroWeb International, Inc. in favor of PANTEL TAVKOZLESI ES KOMMUNIKACIOS RT. (3)
10.3	Securities Purchase Agreement entered by and between Vortex Resources Corp. and Trafalgar Capital Specialized Investment Fund, Luxembourg dated September 25, 2008 (24)
10.4	Security Agreement entered by and between Vortex Resources Corp. and Trafalgar Capital Specialized Investment Fund, Luxembourg dated September 25, 2008 (24)

10.5	Pledge Agreement entered by and between Vortex Resources Corp. and Trafalgar Capital Specialized Investment Fund, Luxembourg dated September 25, 2008 (24)
10.6	Investment Agreement, dated as of June 19, 2006, by and between EWEB RE Corp. and AO Bonanza Las Vegas, Inc. (4)
10.7	Sale and Purchase Agreement, dated as of February 16, 2007, by and between Emvelco Corp. and Marivaux Investments Limited (5)

10.8	Stock Transfer and Assignment of Contract Rights Agreement, dated as of May 14, 2007 among Emvelco Corp., Emvelco RE Corp., The International Holdings Group Ltd., and Verge Living Corporation (6)
10.9	Agreement, dated as of June 5, 2007, among Emvelco Corp., Yossi Attia, Darren Dunckel, and Upswing, Ltd.(7)
10.10	Agreement, dated July 5, 2007 by and between Emvelco Corp and Emvelco RE Corp.(8)
10.11	All-Inclusive Purchase Money Deeds of Trust with Assignment of Rents - Edinburgh Avenue, dated July 5, 2007 by and between Emvelco Corp and Emvelco RE Corp.(8)
10.12	All-Inclusive Purchase Money Deeds of Trust with Assignment of Rents - Harper Avenue, dated July 5, 2007 by and between Emvelco Corp and Emvelco RE Corp. (8)
10.13	All-Inclusive Purchase Money Deeds of Trust with Assignment of Rents - Laurel Avenue, dated July 5, 2007 by and between Emvelco Corp and Emvelco RE Corp. (8)
10.14	Agreement, dated as of June 5, 2007, among Emvelco Corp., Yossi Attia, Darren Dunckel, and Upswing, Ltd.(9)
10.15	Agreement, dated July 2007, by and among Emvelco Corp., Appswing Ltd. and AP Holdings Ltd. (10)
10.16	Agreement, dated July 19, 2007, by and among Emvelco Corp., Kidron Industrial Holdings Ltd and AP Holdings Ltd. (10)
10.17	Indemnification Agreement, dated September 18, 2007 by and between Emvelco Corp. and Verge Living Corporation (11)
10.18	Notice of Exercise of Options, dated October 15, 2007 from Emvelco Corp. to Emvelco RE Corp. (12)
10.19	Settlement and Release Agreement and Amendment No. 1 to that certain Term Sheet by and between Emvelco Corp and Dr. Danny Rittman, dated November 15, 2007. (13)
10.20	All Inclusive Deed of Trust, dated November 27, 2007 by and between 13059 Dickens LLC and Kobi Louria (14)
10.21	Services Agreement dated June 11, 2008 by and between EMVELCO Corp. and Mehmet Haluk Undes (18)
10.22	Limited Liability Company Operating Agreement of Vortex Ocean One, LLC, a Nevada limited liability company, dated June 30, 2008 (20)
10.23	Term Assignment of Oil and Gas Lease issued to Davy Crockett Gas Company, LLC (20)
10.24	Drilling Agreement, dated July 1, 2008, by and between Davy Crockett Gas Company, LLC and Ozona Natural Gas Company, LLC (20)

10.25	Mergers and Acquisitions Consulting Agreement, dated July 1, 2008, by and between the Company and TransGlobal Financial LLC (21)
10.26	Agreement dated December 3, 2008 and is made by and between Vortex Resource Corp. and T.A.S. Holdings Limited (26)
10.27	Form of Agreement, dated December 19, 2009, by and between Vortex Resources Corp. and the assignees of those persons party to that certain Registration Rights Agreement, dated July 21, 2005 (27)
10.28	Agreement by and between Vortex Resources Corp. and Star Equity Investments, LLC, dated March 11, 2009 (29)
10.29	Form of Subscription Agreement, dated January 23, 2009 related to the sale of shares of the Company's Common Stock (30)

31

10.30 Employment Agreement by and between the Company and Yossi Attia effective July 1, 2006 (31)

10.31 Pledge Agreement by and between Vortex Ocean One LLC and Tiran Ibgui dated November 18, 2008

10.32

Amendment No, 1 Dated as of August 14, 2006 to the Employment Agreement between Yossi

10.33 Attia and Euroweb International Corp.

10.34 Employment Agreement by and between Emvelco Corp. and Mike M. Mustafoglu (35)

10.35 Preferred Stock Purchase Agreement dated as of December 30, 2009 between Yasheng Eco-Trade Corporation and Socius Capital Group, LLC d/b/a Socius Life Sciences Capital Group, LLC

10.36

Warrant dated December 30, 2009 issued by Yasheng Eco-trade Corporation to Socius CG II, Ltd.

10.37

Exchange Agreement dated December 30, 2009 between Yasheng Eco-trade Corporation and Moran Atias

Exchange Agreement dated January 20, 2010 between Yasheng Eco-trade Corporation and Moran Atias (37)

10.38 Convertible Note issued November 23, 2009 (38)

10.39 Stock Exchange Agreement between Yasheng Eco-Trade Corporation and Yasheng Group (BVI) dated August 26, 2009 (39)

10.40

Agreement between Yasheng Eco-Trade Corporation and Yasheng Group dated August 26, 2009

21.1 (40)

List of Subsidiaries

31 Certification of the Chief Executive Officer and Principal Financial Officer of Vortex Resources Corp. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of the Chief Executive Officer and Principal Financial Officer of Vortex Resources Corp. Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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

(3) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on February 27, 2004.

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

(5) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on December 21, 2005.

(6) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on May 16, 2007

(7) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on June 11, 2007

(8) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on July 12, 2007

(9) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on June 11, 2007

(10) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on July 26, 2007

(11) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on September 26, 2007

(12) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on October 19, 2007

(13) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on November 19, 2007

(14) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on December 21, 2007

(15) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on May 5, 2008

(16) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on May 7, 2008

(17) Incorporated by reference to the exhibit filed with the Registrant’s Current Report on Form 8-K on June 10, 2008

(18) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on June 13, 2008

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

(20) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on July 9, 2008

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

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

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

(24) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on October 2, 2008

(25) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on November 20, 2008

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

(27) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on December 31, 2008

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

(29) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on March 19, 2009

(30) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on January 28, 2009

(31) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on July 5, 2006

(32) Incorporated by reference to the exhibit filed with the Registrant's Schedule 14A Proxy Statement on May 7, 2003

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

(34) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on December 21, 2005

(35) Incorporated by reference to the exhibit filed with the Registrant's Quarterly Report on Form 10-Q filed on August 19, 2008

(36) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on December 31, 2009

(37) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on January 22, 2010

(38) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on December 3, 2009

(39) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on January 9, 2009

(40) Incorporated by reference to the exhibit filed with the Registrant's Current Report on Form 8-K on August 28, 2009

SIGNATURES

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

VORTEX RESOURCES CORP.

	By	/s/ Yossi Attia Yossi Attia
Dated: April 15, 2010		Chief Executive Officer and Director (Principal Executive Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange of 1934, as amended, this Report has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
By: /s/ Yossi Attia Yossi Attia	Chief Executive Officer and Director (Principal Executive Officer, Principal Financial and Accounting Officer)	April 15, 2010
By: /s/ Stewart Reich Stewart Reich	Director	April 15, 2010
By: /s/ Gerald Schaffer Gerald Schaffer	Director	April 15, 2010
By: /s/ Allison Moses Allison Moses	Secretary	April 15, 2010

YASHENG ECO-TRADE CORPORATION
(f/k/a VORTEX RESOURCES CORP.)

Consolidated Financial Statements

As of December 31, 2009 and As of December 31, 2008 and for the Years Ended December 31, 2009 and 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
Yasheng Eco-Trade Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Yasheng Eco-Trade Corporation (f/k/a Vortex Resources Corp., and f/k/a Emvelco Corp.) and Subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of operations, comprehensive income, stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yasheng Eco-Trade Corporation and Subsidiaries as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the financing of the Company's projects is dependent on the future effect of the so called sub-prime mortgage crisis on financial institutions. This sub-prime crisis may affect the availability and terms of financing of the completion of the projects as well as the availability and terms of financing may affect the Company's ability to obtain relevant financing, if required. The sub-prime mortgage crisis has raised substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Robison, Hill & Co.
Certified Public Accountants

Salt Lake City, Utah
April 15, 2010

YASHENG ECO-TRADE CORPORATION
(f/k/a Vortex Resources Corp.)
Consolidated Balance Sheet
As of December 31, 2009 and 2008
Amounts in US dollars

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents	85,789	123,903
Total current assets from continued operations	85,789	123,903
Non Current assets from discontinued operations	1,544,690	2,100,000
Total assets	1,630,479	2,223,903
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	1,390,451	813,064
Convertible notes payable to third party – current portion	---	212,290
Other current liabilities	151,742	89,400
Total current liabilities	1,542,193	1,114,754
Convertible Notes Payable to Third Parties	3,535,000	3,440,119
Commitments and contingencies	---	---
Minority interest in subsidiary's net assets	---	525,000
Stockholders' equity		
Preferred stock, series C convertible, $.025 stated value, 210,087 shares authorized issued and outstanding; in 2008, 1,000,000 series B convertible, $1.20 stated value - Authorized and outstanding	5,000	1,200,000
Common stock, $0.001 par value - Authorized 400,000,000 shares; 140,909,795 and 872,809 shares issued and outstanding	140,910	873
Additional paid-in capital	92,624,105	85,467,283
Accumulated deficit	(96,189,694)	(89,497,091)
Accumulated other comprehensive loss	(2,226)	(2,226)
Treasury stock – 1,000 common shares at cost	(24,809)	(24,809)
Total stockholders' equity	(3,446,714)	(2,855,970)
Total liabilities and stockholders' equity	1,630,479	2,223,903

See accompanying notes to consolidated financial statements.

YASHENG ECO-TRADE CORPORATION
(f/k/a Vortex Resources Corp.)
Consolidated Statements of Operations and Comprehensive Income
Years Ended December 31, 2009 and 2008
Amounts in US dollars

	2009	2008
Revenues from Sales	$ ---	$ ---
Cost of revenues	---	---
Operating expenses		
Compensation and related costs	410,156	558,073
Consulting, professional and directors fees	790,373	13.049,759
Other selling, general and administrative expenses	203,670	413,576
Commitment fee and related legal expenses	270,000	--
Other expenses	348,240	--
Total operating expenses	2,022,439	14,021,409
Operating loss	(2,022,439)	(14,021,409
Interest income	171,567	729,097
Interest expense	(3,280,731)	(1,922,983)
Net interest income (expense)	(3,109,164)	(1,193,886)
Other income	65,000	--
Financing loss - change in conversion price	(1,786,000)	-
Loss before income taxes	(6,852,603)	(15,215,295)
Income tax expense	--	--
Loss from continuing operations	(6,852,603)	(15,215,295)
Loss from discontinued operations & Goodwill impairment, net of tax	--	(35,935,635)
Net Loss before minority interest in loss of consolidated subsidiary	(6,852,603)	(51,150,930)
Less minority interest in loss of consolidated subsidiary	160,000	(56,531)
Net loss	(6,692,603)	(51,207,461)
Other comprehensive loss	---	---
Comprehensive (loss)	$ (6,692,603)	$ (51,207,461)
Loss per share from continuing operations, basic	(0.08)	(78.04)
Loss per share from discontinued operations, basic	--	(184.32)
Net Loss per share, basic	(0.08)	(262.36)
Loss per share from continuing operations, diluted	(0.08)	(76.01)

Loss per share from discontinued operations, diluted	--	(179.52)
Net Loss per share, diluted	(0.08)	(255.53)
Weighted average number of shares outstanding, basic	88,985,544	194,967
Weighted average number of shares outstanding, diluted	88,985,544	200,175

See accompanying notes to consolidated financial statements.

YASHENG ECO-TRADE CORPORATION
(f/k/a VORTEX RESOURCES CORP.)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 and 2008
Amounts in US dollars

	Preferred Stock Number of Shares	Amount	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Income (Loss)	Treasury Stock	Shareholders' Equity
Balances December 31, 2007			46,092	46	53,285,959	(38,289,630)	(2,226)	(2,117,711)	12,876,438
Compensation charge on shares, options and warrants issued to consultants			2,540	3	2,018,412				2,018,415
Treasury stock - Open Market			(1,030)	(1)	(102)			(28,400)	(28,503)
Issuance of preferred shares and subsequent conversion into common shares			500,000	500	49,999,500				50,000,000
Issuance of shares - common			25,207	25	1,017,489				1,017,514
Conversion of notes payable into common shares			450,000	450	2,149,550				2,150,000
Cancellation of treasury shares					(2,121,302)			2,121,302	-
Discount on Note Payable					210,000				210,000
Surrendered 15M shares			(150,000)	(150)	(14,999,850)				(15,000,000)
Conversion of note to Series B preferred	1,000,000	1,200,000			(132,417)				1,067,583
Net loss for the period						(51,207,461)			(51,207,461)

Related party-bad debt writeoff					(5,959,956)				(5,959,956)
Balances as of December 31, 2008	1,000,000	1,200,000	872,809	873	85,467,283	(89,497,091)	(2,226)	(24,809)	(2,855,970)
Conversion of note to common shares			8,500,000	8,500	1,048,833				1,057,333
Change in conversion price					1,786,000				1,786,000
Shares issued to Yasheng			50,000,000	50,000	146,830				196,830
Shares issued to Capitol			38,461,538	38,462	112,948				151,410
Conversion of preferred Series B stock	-1000000	-1200000	7,500,000	7,500	1,192,500				-
Issuance of Series C Preferred Stock	210087	5000			(55)				4,945
Discount on conversion of debt					1,278,821				1,278,821
Star note payable conversion			8,000,000	8,000	342,000				350,000
Moran note payable conversion			11,903,333	11,903	88,097				100,000
Common stock issuance: Raccah			1,075,655	1,076	376,144				377,220
Common stock issuance: Yaniv			50,000	50	74,950				75,000
Common stock issuance for servies: Fleming law firm			46,460	46	22,254				22,300
Common stock issuance for servies: Public Relations firm			500,000	500	51,500				52,000

Common stock for Rusk			4,000,000	4,000	396,000				400,000
Common stock for Socius			10,000,000	10,000	240,000				250,000
Net loss for period						(6,692,603)			(6,692,603)
Balance December 31, 2009	210,087	5,000	140,909,795	140,910	92,624,105	-96,189,694	-2,226	-24,809	-3,446,714

See accompanying notes to consolidated financial statements.

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YASHENG ECO-TRADE CORPORATION
(f/k/a Vortex Resources Corp.)
Consolidated Statements of Cash Flows
Year Ended December 31, 2009 and 2008
Amounts in US dollars

	2009	2008
Comprehensive loss	(6,692,603)	(51,207,461)
Decrease (Increase) in accounts receivable	0	218,418
Loss in consolidated subsidiary	160,000	56,531
Increase (Decrease) in accounts payable	577,387	813,064
Financing loss	1,786,000	0
Amortization of debt discount	2,595,600	222,509
Bad debt expense		0
Consulting fees	724,300	13,049,759
Decrease in other current liabilities	(62,342)	(216,120)
Net cash provided by (used by) continuing operations	(1,276,658)	(37,063,300)
Net cash provided by (used by) discontinued operations	221,379	36,832,317
Net cash provided by operating activities	(690,279)	(230,983)
Cash flows from investing activities:		
Cash proceeds received from sale of stock for minority interest	25,000	525,000
Cash proceeds received from former DCG members		10,000
Loan advances to Emvelco RE Corp		(294,361)
Loan advances to Verge Loan advances to Verge		(241,837)
Repayments from Verge, net		328,300
Net cash used in investing activities	25,000	(327,102)
Cash flows from financing activities:		
Payments to acquire treasury stock		-28,503
Proceeds from notes payable	170,000	4,009,900
Payment on notes payable		(591,565)
Proceeds from secured bank loans		17,993
Repayments of bank loans		(4,249,590)
Proceeds from related party		482,205
Repayment to related party		(1,000,000)
Proceeds from the issuance of stock	457,165	1,017,768
Net cash (used in) provided by financing activities	627,165	(341,792)
Net increase (decrease) in cash and cash equivalents	(38,114)	(245,673)
Cash and cash equivalents, beginning of year	123,903	369,576
Cash and cash equivalents, end of year	85,789	123,903

Supplemental disclosure:		
Cash paid for interest expense	38,253	4,822
Cash received for interest income	171,567	394,281
Summary of non-cash transactions:		
Note payable in exchange for minority interest	365,000	---
Note payable converted for shares	1,507,333	2,000,000
Acquisition of subsidiary Preferred shares converted into 50,000,000 common shares		50,000,000
Preferred stock converted to common stock	1,200,000	
Note payable converted into 20,000,000 common shares		150,000
Note payable converted into 1,000,000 convertible preferred shares		1,200,000
and surrendered 15,000,000 common shares		15,000,000

See accompanying notes to consolidated financial statements.

1. Organization and Business

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

The Company’s headquarters and operational offices are located in West Hollywood, California.

General Business Strategy

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

In 2008, the Company changed or amended its business model to focus on the mineral resources industry, commencing gas and oil sub-industry, which was approved by its shareholders. Based on series of agreements, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with Davy Crockett Gas Company, LLC ("DCG") and its members ("DCG Members"). Pursuant to the DCG Agreement, the Company acquired and the DCG Members sold, 100% of the outstanding membership in DCG. DCG is a limited liability company organized under the laws of the State of Nevada. As a newly formed designated LLC, DCG holds certain development rights for gas drilling in Crockett County, Texas. DCG has entered into the final DCG Agreement with the Company, which provided that the members sold all of their membership units to the Company. DCG, a wholly owned subsidiary is a limited liability company and was organized in Nevada on February 22, 2008. The Company's members’ capital accounts consist of 10,000 units. As of December 31, 2008, 10,000 member’s units are issued and outstanding. DCG has obtained drilling rights from a third party in Wolfcamp Canyon Sandstone Field in West Texas and entering the natural gas production & exploration, drilling, and extraction business. DCG had the option to purchase rights on up to 180 in-fill drilling locations on about specific 3,600 acres, based on a 20 acres spacing. The field was first developed in the 1970s on a 160 acre well spacing and was later reduced based on a small radius of the wells drainage. The spacing has subsequently been reduced to 40 acres, 20 acres, and 10 acres accordingly. DCG’s drilling program is based on 20 acres spacing. Due to major issues in the development of the oil and gas project in Crockett County, Texas, the board obtained additional reserve report for the Company's interest in DCG and Vortex Ocean One, LLC (“Vortex Ocean”), which report indicated that the DCG properties being in essence negative in value. As a result of such report, the world and US recessions and the depressed oil and gas prices, the board of directors elected to dispose of the DCG property. As Such, Vortex Ocean sold during 2009 the DCG properties to a third party (See Commitment and Contingencies).

As a result of the series of transactions described above, the Company’s ownership structure at December 31, 2008 was as follows (designated for sale – see subsequent events):

100% of DCG – discontinued operations
50% of Vortex Ocean One, LLC
Approximately 7% of Micrologic, Via EA Emerging Ventures Corp)
100% of 610 N. Crescent Heights, LLC and 50% of 13059 Dickens, LLC – both properties divested

In January 2009, the Company commenced the development of a logistics center in Southern California. Our mission is to develop an Asian Pacific Cooperation Zone in Southern California to enhance and enable increased trade between the United States and China. The facility will provide a "Gateway to China" through a centralized location for the marketing, sales, customer service, product completion for "Made in the USA" products and distribution of goods imported from China. It will also promote Joint Ventures and exporting opportunities for US companies. The importing or sourcing materials from China has been the solution for creating significant margins for goods sold in the United States. While many large multi-national companies have been able to navigate and capitalize on the opportunities the Chinese industrial complex has created, most US companies simply do not have the resources to manage the complexities of working with companies in China. Some of the complexities for US companies importing from China include selecting the right manufacturer or vendor for your company, addressing transportation, tax and customs issues and quality control and delivery issues. Due to the complexities and uncertainties US companies have found trying to import goods and services from China, our goal is to establish a centralized US based trade center. The goal is to create a "Gateway to China" with warehouse and office space. The warehouse will be centrally located in Southern California with easy access to the ports of Long Beach and Los Angeles, and railways. The warehouse will have the ability to handle both 20 and 40 foot containers including wet, dry and cold storage. The office space will be designed to provide US headquarters for the Chinese companies involved. One of the keys to success for the Asian Pacific Cooperation Zone is the ability to leverage a common infrastructure of technology, administration and transportation to sell goods and services in the United States. We anticipate the Cooperative zone will be utilized for distribution, sales, marketing, warehousing, administration, customer service, showroom display, pick and pack services as well as other value added services that prepares products for delivery to customers. The business model is to facilitate the importing and exporting of goods and services. Revenue will be generated through a number of offerings including the lease of office space, storage space, distribution services, and administration services along with other value added services. Our successful development of the logistics center includes many risks including raising adequate funds to pay for the lease of the facility and development of the facility of which there is no guarantee that such funds will be available, the general state of the economy in both the United States and China and concerns over whether the recession will continue or even possibly deepen.

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

As part of the Company due diligence and closing procedure, the Company requested that Yasheng-BVI (allegedly Yasheng parent company) provide a current legal opinion from a reputable Chinese law firm attesting to the fact that no further regulatory approval from the Chinese government is required as well as other closing conditions to close the transaction. On November 3, 2009, the Company sent Yasheng and Yasheng-BVI a formal letter demanding various closing items. Yasheng and Yasheng-BVI did not deliver the requested items and, on November 9, 2009 Yasheng and Yasheng-BVI sent a termination notice to the Company advising that the definitive Agreement has been terminated. The Company is presently evaluating its options in moving forward with respect to Group based on various letters of intent and agreements with Group regarding various matters and is presently determining whether it should cease all activities with Group.

As Yasheng failed to enter into a definitive agreement with the Company, we may lose a significant source of our potential clients for the logistics center. As such, we would be required to develop additional sources of clients and develop a significant sales force to achieve favorable results.

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

The Company's holdings in its subsidiaries at December 31, 2009 were as follows:

100% of DCG – discontinued operations
100% of Vortex Ocean One, LLC (See Commitment and contingencies)
Approximately 7% of Micrologic, (held by EA Emerging Ventures Corp, a 100% owned subsidiary of the Company)

Going Concern - The accompanying consolidated financial statements included in this Annual Report on Form 10-K include an opinion from Robinson, Hill & Co., the Company's independent auditors, that there is substantial doubt as to our ability to continue as a going concern. The financing of the Company's projects is dependent on the future effect of the so called sub-prime mortgage crisis on financial institutions. This sub-prime crisis may affect the availability and terms of financing available to Company for the completion of its projects as well as the availability and terms of financing for operating expenses of the Company. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

During 2008 The Company elected to move from The NASDAQ Stock Market to the OTCBB to reduce, and more effectively manage, its regulatory and administrative costs, and to enable Company's management to better focus on its business. The Company was traded on the OTCBB under the symbol VXRC (on February 24, 2009 the Company symbol was changed from VTEX into VXRC). Before that, the Company's common stock was traded on the NASDAQ Capital Market ("NASDAQ") under the symbol "EMVL". On July 15, 2009 the Company changed its name from "Vortex Resources Corp." to its current name, which subsequently changed the Company symbol into "YASH".

2. Summary of Significant Accounting Policies

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

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

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

. For the year ending December 31, 2008, the balance sheets and results of operations of DCG, 610 Crescent Heights, LLC, Dickens LLC and Vortex Ocean One, LLC are consolidated into these financial statements. As of and for the year ending December 31, 2009, the balance sheets and results of operations of DCG, and Vortex Ocean One, LLC are consolidated into these financial statements

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

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

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

Revenues from property sales are recognized when the risks and rewards of ownership are transferred to the buyer, when the consideration received can be reasonably determined and when Emvelco has completed its obligations to perform certain supplementary development activities, if any exist, at the time of the sale. Consideration is reasonably determined and considered likely of collection when Emvelco has signed sales agreements and has determined that the buyer has demonstrated a commitment to pay. The buyer’s commitment to pay is supported by the level of their initial investment, Emvelco’ assessment of the buyer’s credit standing and Emvelco’ assessment of whether the buyer’s stake in the property is sufficient to motivate the buyer to honor their obligation to it.

Revenue from fixed price contracts is recognized on the percentage of completion method. The percentage of completion method is also used for condominium projects in which the Company is a real estate developer and all units have been sold prior to the completion of the preliminary stage and at least 25% of the project has been carried out. Percentage of completion is measured by the percentage of costs incurred to balance sheet date to estimated total costs. Selling, general, and administrative costs are charged to expense as incurred. Profit incentives are included in revenues, when their realization is reasonably assured. Provisions for estimated losses on uncompleted projects are made in the period in which such losses are first determined, in the amount of the estimated loss of the full contract. Differences between estimates and actual costs and revenues are recognized in the year in which such differences are determined. The provision for warranties is provided at certain percentage of revenues, based on the preliminary calculations and best estimates of the Company's management.

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

Real estate - Real estate held for development is stated at the lower of cost or market. All direct and indirect costs relating to the Company's development project are capitalized on the Company's balance sheet. Such standard requires costs associated with the acquisition, development and construction of real estate and real estate-related projects to be capitalized as part of that project. The realization of these costs is predicated on the ability of the Company to successfully complete and subsequently sell or rent the property. During 2008, the Company sold all its real estate properties.

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

Foreign currency translation - The Company considers the United States Dollar ("US Dollar" or "$") to be the functional currency of the Company and its subsidiaries, the prior owned subsidiary, AGL, which reports its financial statements in New Israeli Shekel. ("N.I.S") The reporting currency of the Company is the US Dollar and accordingly, all amounts included in the consolidated financial statements have been presented or translated into US Dollars. For non-US subsidiaries that do not utilize the US Dollar as its functional currency, assets and liabilities are translated to US Dollars at period-end exchange rates, and income and expense items are translated at weighted-average rates of exchange prevailing during the period. Translation adjustments are recorded in "Accumulated other comprehensive income" within stockholders' equity. Foreign currency transaction gains and losses are included in the consolidated results of operations for the periods presented.

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

Marketable securities - The Company determines the appropriate classification of all marketable securities as held-to-maturity, available-for-sale or trading at the time of purchase, and re-evaluates such classification as of each balance sheet date. The Company assesses whether temporary or other-than-temporary gains or losses on its marketable securities have occurred due to increases or declines in fair value or other market conditions. The Company did not have any marketable securities within continuing operations for the year ended December 31, 2009 (other than Treasury Stocks as disclosed).

Goodwill and intangible assets - Goodwill results from business acquisitions and represents the excess of purchase price over the fair value of identifiable net assets acquired at the acquisition date. There was goodwill recorded in the transaction with AGL totaling $1.2 million as of December 31, 2007. Since this subsidiary was divested as of January 1, 2008 in compliance with the C Properties Agreement, this goodwill was impaired during the first quarter of 2008 and presented as a consulting, director and professional fees in the P&L. As a result of the acquisition of DCG, the

Company recorded Goodwill for a total of $49,990,000 as the former members of DCG were given conversion rights under the preferred stock arrangement for 50,000,000 common shares at a $1.00 price per share less the contribution of $10,000. Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management evaluates the recoverability of goodwill by comparing the carrying value of the Company's reporting units to their fair value. Fair value is determined based a market approach. For the year ended December 31, 2008, an analysis was performed on the goodwill associated with the investment in DCG, and impairment was charged against the P&L for $34,490,000 and is included in discontinued operations.

The Company entered into a Securities Purchase Agreement (the "Agreement") with Trafalgar Capital Specialized Investment Fund, Luxembourg ("Buyer") on September 25, 2008 for the sale of up to $2,750,000 in convertible notes (the "Notes"). Pursuant to the terms of the Agreement, the Company and the Buyer closed on the sale and purchase of $1,600,000 in Notes on September 25, 2008, with escrow instruction to be closed on October 1, 2008. The Buyer, at its sole discretion, has the option to close on a second financing for $400,000 in Notes (which has been exercised as discussed below) and a third financing for $750,000 in Notes. Pursuant to the terms of the Agreement, the Company agreed to pay to the Buyer a commitment fee of 4% of the commitment amount, a structuring fee of $15,000, a facility draw down fee of 4%, issue the Buyer 150,000 shares of common stock, pay a due diligence fee to the Buyer of $15,000. The Company recorded as an offset to the note payable the discount on the issuance of debt for the conversion feature. The estimated intrinsic value of the conversion feature was approximately $210,000 and will be reported as interest expense.

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

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

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

Stock-based compensation - Effective January 1, 2006, the Company adopted SFAS No. 123R, now ASC Topic 718, “Share-Based Payment” (“SFAS 123R”). Under ASC Topic 718, the Company is required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The measured cost is recognized in the statement of operations over the period during which an employee is required to provide service in exchange for the award. Additionally, if an award of an equity instrument involves a performance condition, the related compensation cost is recognized only if it is probable that the performance condition will be achieved.
The Company adopted ASC Topic 718 using the modified prospective method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company’s fiscal year 2006. Under this method, compensation cost recognized during the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested, as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123 and amortized on an straight-line basis over the requisite service period, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R amortized on a straight-line basis over the requisite service period. Results for prior periods have not been restated. The Company estimates the fair value of each option award on the date of the grant using the Black-Scholes option valuation model. Expected volatilities are based on the historical volatility of the Company’s common stock over a period commensurate with the options’ expected term. The expected term represents the period of time that options granted are expected to be outstanding and is calculated in accordance with SEC guidance provided in the SAB 107, using a “simplified” method. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company’s stock options.

The following table shows total non-cash stock-based employee compensation expense included in the consolidated statement of operations for the year ended December 31, 2009 and the year ended December 31, 2008:

Categories of cost and expenses		Year ended December 31, 2009		Year ended December 31, 2008
Non-cash consulting, professional and directors fees		724,300		2,018,161
Total stock-based compensation expense	$	724,300	$	2,018,161

Off Balance Sheet Arrangements

There are no materials off balance sheet arrangements.

Inflation and Foreign Currency

The Company maintains its books in local currency: on sold assets - Kuna for Sitnica, N.I.S for AGL and US Dollars for the Parent Company registered in the State of Delaware. The Company's operations are primarily in the United States through its wholly owned subsidiaries. Some of the Company's customers were in Croatia. As a result, fluctuations in currency exchange rates may significantly affect the Company's sales, profitability and financial position when the foreign currencies, primarily the Croatian Kuna, of its international operations are translated into U.S. dollars for financial reporting. In additional, we are also subject to currency fluctuation risk with respect to certain foreign currency denominated receivables and payables. Although the Company cannot predict the extent to which currency fluctuations may, or will, affect the Company's business and financial position, there is a risk that such fluctuations will have an adverse impact on the Company's sales, profits and financial position. Because differing portions of our revenues and costs are denominated in foreign currency, movements could impact our margins by, for example, decreasing our foreign revenues when the dollar strengthens and not correspondingly decreasing our expenses. The Company does not currently hedge its currency exposure. In the future, we may engage in hedging transactions to mitigate foreign exchange risk.

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

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

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

Business segment reporting - Though the company had minor holdings of real estate properties which have been sold, the Company manages its operations in one business segment, the Resources, Logistic Development, Development and Mineral business.

Effect of Recent Accounting Pronouncements

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

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

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

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

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

Critical Accounting Estimates

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

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

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

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

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

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

d) Government regulations.

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

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

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

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

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

3. Cash, Cash Equivalent Line of Credit and Restricted Cash

The Company's real estate investment operations required substantial up-front expenditures for land development contracts and construction. Accordingly, the Company required a substantial amount of cash on hand, as well as funds accessible through lines of credit with banks or third parties, to conduct its business. The Company had financed its working capital needs on a project-by-project basis, primarily with loans from banks and debt via the All Inclusive Trust Deed Agreement (AITDA), and with the existing cash of the Company. On August 28, 2006, the Company entered into a $4,000,000 Revolving Line of Credit ("line of credit") with a commercial bank. As security for this credit facility, the Company deposited $4,000,000 into a certificate of deposit ("CD") as collateral for a two year period. The CD earns interest at a rate of 5.25% annually, and any interest earned on the CD is restricted from withdrawal and must remain in the account for the entire term. On November 21, 2006, the Company deposited an additional $4,000,000 into another CD with the same restrictions on withdrawal. This CD matured on November 21, 2008 and the deposit bears an interest rate of 5.12% annually. The interest rate on the line of credit is 5.87% annually. As of December 31, 2008, the Company paid off the lines of credit in full.

4. Investment (and loans) in Affiliates, at equity

On June 14, 2006, Emvelco issued a $10 million line of credit to ERC. Outstanding balances bore interest at an annual rate of 12% and the line of credit had a maximum borrowing limit of $10 million. Initially on October 26, 2006 and then again ratified on December 29, 2006, the Board of Directors of Emvelco approved an increase in the borrowing limit of the line of credit to $20 million. The Board also restricted use of the funds to real estate development. On November 2, 2007, the Company exercised the Verge option to purchase a multi-use condominium and commercial property in Las Vegas, Nevada, thereby reducing the amount outstanding by $10 million. Additionally, the Verge option required that the Company pay The International Holdings Group (TIHG), the then parent of ERC, and another $5 million when construction began on the Verge Project. At the time of these transactions, Verge and ERC were related entities as both had Darren Dunckel as their CEO (see Note 14). As of December 31, 2008, the Company has accrued and recorded that payment as a reduction to this loan receivable balance. As of December 31, 2008, the outstanding loan receivable balances by ERC and Verge (related parties) were charged to equity, due to the Company change of strategy, turmoil in the real estate industry including the sub-prime crisis and the world financial crisis, which among other factors led Verge to file for Bankruptcy protection.

5. Non Current assets from discontinued operations

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

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

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

Year	Face Value	Discounted Value
2009	$450,000	$424,060

2010	375,000	$321,288
2011	300,000	$226,057
2012	300,000	$200,614
2013	300,000	$178,035
2014	300,000	$157,997
2015	75,000	$36,638
Total	2,100,000	$1,544,690

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

6. Real Estate Investments for Sale

The Company owned 100% of subsidiary 610 N. Crescent Heights, LLC, which is located in Los Angeles, CA. On April 2008, the Company obtained Certificate of Occupancy from the City of Los Angles, and listed the property for sale at selling price of $2,000,000. At December 31, 2008, the Company sold the property for the gross sale price of $1,990,000 and recorded costs of sales totaling $2,221,929, which were previously capitalized construction costs. The board resolved to discontinue real estate operations during 2008 and these amounts are presented as part of discontinued operations (see Note 9).

The Company owned 50% of 13059 Dickens, LLC, as reported by the Company on Form 8-K on December 21, 2007, through a joint venture with a third party at no cost to the Company. As all balances due under this venture is via All Inclusive Trust Deed, and in lieu of the Company new strategy, the Company entered advanced negotiations with regards to selling its interest to the other party, as no cost to the Company, or liability, by conveying back title of said property, and releasing the Company from any associated liability. During the third quarter of 2008, the project was sold back to the third party, by reversing the transaction, at no cost to the Company.

7. Convertible Notes Payable

Trafalgar Capital Specialized Investment Fund, Luxembourg ("Trafalgar")- The Company entered into a Securities Purchase Agreement (the "Agreement") with Trafalgar Capital Specialized Investment Fund, Luxembourg ("Buyer") on September 25, 2008 for the sale of up to $2,750,000 in convertible notes (the "Notes"). Pursuant to the terms of the Agreement, the Company and the Buyer closed on the sale and purchase of $1,600,000 in Notes on September 25, 2008, with escrow instruction to be closed on October 1, 2008. The Buyer, at its sole discretion, has the option to close on a second financing for $400,000 in Notes (which has been exercised as discussed below) and a third financing for $750,000 in Notes. Pursuant to the terms of the Agreement, the Company agreed to pay to the Buyer a commitment fee of 4% of the commitment amount, a structuring fee of $15,000, a facility draw down fee of 4%, issue the Buyer 150,000 shares of common stock, pay a due diligence fee to the Buyer of $15,000. The Notes bear interest at 8.5% with such interest payable on a monthly basis with the first two payments due at closing. The Notes are due in full in September 2010. In the event of default, the Buyer may elect to convert the interest payable in cash or in shares of common stock at a conversion price using the closing bid price of when the interest is due or paid. The Notes are convertible into common stock, at the Buyer's option, at a conversion price equal to 85% of the volume weighted average price for the ten days immediately preceding the conversion but in no event below a price of $2.00 per share. If on the conversion or redemption of the Notes, the Euro to US dollar spot exchange rate (the "Exchange Rate") is higher that the Exchange Rate on the closing date, then the number of shares shall be increased by the same percentage determined by dividing the Exchange Rate on the date of conversion or redemption by the Exchange Rate on the closing date ($0.68 per Euro). The Company is required to redeem the Notes starting on the fourth month in equal installments of $56,000 with a final payment of $480,000 with respect to the initial funding of $1,600,000. We are also required to pay a redemption premium of 7% on the first redemption payment, which will increase 1% per month. The Company may prepay the Notes in advance, which such prepayment will include a redemption premium of 15%. In the event the Company closes on a funding in excess of $4,000,000, the Buyer, in its sole election, may require that the Company redeem the Notes in full. On any principal or interest repayment date, in the event that the Euro to US dollar spot exchange rate is lower than the Euro to US dollar spot exchange rate at closing, then we will be required to pay additional funds to compensate for such adjustment.

Pursuant to the terms of the Notes, the Company shall default if (i) the Company fails to pay amounts due within 15 days of maturity, (ii) failure of the Company to comply with any provision of the Notes upon ten days written notice; (iii) bankruptcy or insolvency or (iv) any breach of the Agreement and such breach is not cured upon ten days written notice. Upon default by the Company, the Buyer may accelerate full repayment of all Notes outstanding and all accrued interest thereon, or may convert all Notes outstanding (and accrued interest thereon) into shares of common stock (notwithstanding any limitations contained in the Agreement and the Notes). The Buyer has a secured lien on three of our wells and would be entitled to foreclose on such wells in the event an event of default is entered. In the event that the foregoing was to occur, significant adverse consequences to the Company would be reasonably anticipated.

So long as any of the principal or interest on the Notes remains unpaid and unconverted, the Company shall not, without the prior written consent of the Buyer, (i) issue or sell any common stock or preferred stock, (ii) issue or sell any Company preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire Common Stock, (iii) incur debt or enter into any security instrument granting the holder a security interest in any of the assets of the Company or (iv) file any registration statement on Form S-8.

The Buyer has contractually agreed to restrict their ability to convert the Notes and receive shares of our common stock such that the number of shares of the Company common stock held by a Buyer and its affiliates after such conversion or exercise does not exceed 9.9% of the Company's then issued and outstanding shares of common stock.

The Buyer exercised its option to close on a second financing for $400,000 in Notes on October 28, 2008 and still holds an option to close on additional financing for $750,000 in Notes. The terms of the second financing for $400,000 are identical to the terms of the $1,600,000 Note, as disclosed in detail on the Company filing on October 2, 2008 on Form 8-K - Unregistered Sale of Equity Securities, Financial Statements and Exhibits. The Notes are convertible into our common stock, at the Buyer's option, at a conversion price equal to 85% of the volume weighed average price for the ten days immediately preceding the conversion but in no event below a price of $2.00 per share.

As of the date hereof, the Company is obligated on the Notes issued to the Buyer in connection with this offering. The Notes are a debt obligation arising other than in the ordinary course of business, which constitute a direct financial obligation of the Company. The Notes were offered and sold to the Buyer in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. The Buyer is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company recorded a discount on the issuance of debt for the conversion feature, which decreased the note payable by the same amount.

The Company and Trafalgar become adversaries where each party filled a lawsuit against the other party in different jurisdictions which included California, Nevada (indirect lawsuit filed by Verge) and Florida. On April 15, 2010 the parties settled outstanding disputes. Based on said settlement which declared effective as of December 31, 2009 the parties agreed that Trafalgar will convert its notes (at agreed amount of $3,000,000) into a new class of Series E Preference Shares, which shall have the following terms: (i) $3 Million Face Amount (as agreed amount between all parties) (ii) Maturity in cash in Thirty Months (30 months) from date of issue (iii) Optional Redemption by the Company at any time, for Face Value including accrued unpaid dividends (iv) Dividends Accrue at 7% (seven percent) per annum. Said Series Preferred E share will be convertible at the Option of the Holders, into Six Hundred Million (six hundred million) common shares of YASH, at any time upon written notice to the company. Trafalgar will be entitled to appoint 4 directors to the Company board.

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

AP Holdings Limited (AP) - On October 1, 2008, the Company entered into a short term note payable (6 month maturity) with AP – a foreign Company controlled by Shalom Attia (the brother of Yossi Attia, the Company CEO – the "Holder"), a third party, for $330,000. The note bears 12% interest commencing October 1, 2008 and can be converted (including interest) into common shares of the Company at an established conversion price of $0.015 per share. Holder has advised that it has no desire to convert the AP Note into shares of the Company's common stock at $1.50 per share at this time as the Company's current bid and ask is $0.23 and $0.72, respectively, and there is virtually no liquidity in the Company's common stock. The Company is in default on the AP Note, and Holder has threatened to commence litigation if it not paid in full. The Company did not have the cash resources to pay off the AP Note due to current capital constraints. Holder has agreed that it is willing to convert the AP Note if the conversion price is reset to $0.04376 resulting in the issuance of 8,000,000 shares of common stock (the "Shares") of the Company or 7.56% of the Company assuming 105,884,347 shares of common stock outstanding (97,884,347 as of May 7, 2009 plus 8,000,000 shares issued to Holder). The parties entered a settlement agreement in May 2009. The agreement with AP was approved by the Board of Directors where Mr. Yossi Attia has abstained from voting due to a potential conflict of interest. The Company recognized approximately a $2MM non-cash loss on the change of conversion price in the first quarter of 2009.

Priscilla Dunckel - On August 12, 2008 the Company signed a Note Payable for $20,000 payable to Mrs. Dunckel in connection with the Company efforts to fund its drilling program (see Subsequent events for full pay-off)..

TAS Agreement - On December 5, 2008 the Company entered into and closed an Agreement with T.A.S. Holdings Limited ("TAS") (the "TAS Agreement") pursuant to which TAS agreed to cancel the debt payable by the Company to TAS in the amount of approximately $1,065,000 and its 15,000,000 shares of common stock it presently holds in consideration of the Company issuing TAS 1,000,000 shares of Series B Convertible Preferred Stock, which such shares carry a stated value equal to $1.20 per share (the "Series B Stock"). The Series B Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.0016 per share. The Series B Stock shall have voting rights on an as converted basis multiplied by 6.25. Holders of the Series B Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.06 per share of Series B Stock paid semi-annually on June 30 and December 31 commencing June 30, 2009. The Convertible Notes Payable and related discount were recorded and disclosed pursuant to EITF98-5 and EITF 00-27. The debt conversion feature or discount can be found in the Consolidated Statements of Shareholder Equity. Intrinsic value of a conversion feature-contingent conversion shows recording of the debt discount as an offset against the note and also recorded as a component of shareholders' equity. Amortization of the debt discount utilizes the straight line method.

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

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

Tiran Ibgui – On November 23, 2009 the Company ratified and issued a Note Payable for $365,000 to Tiran Ibgui. Tiran Ibgui was a 50% member with Vortex Ocean which invested in cash $525,000 on June 30, 2008. The Company entered numerous settlement agreements with Mr. Ibgui in connection with Vortex Ocean, including providing collateral in form of pledge the DCG wells to Mr. Ibgui. As disclose in this report, on February 2009, Vortex Ocean sold its interest to third parties, where per said sale the original balance of Mr. Ibgui was reduced to $365,000 which remains due. Mr. Ibgui waived all his membership rights, and remains a secure lender under said note dated November 23, 2009 for his original investment that was consummated in cash on June 30, 2008. Said Note in the amount of $365,000 is convertible to 10,000.000 common shares of the Company. The Note has adjustment mechanism which states that the number of Conversion Shares issuable to the Lender shall be adjusted such that the aggregate number of Exchange Shares issuable to the Holder is equal to (a) 10,000,000 plus the actual legal fees and costs incurred by the Lender and the Lender's successors, designees and assigns, divided by (b) 75% of the volume-weighted average price for the 20 trading days following delivery of the Conversion Shares, calculated by dividing the aggregate value of Common Stock traded on its trading market (price multiplied by number of shares traded) by the total volume (number of shares) of Common Stock traded on the trading market for such trading day. If this adjustment requires the issuance of additional Conversion Shares to the Lender (i.e. if a total issuance of more than 10,000,000 shares is required), such additional Conversion Shares shall be issued to the Lender or its designee within one business day. If this adjustment requires the return of Conversion Shares to the Borrower (i.e. if an aggregate issuance of less than 10,000,000 shares is required), such Conversion Shares shall be promptly returned to the Borrower.

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

Original Cash Investment	525,000.00
Proceeds from sale:	
Gross amount	(225,000.00)
Fee paid by Ibgui	25,000.00
Company Interest 20% Per operating Agreement	40,000.00
Net Balance to March 2009 (date of Sale Ratify November 2009 via	365,000.00

Note)

Moran Atias - On December 30, 2009, the Company entered into an Exchange Agreement with Moran Atias ("Atias") whereby the Company and Ms. Atias exchanged $100,000 of a promissory note in the amount of $250,000 held by Ms. Atias into 11,903,333 shares of Common Stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias, was initially issued on August 8, 2008 (see Subsequent events for further Exchange Agreement). Ms. Atias still holds a note payable by the Company for $150,000.

Short Term Loan – by Investor

On September 5, 2008 the Company entered a short term loan memorandum, with Mehmet Haluk Undes, for a short term loan (“bridge”) of $220,000 to bridge the drilling program of the Company. As a consideration for said facility, the Company grants the investor with 100% cashless warrants coverage for two years at exercise price of $1.50 per share. The investor made a loan of $220,000 to the company on September 15, 2008 (where said funds were wired to the company drilling contractor), that was paid in full on October 8, 2008. Accordingly the investor is entitled to 200,000 cashless warrants from September 15, 2008 at an exercise price of $1.50 for a period of 2 years. The Company is contesting said warrants entitlements to the investor, based on what it asserts to be cause.

8. Acquisition

Davy Crockett Gas Company, LLC (DCG) - Based on series of agreements that were formalized on May 1, 2008, the Company entered into an Agreement and Plan of Exchange with DCG. (See Notes 1, 2)

Vortex Ocean One, LLC - On June 30, 2008, the Company formed a limited liability company with Tiran Ibgui, an individual ("Ibgui"), named Vortex Ocean One, LLC (the "Vortex One"). The Company and Ibgui each own a fifty percent (50%) membership interest in Vortex One. The Company is the Manager of the Vortex One. Vortex One has been formed and organized to raise the funds necessary for the drilling of the first well being undertaken by the Company's wholly owned subsidiary DCG (as reported on the Company's Form 8-Ks filed on May 7, 2008 and May 9, 2008 and amended on June 16, 2008). The Company and Ibgui entered into a Limited Liability Company Operating Agreement which sets forth the description of the membership interests, capital contributions, allocations and distributions, as well as other matters relating to Vortex One. Mr. Ibgui paid $525,000 as consideration for his 50% ownership in Vortex One and the Company issued 5,250 common shares at an establish $1.00 per share price for its 50% ownership in Vortex One. In October and November 2008, the Company entered into settlement arrangements with Mr. Ibgui, whereby the Company agree to transfer the 5,250 common shares previously owned by Vortex One to Mr. Ibgui in exchange for settlement of all disputes between the two parties, and also pledged and assigned the DCG four term assignments. On March 2009, Vortex One exercised its rights under the pledge and entered into a sale agreement with third party with regards to the 4 term assignments. Said sale was given full effect in these financial statements.

9. Dispositions

Divesture of AGL shares - On August 19, 2008, the Company entered into a Final Fee Agreement (the “Consultant Agreement”) with a third party, C. Properties Ltd. (“Consultant”). Pursuant to the Consultant Agreement, the Company agreed with the Consultant to exchange the Company’s interest in AGL as a final fee in connection with its DCG acquisition. The Company had to pay Consultant certain fees in accordance with the Consultant Agreement and the Consultant had agreed that, in lieu of cash payment, it would receive equivalent fair value for services rendered, which was determined to be an aggregate of up to 734,060,505 shares of stock of the AGL.

The Consultant was not advised about the restructuring of the acquisition of DCG by the Company and in order to compensate the Consultant and avoid any potential litigation, the Company has agreed to waive the above production requirements set forth in the Consultant Agreement and to transfer all of the Company interest in AGL immediately where such transfer shall be considered effective January 1, 2008.

Divesture of Real Estate - On August 16, 2008 610 N. Crescent Heights, LLC, entered into a sale and escrow agreement with third parties, for the sale of the real property located at 610 North Crescent Heights, Los Angeles, for $1,990,000. Said escrow was closed as of September 30, 2008.

On August 19, 2008, the Dickens LLC conveyed title and its AITD to third party, reversing the Company's joint venture with said third party, at no cost or liability to the Company.

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

		2009		2008
Discontinued Operations (Profit & Loss):				
Sale of real estate	$		$	(1,990,000)
Cost of sale of real estate				2,221,929
Loss on Hamel				213,706
Other selling, general and administrative expenses – real estate				500,000
Goodwill Impairment – DCG project				34,490,000
Total	$	0	$	35,935,635

		2009	2008
Discontinued Operations – Non - Current Assets:			
Gas Rights on Real property (In form of Notes)	$	1,544,690	2,100,000
Total	$	1,544,690	2,100,000

10. Income taxes

The net income before income taxes by tax jurisdiction for the years ended December 31, 2009 and 2008 was as follows:

		2009		2008
Net income before income taxes:				
Domestic	$	(6,692,603)	$	(51,207,461)
Total	$	(6,692,603)	$	(51,207,461)

The provision for income taxes from continuing operations reflected in the consolidated statements of operations is zero; as such, there are no separate components. The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to the loss from continuing operations before income taxes. The sources and tax effects of the differences for the years ended December 31, 2009 and 2008 is summarized as follows:

	2008			2009		
		Amount	%		Amount	%
Computed expected tax						
Expense/(Benefit)	$	(17,922,611)	(35.00)	$	(2,342,411)	(35.00)
Change in Valuation Allowance		17,922,611	(35.00)		2,342,411	(35.00)
Total expense/(benefit)	$	0	0%	$	0	0%

For U.S. Federal income tax purposes, the Company had unused net operating loss carry forwards at December 31, 2008 of approximately 36.6 million available to offset future taxable income. From the 36.6 million of losses 0.5 million expires in 2009, 0.3 million expires in 2010, 1.6 million expires in 2011, 0.9 million expires in 2012 and 33.3 million expires in various years from 2017 through 2027. The Company has no capital loss carryover for US income tax purposes.

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

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

10. Stockholders’ Equity

Common Stock:

On February 14, 2008, the Company raised Three Hundred Thousand Dollars ($300,000) in connection with a private offering to various accredited investors and issued 3,000 Common Shares. The offering is for Company common stock which was issued as "restricted securities" at $1.00 per share. The money raised was used for working capital and business operations of the Company. The private offering was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for each Private Placement.

On March 30, 2008, the Company raised $200,000 from a private offering and issued 2,000 Common Shares. The private placement was for Company common stock which shall be "restricted securities", which was sold at $1.00 per share. The offering included 200,000 warrants to be exercised at $1.50 for two years, and additional 200,000 warrants to be exercised at $2.00 for four years. The money raised from the sale of the Company’s securities was used for working capital and business operations of the Company. The sale of the securities was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for the sale of securities. The investor is D’vora Greenwood (Attia), the sister of Mr. Yossi Attia. Mr. Attia did not participate in the board meeting which approved this transaction.

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

On June 6, 2008, the Company raised $300,000 from the private offering pursuant to a Private Placement Memorandum ("PPM") and issued 3,000 Common shares. The private placement was for Company common stock which shall be "restricted securities" and were sold at $1.00 per share. The money raised from the private placement of the Company's shares was used for working capital and business operations of the Company. The PPM was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for each Private Placement. Based on information presented to the Company, and in lieu of the Company position which was sent to the investor on June 18, 2008 the investor is in default for not complying with his commitment to invest an additional $225,000 and the Company vested said 3,000 shares under a trustee.

On June 11, 2008, the Company entered into a Services Agreement with Mehmet Haluk Undes (the "Undes Services Agreement") pursuant to which the Company engaged Mr. Undes for purposes of assisting the Company in identifying, evaluating and structuring mergers, consolidations, acquisitions, joint ventures and strategic alliances in Southeast Europe, Middle East and the Turkic Republics of Central Asia. Pursuant to the Undes Services Agreement, Mr. Undes has agreed to provide the Company services related to the identification, evaluation, structuring, negotiating and closing of business acquisitions, identification of strategic partners as well as the provision of legal services. The term of the agreement is for five years and the Company has agreed to issue Mr. Undes 5,250 shares of common stock that was issued on August 15, 2008.

On June 30, 2008 and concurrent with the formation and organization of Vortex One, whereby the Company contributed 5,250 shares of common stock (the "Vortex One Shares"), a common stock purchase warrant purchasing 2,000 shares of common stock at an exercise price of $1.50 per share (the "Vortex One Warrant") and the initial well that the Company drilled. Mr. Ibgui contributed $525,000. The Vortex One warrants were immediately transferred to Ibgui. Eighty percent (80%) of all available cash flow shall be initially contributed to Ibgui until the full $525,000 has been repaid and the Company shall receive the balance. Following the payment of $525,000 to Ibgui, the cash flow shall be split equally.

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

On July 28, 2008, the Company held a special meeting of the shareholders for four initiatives, consisting of approval of a new board of directors, approval of the conversion of preferred shares to common shares, an increase in the authorized shares and a stock incentive plan. All initiatives were approved by the majority of shareholders. The 2008 Employee Stock Incentive Plan (the "2008 Incentive Plan") authorized the board to issue up to 5,000,000 shares of Common Stock under the plan.

On August 1, 2008, all holders of the Company’s preferred stock notified the Company about converting said 100,000 preferred stock into 500,000 common shares of the Company. The conversion of preferred shares to common shares marks the completion of the acquisition of Davy Crockett Gas Company, LLC. The Company accepted such notice and instructed the Company’s transfer agent on August 15, 2008 to issue said 500,000 common shares to the former members of DCG, as reported and detailed on the Company’s 14A filings.

On August 8, 2008, assigned holders of the Undes Convertible Note gave notices to the Company of their intention to convert their original note dated June 5, 2007 into 250,000 common shares of the Company. The portion of the accrued interest from inception of the note in the amount of $171,565 was not converted into shares. The Company accepted these notices and issued the said shares.

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

On September 25, 2008, in connection with selling a convertible note to Trafalgar (see Note 5), the Company issued, the amount of 547 common shares at $0.001 par value per share to Trafalgar as a fee. As part of collateral to said note, the Company issued to Trafalgar 45,000 common stock 0.001 par values per shares, as security for the Note. Said shares consider being escrow shares, and accordingly are not included in the outstanding common shares of the company.

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

On December 5, 2008 the Company cancelled 150,000 of its common shares held by certain shareholder, per comprehensive agreement detailed in this report under Preferred Stock section. Said shares were surrendered to the Company secretary for cancellation.

On December 26, 2008, the Company closed agreements with the Penalty Holders pursuant to which the Penalty Holders agreed to cancel any rights to the Penalty in consideration of the issuance 66,667 shares of common stock to each of the Penalty Holders, totaling in issuing 200,000 of the Company common shares. The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. Each of the Penalty Holders is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

On January 23, 2009, the Company completed the sale of 50,000 shares of the Company's common stock to one accredited investor for net proceeds of $75,000 (or $0.015 per common share). The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. The investor is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

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

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

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

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

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

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

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

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

On December 30, 2009, the Company entered into a Preferred Stock Purchase Agreement dated as of December 30, 2009 (the "Agreement"). Pursuant to the Agreement, the Company agreed to pay the Investor a commitment fee of $250,000 (the "Commitment Fee"), payable at the earlier of the six monthly anniversary of the execution of the Agreement or the first tranche. The Company has the right to elect to pay the Commitment Fee in immediately available funds or by issuance of shares of Common Stock. As such the Company issued to the Investor 10,000,000 shares of Common Stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933.

On December 30, 2009, the Company entered into an Exchange Agreement with Moran Atias ("Atias") whereby the Company and Ms. Atias exchanged $100,000 of a promissory note in the amount of $250,000 held by Ms. Atias into 11,903,333 shares of Common Stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias, was initially issued on August 8, 2008 (See also subsequent events). Ms. Atias still holds a note payable by the Company for $150,000 (see subsequent events for pay-off).

Preferred Stock:

Series A - As disclosed in Form 8-Ks filed on May 7, 2008 and May 9, 2008, on May 1, 2008, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with DCG and the members of DCG Members. Pursuant to the DCG Agreement, the Company acquired and, the DCG Members sold, 100% of the outstanding securities in DCG. DCG is a limited liability company organized under the laws of the State of Nevada and headquartered in Bel Air; California is a newly formed designated LLC which holds certain development rights for gas drilling in Crockett County, Texas. In consideration for 100% of the outstanding securities in DCG, the Company issued the DCG Members promissory notes in the aggregate amount of $25,000,000 payable together with interest in May 2010 (the "DCG Notes"). On August 1, 2008, all holders of the Company's preferred stock Series A, notified the Company of their intention to convert said 100,000 preferred stock into 500,000 common shares of the Company. The conversion of preferred shares to common shares marks the completion of the acquisition of DCG. The Company accepted such notice and instructed the Company's transfer agent on August 15, 2008 to issue said common shares to the former members of DCG, as reported and detailed on the Company's 14A filings.

Series B - On December 5, 2008 the Company entered into and closed end Agreement with T.A.S. Holdings Limited ("TAS") (the "TAS Agreement") pursuant to which TAS agreed to cancel the debt payable by the Company to TAS in the amount of approximately $1,065,000 and its 150,000 shares of common stock it presently holds in consideration of the Company issuing TAS 1,000,000 shares of Series B Convertible Preferred Stock, which such shares carry a stated value equal to $1.20 per share (the "Series B Stock"). The Series B Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.0016 per share. The Series B Stock shall have voting rights on an as converted basis multiplied by 6.25. Holders of the Series B Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.06 per share of Series B Stock paid semi-annually on June 30 and December 31 commencing June 30, 2009. In the event of any liquidation or winding up of the Company, the holders of Series B Stock will be entitled to receive, in preference to holders of common stock, an amount equal to the stated value plus interest of 15% per year. The Series B Stock restricts the ability of the holder to convert the Series B Stock and receive shares of the Company's common stock such that the number of shares of the Company common stock held by TAS and its affiliates after such conversion does not exceed 4.9% of the Company's then issued and outstanding shares of common stock. The Series B Stock was offered and sold to TAS in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. TAS is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company filed its Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock with the State of Delaware. The preferred shares were subsequently converted to 7,500,000 shares of common stock and are included in the EPS calculation.

Series C - On November 26, 2009, the Company issued 210,087 shares of Series C Preferred Stock for aggregate consideration of $4,945. Each six shares of Series C Preferred Stock is convertible into one share of common stock; provided, however, in the event that the shares of Series C Preferred Stock have been outstanding for a period of one year, then it shall be automatically converted into shares of common stock in accordance with the aforementioned conversion formula. The Company issued the securities to one non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(2) of the

Securities Act of 1933.

11. Stock Option Plan and Employee Options

2004 Incentive Plan

a) Stock option plans

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

(b) Other Options

As of December 31, 2009, there were 330,000 options outstanding with a weighted average exercise price of $3.77.

No options were exercised during the year ended December 31, 2009 and the year ended December 31, 2008.

The following table summarizes information about shares subject to outstanding options as of December 31, 2009, which was issued to current or former employees, consultants or directors pursuant to the 2004 Incentive Plan and grants to Directors:

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

(c) Warrants

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

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

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

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

Cashless Warrants:

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

(d) Shares

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

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

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

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

2008 Stock Incentive Plan:

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

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

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

On July 23, 2009 - , the Company issued 46,460 shares of its common stock 0.001 par value per share, to Stephen M. Fleming, the Company’s securities counsel pursuant to the 2008 Employee Stock Incentive Plan, Following the above securities issuance, the 2008 Plan was closed, and no more securities can be issued under this plan.

12. Related party transactions

During the years 2009 and 2008, Yossi Attia paid substantial expenses for the Company and also deferred his salary. As of December 31, 2009, the Company owes Mr., Attia approximately 883 thousand dollars.

Mr. Darren Dunckel, a former member of the Board (resigned on April 1, 2009), serves as CEO and President of ERC as well as Verge, which are both Nevada corporations and former subsidiaries of the Company. As President, he oversees management of real estate acquisitions, development and sales in the United States and in Croatia where ERC holds properties. Concurrently, Mr. Dunckel is the Managing Director of The International Holdings Group Ltd. ("TIHG"), the sole shareholder of ERC and as such manages the investment portfolio of this holding company. Mr. Dunckel has entered into various transactions and agreements with the Company on behalf of ERC, Verge and TIHG (all of which are related entities given Mr. Dunckel involvement as their CEO). On December 31, 2006, Mr. Dunckel executed the Agreement and Plan of Exchange on behalf of TIHG which was issued shares in ERC in consideration for the exchange of TIHG's interest in Verge. Pursuant to that certain Stock Transfer and Assignment of Contract Rights Agreement dated as of May 14, 2007, the Company transferred its shares in ERC in consideration for the assignment of rights to that certain Investment and Option Agreement, and amendments thereto, dated as of June 19, 2006 which gives rights to certain interests and assets. Mr. Dunckel has represented and executed the foregoing agreements on behalf of ERC, Verge and TIHG as well as executed agreements on behalf of Verge to transfer 100% of Verge. Effective July 1, 2006, Verge entered into a non written year employment agreement with Darren C Dunckel as the President of Verge which commenced on July 11, 2006 and provides for annual compensation in the amount of $120,000, the employment expense of which was capitalized related to such agreement was $120,000 for each year ended December 31, 2008 and 2007. Verge loaned to Mr. Darren Dunckel, the sum of $93,822, of which $90,000 was paid-off via Mr. Dunckel employment agreement, and the balance of $3,822 is included in Prepaid and other current assets as of December 31, 2006. As of December 31, 2007, the balance for advances to Mr. Dunckel was paid off. On October 2008 a group of investors associated with Mr. Dunckel acquired Verge from AGL in a transaction to which the company is not a party. Upon closing the acquisition of AGL Mr. Attia was appointed as the CEO of AGL. Mr. Yossi Attia serves as Chairman of the board of AGL.

The board of directors of AGL approved an employment agreement between the Company and Mr. Shalom Attia, the controlling shareholder and CEO of AP Holdings Ltd. The agreement goes into effect on the date that the aforementioned allotments are consummated and stipulates that Mr. Shalom Attia will serve as the VP – European Operations of AGL in return for a salary that costs the Company an amount of US$ 10 thousand a month. Mr. Attia is also entitled to reimbursement of expenses in connection with the affairs of the Company, in accordance with Company policy, as set from time to time. In addition, Mr. Shalom Attia is entitled to an annual bonus of 2.5% of the net, pre-tax income of AGL in excess of NIS 8 million. The agreement was ratified by the general shareholders meeting of AGL on 30 October 2007.

On March 31, 2008, the Company raised $200,000 from a private offering of its securities pursuant to a Private Placement Memorandum ("PPM"). The private placement was for Company common stock which shall be "restricted securities" and were sold at $1.00 per share. The offering included 200,000 warrants to be exercised at $1.50 for two years (for 200,000 shares of the Company common stock), and an additional 200,000 warrants to be exercised at $2.00 for four years (for 200,000 shares of the Company common stock). Said Warrants may be exercised to ordinary common shares of the Company only if the Company issues subsequent to the date of the PPM, 25 million or more shares of its common stock. The money raised from the private placement of the Company's shares will be used for working capital and business operations of the Company. The PPM was done pursuant to Rule 506. A Form D has been filed with the Securities and Exchange Commission in compliance with Rule 506 for each Private Placement. The investor is D'vora Greenwood (Attia), the sister of Mr. Yossi Attia. Mr. Attia abstained from voting on this matter in the board meeting which approved this PPM.

On September 1, 2008 Star Equity Investment LLC a third party acquired from Mr. Attia, a $1 million note due by the Company since January 1, 2008. Said note is bearing 12% interest commencing October 1st, 2008 and can be converted (including interest) into common shares of the Company at a fixed price of $0.75 per share. Star Equity Investment LLC noticed the Company that due to the Company default on said note, it willing to enter negotiations to modify its instrument. The parties agreed to settle by converting the note including interest into 8.5 million common shares of the Company.

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

On December 5, 2008 the Company entered into and closed an Agreement with T.A.S. Holdings Limited ("TAS") (the "TAS Agreement") pursuant to which TAS agreed to cancel the debt payable by the Company to TAS in the amount of approximately $1,065,000 and its 15,000,000 shares of common stock it presently holds in consideration of the Company issuing TAS 1,000,000 shares of Series B Convertible Preferred Stock, which such shares carry a stated value equal to $1.20 per share (the "Series B Stock").

The Series B Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.0016 per share. The Series B Stock shall have voting rights on an as converted basis multiplied by 6.25. Holders of the Series B Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.06 per share of Series B Stock paid semi-annually on June 30 and December 31 commencing June 30, 2009. In the event of any liquidation or winding up of the Company, the holders of Series B Stock will be entitled to receive, in preference to holders of common stock, an amount equal to the stated value plus interest of 15% per year. The Series B Stock restricts the ability of the holder to convert the Series B Stock and receive shares of the Company's common stock such that the number of shares of the Company common stock held by TAS and its affiliates after such conversion does not exceed 4.9% of the Company's then issued and outstanding shares of common stock. The Series B Stock was offered and sold to TAS in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. TAS is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company filed its Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock with the State of Delaware. Based on agreements that the company is not side too, Dr. Rubin was partial owner of T.A.S. Dr. Rubin resigned from the Company Board of Directors on April 7, 2010 to pursue other opportunities.

13. Treasury Stock

Treasury Stock Repurchase - In June 2006, the Company's Board of Directors approved a program to repurchase, from time to time, at management's discretion, up to 700,000 shares of the Company's common stock in the open market or in private transactions commencing on June 20, 2006 and continuing through December 15, 2006 at prevailing market prices. Repurchases will be made under the program using our own cash resources and will be in accordance with Rule 10b-18 under the Securities Exchange Act of 1934 and other applicable laws, rules and regulations. A licensed Stock Broker Firm is acting as agent for our stock repurchase program. Pursuant to the unanimous consent of the Board of Directors in September 2006, the number of shares that may be purchased under the Repurchase Program was increased from 700,000 to 1,500,000 shares of common stock and the Repurchase Program was extended until October 1, 2007, or until the increased amount of shares is purchased. Pursuant to the Sale Agreement of Navigator, the Company got on closing (February 2, 2007) 622,531 shares of the Company’s common stock as partial consideration. The Company shares were valued at $1.34 per share, representing the closing price of the Company on the NASDAQ Capital Market on February 16, 2007, the closing of the sale. The Company canceled the common stock acquired during the disposition in the amount of $834,192. All, the Company 660,362 treasury shares were retired and canceled during August and September 2008. On November 20, 2008, the Company issued a press release announcing that its Board of Directors has approved a share repurchase program. Under the program the Company is authorized to purchase up to 100,000 of its shares of common stock in open market transactions at the discretion of management. All stock repurchases will be subject to the requirements of Rule 10b-18 under the Exchange Act and other rules that govern such purchases.

As of December 31, 2009 the Company has 1,000 treasury shares in its possession (which been purchased in the open market per the above program) scheduled to be cancelled.

14. Change in the Reporting Entity

In accordance with Financial Accounting Standards, FAS 154, Accounting Changes and Error Corrections, when an accounting change results in financial statements that are, in effect, the statements of a different reporting entity, the change shall be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods. Previously issued interim financial information shall be presented on a retrospective basis.

On August 19, 2008 the Company entered into final fee agreement with C. Properties (“Consultant”), where the Company had to pay Consultant certain fees in accordance with the agreement entered with the Consultant, the Consultant has agreed that, in lieu of cash payment, it will receive an aggregate of up to 734,060,505 shares of stock of the AGL, and the Consultant was not advised on the restructuring of the acquisition of DCG by the Corporation, and in order to compensate the Consultant and avoid any potential litigation, the Company has agreed to waive the above production requirements and convey all its holdings with AGL immediately, with such transfer considered effective January 1, 2008. Based on the agreement, the Company disposed all its holdings in AGL effective January 1, 2008, and these financials reflect such disposal. Further, the Company previously issued interim financial statements dated as of March 31, 2008 and for the three month period ending March 31, 2008. Those financial statements included the consolidation of the AGL. Since the agreement with Consultant was retroactively applied to January 1, 2008, the following tables explain the effect of the change of the Company’s financial balances without consolidating AGL:

	Three Months Ended March 31, 2008		
	Previously issued interim	Effect of change of	Revised Balances

	Q1 financial statements (Unaudited)	reporting entity (Unaudited)	(Audited)
Revenues	$ ---	$ ---	$ ---
Cost of revenues	---	---	---
Total operating expenses	3,003,060	7,307,247	10,310,307
Operating loss	(3,003,060)	(7,307,247)	(10,310,307)
Net (loss) before minority interest	(2,911,208)	(7,363,366)	(10,274,573)
Less minority interest in loss of consolidated subsidiary	69,419	(69,419)	---
Net (loss)	(2,841,789)	(7,432,785)	(10,274,573)
Other comprehensive income (loss)	427,022	(427,022)	---
Comprehensive (loss)	$ (2,414,767)	$ (7,859,807)	$ (10,274,573)
Net (loss) per share, basic and diluted	$ (0.59	$	$ (2.14)
Weighted average number of shares outstanding, basic and diluted	4,797,055		4,797,055

15. Subsequent events

On January 20, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Moran Atias (“Atias”) whereby the Company and Ms. Atias exchanged $100,000 of a promissory note in the amount of $250,000 held by Ms. Atias into 13,000,000 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias (see above), was initially issued on August 8, 2008. The Company’s issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. On April 9, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Atias whereby the Company and Ms. Atias exchanged $50,000 of a promissory note in the amount of $250,000 held by Ms. Atias – which is the remaining balance on said Note - into 12,714,286 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The promissory note, of which a portion was converted by Ms. Atias (see above), was initially issued on August 8, 2008. The Company’s issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. Post said agreement, the Company paid in full the Atias Note.

On March 23, 2010, the Company issued 8,000,000 shares of its common stock at 0.001 par values to Donfeld, Kelley & Rollman (“Kelley”), the Company lawyer, as partial payment for legal fees due. The promissory note, which was converted by Kelley, was issued on August 30, 2009. The Company’s issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities

On April 9, 2010, the Company, in an effort to reduce outstanding debt of the Company, entered into an Exchange Agreement with Priscilla Dunckel whereby the Company and Mrs. Dunckel exchanged $20,000 of a promissory note in the amount of $20,000 held by hers – which is the total balance on said Note - into 5,085,714 shares of common stock of the Company, in a transaction made pursuant to Section 3(a)(9) of the Securities Act of 1933. The Company’s issuance of the securities described in the preceding sentence is exempt from registration under the Securities Act of 1933 pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933 for a transaction not involving a public offering of securities. Post said agreement; the Company paid in full the Dunckel Note.

On April 5, 2010 the Company issued a formal request to Yasheng demanding that they surrender of the 50,000,000 shares that were issued to them, as well as reimburse the Company for its expenses associated with the transaction in the amount of $348,240.

Dr. Rubin resigned from the Company Board of Directors on April 7, 2010 to pursue other opportunities. As Dr. Rubin was the catalyst for the proposed transaction with Yasheng Group, the Company is presently seeking to add additional officers or directors to assist in implementing the Company's strategy of developing a logistics center.

On April 15, 2010 effective December 31, 2009 the company and Trafalgar settled their outstanding disputes. The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Trafalgar was issued Preferred Stock of the Company, which is convertible to common shares at the option of the holders, into 600,000,000 common shares of the Company, which is more than the total authorized shares, at any time upon written notice to the company; in the event of conversion of the note, the Company will authorize more shares to be issued at that point. Trafalgar will appoint 4 directors to the Company’s

Board of Directors. Under the terms of the settlement, Trafalgar agreed to continue and pursue the core business of the Company.

16. Supplemental Oil and Gas Disclosures

The accompanying table presents information concerning the Company's natural gas producing activities (as the assets been divested – see Note 5) as required by Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities." Capitalized costs relating to oil and gas producing activities from continuing operations for the year ended on December 31, 2008 are as follows (said assets was disposed during the first quarter of 2009):

		As of December 31, 2008
Proved undeveloped natural properties – Direct investment	$	2,300,000
Unproved properties – option exercised		50,000
Total		2,350,000
Accumulated depreciation, depletion, amortization , and impairment		--
Net capitalized costs	$	2,350,000

All of these reserves are located in DCG field located in the USA.

Estimated Quantities of Proved Oil and Gas Reserves

The following table presents the Company's estimate of its net proved crude oil and natural gas reserves as of September 30, 2008 elated to continuing operations. The Company's management emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, the estimates are expected to change as future information becomes available. The estimates have been prepared by independent natural gas reserve engineers.

	MMCF (thousand cubic feet)
Proved undeveloped natural gas reserves at February 22, 2008	--
Purchases of drilling rights for minerals in place for period February 22, 2008 (inception of DCG) to December 31, 2008 – 4 wells at 355 MCF each	1,420
Revisions of previous estimates *)	(180)
Extensions and discoveries**)	--
Sales of minerals in place	--
Proved undeveloped natural gas reserves at December 31, 2008	1,420

*) the current reserve report revised to include revision by decreasing the MMCF from 1,600 to 1,420 based on 355 MCF compare to 400 MCF in prior report.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The following disclosures concerning the standardized measure of future cash flows from proved crude oil and natural gas are presented in accordance with SFAS No. 69. The standardized measure does not purport to represent the fair market value of the Company's proved crude oil and natural gas reserves. An estimate of fair market value would also take into account, among other factors, the recovery of reserves not classified as proved, anticipated future changes in prices and costs, and a discount factor more representative of the time value of money and the risks inherent in reserve estimates. Under the standardized measure, future cash inflows were estimated by applying period-end prices at December 31, 2008 adjusted for fixed and determinable escalations, to the estimated future production of year-end proved reserves. Future cash inflows were reduced by estimated future production and development costs based on year-end costs to determine pre-tax cash inflows. Future income taxes were computed by applying the statutory tax rate to the excess of pre-tax cash inflows over the tax basis of the properties. Operating loss carry forwards, tax credits, and permanent differences to the extent estimated to be available in the future were also considered in the future income tax calculations, thereby reducing the expected tax expense. Future net cash inflows after income taxes were discounted using a 10% annual discount rate to arrive at the Standardized Measure.

Set forth below is the Standardized Measure relating to proved undeveloped natural gas reserves for the period ending December 31, 2008:

	Period ending December 31, 2008 (in thousands of $)	Period ending March 30, 2008 (in thousands of $)
Future cash inflows, net of royalties	109,890	231,230
Future production costs	(32,964)	(38,702)
Future development costs	(43,050)	(25,800)
Future income tax expense		--
Net future cash flows	33,876	166,728
Discount	(33,296)	(117,475)
Standardized Measure of discounted future net cash relating to proved reserves	580	49,253

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Natural Gas Reserves. The table above shows the second standardized measure of discounted future net cash flows for the Company since inception. Accordingly, there are material changes to disclose, which in essence were contributed by substantial decline in gas prices in lieu of the financial turmoil that the USA (and the world) is facing.

Drilling Contract:

On July 1, 2008, DCG entered into a Drilling Contract (Model Turnkey Contract) ("Drilling Contract") with Ozona Natural Gas Company LLC ("Ozona"). Pursuant to the Drilling Contract, Ozona has been engaged to drill four wells in Crockett County, Texas. The drilling of the first well commenced immediately at the cost of $525,000 and the drilling of the subsequent three wells shall take place in secession. The drilling operations on the first well are due to funding provided by Vortex One. Such drilling took place, and the Vortex One well has successfully hit natural gas at a depth of 4,783 feet. As disclosed on this report Vortex one entered into sale agreements of said four assignments, and allows 60 days extension (until July 1, 2009) to both Buyer and operator, to commence payments.

17. Earnings (loss) per Share

Below is a reconciliation of earnings (loss) per share and weighted average common shares outstanding for purposes of calculating basic and diluted earnings (loss) per share.

	2009	2008
Net Loss from continuing operations	(6,692,603)	(15,215,295)
Net Loss from discontinued operations	0	(35,935,636)
Weighted average shares outstanding, basic	88,985,544	19,496,690
Convertible preferred stock – if converted (diluted) 6.25 to 1	0	520,833
Weighted average shares for purpose of computing diluted loss per share	88,985,544	20,017,424
Weighted average number of shares outstanding, basic (1:100 reverse split)	88,985,544	194,967
Weighted average number of shares outstanding, diluted (1:100 reverse split)	88,985,544	200,174
Loss per share from continuing operations, basic	(0.08)	(78.04)
Loss per share from discontinued operations, basic	NA	(184.32)

Net loss per share, basic	(0.08)	(262.36)
Loss per share from continuing operations, diluted	(0.08)	(76.01)
Loss per share from discontinued operations, diluted	NA	(179.52)
Net loss per share, diluted	(0.08)	(255.53)

18. Restatement

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

19. Commitments and Contingencies

(a) Employment Agreements

Effective July 1, 2006, the Company entered into a five-year employment agreement with Yossi Attia as the President and provides for annual compensation in the amount of $240,000, an annual bonus not less than $120,000 per year, and an annual car allowance. During the years 2009 and 2008, Yossi Attia paid substantial expenses for the Company and also deferred his salary. As of December 31, 2009, the Company owes Mr., Attia approximately 883 thousand dollars. The Company relay upon Mr. Attia financing. There is no assurance that Mr. Attia will continue to provide the Company with funding.

On August 19, 2008, the Company entered into that certain Employment Agreement with Mike Mustafoglu, effective July 1, 2008, pursuant to which Mr. Mustafoglu agreed to serve as the Chairman of the Board of Directors of the Company for a period of five years. Mr. Mustafoglu will receive (i) a salary of $240,000; (ii) a performance bonus of 10% of net income before taxes, which will be allocated by Mr. Mustafoglu and other key executives at the sole discretion of Mr. Mustafoglu; and (iii) a warrant to purchase 10 million shares of common stock of the Company at an exercise price equal to the lesser of $.50 or 50% of the average market price of the Company's common stock during the 20 day period prior to exercise on a cashless basis (the "Mustafoglu Warrant"). The Mustafoglu Warrant shall be released from escrow on an equal basis over the employment period of five years. As a result, 20,000 shares of the Mustafoglu Warrant would vest per year. On December 24, 2008, Mike Mustafoglu resigned as Chairman of the Board of Directors of the Company to pursue other business interests. Effective July 16, 2008, the Board of Directors of the Company approved that certain Mergers and Acquisitions Consulting Agreement (the "M&A Agreement") between the Company and TransGlobal Financial LLC, a California limited liability company ("TransGlobal"). Pursuant to the M&A Agreement, TransGlobal agreed to assist the Company in the identification, evaluation, structuring, negotiation and closing of business acquisitions for a term of five years. As compensation for entering into the M&A Agreement, TransGlobal shall receive a 20% carried interest in any transaction introduced by TransGlobal to the Company that is closed by the Company. At TransGlobal's election, such compensation may be paid in restricted shares of common stock of the Company equal to 20% of the transaction value. Mike Mustafoglu, who is the Chairman of Transglobal Financial, was elected on July 28, 2008 at a special shareholder meeting as the Company's Chairman of the Board of Directors. Further to Mr. Mustafoglu resignation, that certain Mergers and Acquisitions Consulting Agreement between the Company and TransGlobal Financial LLC, a California limited liability company was terminated. Mr. Mustafoglu is the Chairman of said LLC.

(b) Construction Loans

During 2007, the Company entered into several loan agreements with different financial institutions in connection with the financing of the different real estate projects. All balances of said loan were paid-off during 2008.

(c) AGL Transaction:

Based on series of agreements commencing June 5, 2007 and following by July 23, 2007 AGL become subsidiary of the Company. During 2008 via a fee agreement with third party, the Company divested all its interest in AGL, effective January 1, 2008, and the company financials reflect such disposal. During the first quarter of 2009, third party (Upswing Ltd) filed a complaint in Israel against AGL, Mr. Yossi Attia and Mr. Shalom Attia with regards to certain stock certificates of which the Company was the beneficiary owner at the relevant times. The company was not named as a party to said litigation. Mr. Attia notified the Company that he holds it responsible to all the damages he may suffer, as the underlying assets that are subject to the litigation in Israel were assets of the Company which were purchased by him from a third party that acquired said assets from the Company. As such, the Company is examining its potential legal options. Mr. attia inform the Company that he settled all the adversaries proceeding, where he paid or cause his parties to pay to the third party 2,250,00 AGL shares with market value of about $400,000. To date Mr. Attia did not demand the Company for participation.

As part of the AGL closing, the Company undertook to indemnify the AGL in respect of any tax to be paid by Verge, deriving from the difference between (a) Verge's taxable income from the Las Vegas project, up to an amount of $21.7 million and (b) the book value of the project in Las Vegas for tax purposes on the books of Verge, at the date of the closing of the transfer of the shares of Verge to the Company. Accordingly, the amount of the indemnification is expected to be the amount of the tax in respect of the aforementioned difference, up to a maximum difference of $11 million. The Company believes it as no exposure under said indemnification. Attia Project undertook to indemnify AGL in respect of any tax to be paid by Sitnica, deriving from the difference between (a) Verge's taxable income from the Samobor project, up to an amount of $5.14 million and (b) the book value of the project in Samobor for tax purposes on the books of Sitnica, at the date of the closing of the transfer of the shares of Sitnica to the Company. Accordingly, the amount of the indemnification is expected to be the amount of the tax in respect of the aforementioned difference, up to a maximum difference of $0.9 million. The Attia Project undertook to bear any additional purchase tax (if any is applicable) that Sitnica would have to pay in respect of the transfer of the contractual rights in investment real estate in Croatia, from the Attia Project to Sitnica.

(d) Lease Agreements

The Company head office was located at 9107 Wilshire Blvd., Suite 450, Beverly Hills, CA 90210, based on a month-to-month basis (The Company noticed the landlord that effective December 1, 2009 it will terminate and vacate the premises), paying $219 per month. The Company’s operation office (and headquarter from December 1, 2009) is located at 1061 ½ N Spaulding Ave, West Hollywood, CA 90046, paying $2,500 per month (lease term until June 2011). Effective December 1, 2009 the Company will operate only from its operational offices located in West Hollywood, California.

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

2010	2011	Thereafter
$ 30,000	$ 15,000	$ ---

(e) Legal Proceedings

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

Navigator – Registration Rights - The Company entered into a registration rights agreement dated July 21, 2005, whereby it agreed to file a registration statement registering the 441,566 shares of Company common stock issued in connection with the Navigator acquisition within 75 days of the closing of the transaction. The Company also agreed to have such registration statement declared effective within 150 days from the filing thereof. In the event that Company failed to meet its obligations to register the shares, it may have been required to pay a penalty equal to 1% of the value of the shares per month. The Company obtained a written waiver from the seller stating that the seller would not raise any claims in connection with the filing of registration statement through May 30, 2006. The Company since received another waiver extending the registration deadline through May 30, 2007 without penalty. As of June 30, 2008 (effective March 31, 2008), the Company was in default of the Registration Rights Agreement and therefore made a provision for compensation for $150,000 to represent agreed final compensation (the "Penalty"). The holder of the Penalty subsequently assigned the Penalty to three unaffiliated parties (the "Penalty Holders"). On December 26, 2008, the Company closed agreements with the Penalty Holders pursuant to which the Penalty Holders agreed to cancel any rights to the Penalty in consideration of the issuance 66,667 shares of common stock to each of the Penalty Holders. The shares of common stock were issued in connection with this transaction in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. Each of the Penalty Holders is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Trafalgar Capital Specialized Investment Fund, Luxembourg - The Company via series of agreements (directly or via affiliates) with European based alternative investment fund - Trafalgar Capital Specialized Investment Fund, Luxembourg (“Trafalgar”) established financial relationship which should create source of funding to the Company and its subsidiaries (see detailed description of said series of agreements in the Company filling). The Company position is that the DCG transactions (among others) would not have been closed by the Company, unless Trafalgar will provide the needed financing needed for the drilling program. On April 14, 2009, the Company filed a complaint in Superior Court of California, County of Los Angeles, and Case No. BC 411768 against Trafalgar Capital Specialized Investment Fund, Luxembourg and its affiliates (which was served on June 5, 2009 via registered mail and on September 10, 2009 in personal service), alleging breach of contract and fraud and alleged damages in the amount of $30,000,000. On or about August 2008, Trafalgar obtained a default judgment against the Company in a lawsuit brought by it (but never served on the Company) in Florida (Case No. 09-60980) for $2,434,196.06. the Company appealed said judgment, based on non-service. On April 15, 2010 effective December 31, 2009 the company and Trafalgar settled all their adversaries. The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Via mechanism of Preferred Stocks, the debt is Convertible at the Option of the Holders, into Six Hundred Million (six hundred million) common shares of the Company, at any time upon written notice to the company; Trafalgar will appoint 4 directors to the Company’s Board of Directors. Trafalgar agree to continue and pursue the core business of the Company.

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

Yalon Hecht - On February 14, 2007, the Company filed a complaint in the Superior Court of California, County of Los Angeles against Yalon Hecht, a foreign attorney alleging fraud and seeking the return of funds held in escrow, and sought damages in the amount of approximately 250,000 Euros (approximately $316,000 as of the date of actual transferring the funds), plus interest, costs and fees. On April 2007, Mr. Hecht returned $92,694 (70,000 Euros on the date of transfer) to the Company which netted $72,694. On June 2007, the Company filed a claim seeking a default judgment against Yalon Hecht. On October 25, 2007, the Company obtained a default judgment against Yalon Hecht for the sum of $249,340.65. As of today, the Company has not commenced procedures to collect on the default judgment.

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

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

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

Sharp - On October 20, 2009, an alleged former shareholder of the Company (Mr. Sharp), has filed a lawsuit against the Company and Mr. Attia in San Diego County, California (case number SC105331). Mr. Sharp subsequently attempted to settle the matter for a nominal fee, which the Company refused to accept. The Company disputes all of Mr. Sharp's claims as meritless, frivolous and unsubstantiated and believes that it has substantial and meritorious legal and factual defenses, which the Company intends to pursue vigorously. The Company filed a motion to change venue which was successfully granted by court. On December 17, 2009 on the 8:30 a.m. calendar a hearing was held on an ex parte motion by Sharp to advance the hearing on his motions to compel or continue the motion to transfer. Judge Oberholtzer indicated words to the effect that Sharp's lawsuit and tactics indicated "every indication of harassment." The Court denied Sharp's ex parte application. On January 15, 2010 a hearing was held on Yasheng and Attia's motion to transfer on the 10:30 a.m. calendar. On that date the Court stated words to the effect "Abuse is on my mind. This is a case in terms of special damages that ought to be in small claims court." The Court also stated words to the effect "Your intention, it seems to me, is to use the C.C.P. [California Code of Civil Procedure] to harass them instead of seeking restitution." On that date the Court issued an Order transferring the case to Los Angeles. The Court also imposed sanctions upon Sharp to be paid to Defendants no later than February 8 in the amount of $1,250.00. The Order was entered January 25, 2010. Despite several requests, Sharp has not paid the sanctions. As such the case is being transferred to Los Angeles.

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

(f) Sub-Prime Crisis and Financials Markets Crisis

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

(g) Voluntarily delisting from The NASDAQ Stock Market

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

(h) Vortex Ocean One, LLC

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

(i) Potential exposure due to Pending Project under Due Diligence:

Barnett Shale, Fort Worth area of Texas Project - On September 2, 2008, the Company entered into a Memorandum of Understanding (the "MOU") to enter into a definitive asset purchase agreement with Blackhawk Investments Limited, a Turks & Caicos company ("Blackhawk") based in London, England. Blackhawk exercised its exclusive option to acquire all of the issued and allotted share capital in Sand haven Securities Limited ("SSL"), and its underlying oil and gas assets in NT Energy. SSL owns approximately 62% of the outstanding securities of NT Energy, Inc., a Delaware company ("NT Energy"). NT energy holds rights to mineral leases covering approximately 12,972 acres in the Barnett Shale, Fort Worth area of Texas containing proved and probable undeveloped natural gas reserves. SSL was a wholly owned subsidiary of Sand haven Resources plc ("Sand haven"), a public company registered in Ireland, and listed on the Plus exchange in London. In lieu of hindering the due diligence process by Sand haven officers, the Company could not complete adequately its due diligence, and said transaction was null and void.

(j) Trafalgar Convertible Note:

In connection with said note and as collateral for performance by the Company under the terms of said note, the Company issued to Trafalgar 45,000 common shares to be placed as security for said note. Said shares considered by the Company to be escrow shares, and as such are not included in the Company outstanding common shares.

(k) Short Term Loan – by Investor:

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

(l) DCG Drilling Rights:

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

As detailed above and in Note 5 to this report, the Buyer is not performing under the notes. The Company retained an attorney in Texas to pursue its rights under the agreements and the collateral.

(m) Lines of Credit and Restricted Cash

The Company’s real estate investment operations required substantial up-front expenditures for land development contracts and construction. Accordingly, the Company required a substantial amount of cash on hand, as well as funds accessible through lines of credit with banks or third parties, to conduct its business. The Company had financed its working capital needs on a project-by-project basis, primarily with loans from banks and debt via the All Inclusive Trust Deed Agreement (AITDA), and with the existing cash of the Company. The Company paid off the lines of credit in full during 2008.

(n) Investment (and loans) in Affiliates, at equity

On June 14, 2006, Emvelco issued a $10 million line of credit to ERC. Outstanding balances bore interest at an annual rate of 12% and the line of credit had a maximum borrowing limit of $10 million. Initially on October 26, 2006 and then again ratified on December 29, 2006, the Board of Directors of Emvelco approved an increase in the borrowing limit of the line of credit to $20 million. The Board also restricted use of the funds to real estate development. On November 2, 2007, the Company exercised the Verge option to purchase a multi-use condominium and commercial property in Las Vegas, Nevada, thereby reducing the amount outstanding by $10 million. Additionally, the Verge option required that the Company pays The International Holdings Group (TIHG), the then parent of ERC, and another $5 million when construction began on the Verge Project. As of December 31, 2008, the Company has accrued and recorded that payment as a reduction to this loan receivable balance. As of December 31, 2008, the outstanding loan receivable balances by ERC and Verge were charged to bad debt expense on the statement of operations, due to the Company change of strategy, turmoil in the real estate industry including the sub-prime crisis and world financial crisis, which among other factor lead Verge to file for Bankruptcy protection.

(0) Real Estate Investments for Sale

The Company owned 100% of subsidiary 610 N. Crescent Heights, LLC, which is located in Los Angeles, CA. On April 2008, the Company obtained Certificate of Occupancy from the City of Los Angles, and listed the property for sale at selling price of $2,000,000. At September 30, 2008, the Company sold the property for the gross sale price of $1,990,000 and recorded costs of sales totaling $1,933,569, which were previously capitalized construction costs.

The Company owned 50% of 13059 Dickens, LLC, as reported by the Company on Form 8-K on December 21, 2007, through a joint venture with a third party at no cost to the Company. As all balances due under this venture is via All Inclusive Trust Deed, and in lieu of the Company new strategy, the Company entered advanced negotiations with regards to selling its interest to the other party, as no cost to the Company, or liability, by conveying back title of said property, and releasing the Company from any associated liability. During, 2008, the project was sold back to the third party, by reversing the transaction, at no cost to the Company.

(p) Issuance of Preferred Stock:

The Company entered into and closed an Agreement (the "TAS Agreement") with T.A.S. Holdings Limited ("TAS") pursuant to which TAS agreed to cancel the debt payable by the Company to TAS in the amount of approximately $1,065,000 and its 150,000 shares of common stock it presently holds in consideration of the Company issuing TAS 1,000,000 shares of Series B Convertible Preferred Stock, which such shares carry a stated value equal to $1.20 per share (the "Series B Stock"). The Series B Stock is convertible, at any time at the option of the holder, into common shares of the Company based on a conversion price of $0.0016 per share. The Series B Stock shall have voting rights on an as converted basis multiplied by 6.25. Holders of the Series B Stock are entitled to receive, when declared by the Company's board of directors, annual dividends of $0.06 per share of Series B Stock paid semi-annually on June 30 and December 31 commencing June 30, 2009. In the event of any liquidation or winding up of the Company, the holders of Series B Stock will be entitled to receive, in preference to holders of common stock, an amount equal to the stated value plus interest of 15% per year. The Series B Stock restricts the ability of the holder to convert the Series B Stock and receive shares of the Company's common stock such that the number of shares of the Company common stock held by TAS and its affiliates after such conversion does not exceed 4.9% of the Company's then issued and outstanding shares of common stock. The Series B Stock was offered and sold to TAS in a private placement transaction made in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act of 1933 and Rule 506 promulgated there under. TAS is an accredited investor as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933. The Company filed its Certificate of Designation of Preferences, Rights and Limitations of Series B Preferred Stock with the State of Delaware. On July 15, 2009 TAS which owned Series B preferred shares, converted the Series B Preferred Shares to 7,500,000 common stock 0.001 par values per share.

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

Series E – Not issued yet – On April 15, 2010 the Company's Board of Director approved settlement agreement with Trafalgar effective December 31, 2009 (see Item III – Legal Proceedings). The parties agreed that the debts owe to Trafalgar will be set as $3,000,000 with maturity of 30 months from date of issuing carry a 7% annual interest. Via mechanism of Preferred Stocks, the debt is Convertible at the Option of the Holders, into Six Hundred Million (six hundred million) common shares of the Company, at any time upon written notice to the company

(q) Status as Vendor with the Federal Government:

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

(r) Potential exposure due to AGL and Trafalgar Transaction:

On January 30, 2008, AGL of which the Company was a principal shareholder notified the Company that it had entered into two (2) material agreements (wherein the Company was not a party but will be directly affected by their terms) with Trafalgar Capital Specialized Investment Fund ("Trafalgar"). Specifically, AGL and Trafalgar entered into a Committed Equity Facility Agreement ("CEF") in the amount of 45,683,750 New Israeli Shekels (approximately US$12,000,000.00 per the exchange rate at the Closing) and a Loan Agreement ("Loan Agreement") in the amount of US $500,000 (collectively, the "Finance Documents") pursuant to which Trafalgar grants AGL financial backing. The Company is not a party to the Finance Documents. The CEF sets forth the terms and conditions upon which Trafalgar will advance funds to AGL. Trafalgar is committed under the CEF until the earliest to occur of: (i) the date on which Trafalgar has made payments in the aggregate amount of the commitment amount (45,683,750 New Israeli Shekels); (ii) termination of the CEF; and (iii) thirty-six (36) months. In consideration for Trafalgar providing funding under the CEF, the AGL will issue Trafalgar ordinary shares, as existing on the dual listing on the Tel Aviv Stock Exchange (TASE) and the London Stock Exchange (LSE) in accordance with the CEF. As a further inducement for Trafalgar entering into the CEF, Trafalgar shall receive that number of ordinary shares as have an aggregate value calculated pursuant to the CEF, of U.S. $1,500,000. The Loan Agreement provides for a discretionary loan in the amount of $500,000 ("Loan") and bears interest at the rate of eight and one-half percent (8½%) per annum. The security for the Loan shall be a pledge of AGL's shareholder equity (75,000 shares) in Verge Living Corporation. Simultaneously, on the same date as the aforementioned Finance Documents, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Trafalgar. The Share Exchange Agreement provides that the Company must deliver, from time to time, and at the request of Trafalgar, those shares of AGL, in the event that the ordinary shares issued by AGL pursuant to the terms of the Finance Documents are not freely tradable on the Tel Aviv Stock Exchange or the London Stock Exchange. In the event that an exchange occurs, the Company will receive from Trafalgar the same amount of shares that were exchanged. The closing and transfer of each increment of the Exchange Shares shall take place as reasonably practicable after receipt by the Company of a written notice from Trafalgar that it wishes to enter into such an exchange transaction. To date, all of the Company's shares in AGL are restricted by Israel law for a period of six (6) months since the issuance date, and then such shares may be released in the amount of one percent (1%) (From the total outstanding shares of AGL which is the equivalent of approximately 1,250,000 shares per quarter), subject to volume trading restrictions. Further to the signing of the investment agreement with Trafalgar, the board of directors of AGL decided to allot Trafalgar 69,375,000 ordinary shares of AGL, no par value each (the "offered shares") which, following the allotment, will constitute 5.22% of the capital rights and voting rights in AGL, both immediately following the allotment and fully diluted. The offered shares will be allotted piecemeal, at the following dates: (i) 18,920,454 shares will be allotted immediately following receipt of approval of the stock exchange to the listing for trade of the offered shares. (ii) 25,227,273 of the offered shares will be allotted immediately following receipt of all of the necessary approvals in order for the offered shares to be swapped on 30 April 2008 against a quantity of shares equal to those held by Emvelco Corp. at that same date. The balance of the offered shares, a quantity of up to 25,277,273 shares, will be allotted immediately after receipt of the approval of the

Israel Securities Authority for the issuance of a shelf prospectus. Notwithstanding, if the approval of the shelf prospectus will not be granted by the Israel Securities Authority by the beginning of May 2008, only 12,613,636 shares will be allotted to Trafalgar at that same date. Despite assurances from Trafalgar to both AGL and Verge that the Share Exchange Agreement ("SEA") was legally permitted in Israel, AGL and Trafalgar could not implement the above transaction because of objections of the Israeli Securities Authority to the SEA, and, therefore, AGL caused Verge to pay off the original loan amount plus interest accrued and premium for early pay-off, transaction that AGL had entered into. On April 29, 2008, the Company entered into Amendment No. 1 ("Amendment No. 1") to that certain Share Exchange Agreement between the Company and Trafalgar Capital Specialized Investment Fund, ("Trafalgar"). Amendment No. 1 states that due to the fact that the Israeli Securities Authority ("ISA") delayed the issuance of the Implementation Shares issuable from the Attia Group to Trafalgar, that the Share Exchange Agreement shall not apply to 69,375,000 of the Implementation Shares issuable under the CEF. All other terms of the Share Exchange Agreement remain in full force and effect.

Trafalgar is an unrelated third party comprised of a European Euro Fund registered in Luxembourg. The Company, its subsidiaries, officers and directors are not affiliates of Trafalgar.

(s) International Treasure Finders Incorporated

On January 13, 2009, the Company entered into a Non Binding Term Sheet (the "Term Sheet") to enter into a definitive asset purchase agreement with Grand Pacaraima Gold Corp. ("Grand"), which owns 80% of the issued and outstanding securities of International Treasure Finders Incorporated to acquire certain oil and gas rights on approximately 481 acres located in Woodward County, Texas (the "Woodward County Rights"). In consideration for the Woodward County Rights, the Company will pay Grand an amount equal to 50% of the current reserves. The consideration shall be paid half in shares of common stock of the Company and half in the form of a note. The number of shares to be delivered by the Company will be calculated based upon the volume weighted average price ("VWAP") for the ten days preceding the closing date. The note will mature on December 31, 2009 and carry interest of 9% per annum payable monthly. In addition, the note will be convertible into shares of common stock of the Company at a 10% discount to the VWAP for the ten days preceding conversion. At the Company election, the Company may enter into this transaction utilizing a subsidiary to be traded on the Swiss Stock Exchange. On February 3, 2009the Company announced it has expanded negotiations to purchase all of the outstanding shares of International Treasure Finders Incorporated. The above transaction is subject to the receipt of a reserve report, drafting and negotiation of a final definitive agreement, performing due diligence as well as board approval of the Company. As such, there is no guarantee that the Company will be able to successfully close the above transaction. Dr. Gregory Rubin, a director of the Company, is an affiliate of ITFI and, as a result, voided himself from any discussions regarding this matter.

(t) Reverse Split and Name changed

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

(u) Pending Transactions and exposure associated with the Yasheng Group

As detailed before, the Company entered into series of agreements with Yasheng Group. Yasheng Group failed to comply with the Company due diligence procedure, and as such terminated the definitive agreement with the Company on November 2009. . In connection to the Yasheng agreements, the Company entered agreements or arrangement or negotiations as followings:

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

(ii) On July 2009 the Company signed an agreement with Better Online Solutions ("BOSC") for consulting services for the Company logistic center, as well as for the Crate joint venture. Said agreement was signed for the purpose of establishing supply chain solutions and RFID protocols. In return the Company will provide BOSC with first right of refusal matching bid contract for supply said services.

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

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

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

(vi) On January 20, 2009, the Company entered into a Letter of Intent (the "Letter of Intent") with Yasheng in connection with the development of a logistics centre. In addition, pursuant to the Letter of Intent, the Company granted Yasheng an irrevocable option to merge all or part of its assets into the Company (the "Yasheng Option"). In lieu of merging its assets into the Company, the Company and Yasheng entered into an additional Letter of Intent on June 12, 2009 whereby Yasheng agreed to use its best efforts to have the majority stockholders of Yasheng (the "Group Stockholders") enter and close an agreement with the Company whereby the Company would acquire approximately 55% of the issued and outstanding securities of Yasheng from the Group Stockholders in consideration of 300,000,000 shares of common stock of the Company. The June 12, 2009 letter of intent was approved by the Company's Board of Directors on August 12, 2009. The Company and Yasheng initially contemplated a closing date of July 15, 2009.

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

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

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

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

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

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

Republic of China.

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

(xi) On October 29, 2009, the Company entered into a Collaboration Agreement (the "Agreement") with IPF-AGRO Management Company ("IPF"), Yasheng Group ("Yasheng") and Cukierman & Co. Consulting (the Company, IPF and Yasheng herein collectively referred to as the "Parties") for the purpose of creating a joint venture on the basis of joining the agricultural and financial assets of the Parties and developing business contacts of the Parties. The Parties will collaborate on various investment projects associated with agricultural industry development in Russia, including the production, storage and marketing of potatoes and barley, cattle breeding and the trading of agricultural products on an international basis. The establishment of the joint venture is subject to the drafting of a definitive agreement and board approval of each of the Parties. There is no guarantee that the Company will enter into a definitive agreement in connection with this joint venture. Further, as discussed with respect to the proposed closing of the acquisition of an equity interest in Yasheng (the "Yasheng Acquisition") in the Form 8-K/A filed with the Securities and Exchange Commission on October 23, 2009, the Company is continuing its due diligence of Yasheng as well as the other parties associated with this proposed joint venture and, as a result, the closing of the Yasheng Acquisition and the development of the joint venture are subject to successfully completing this due diligence.

Under the Exchange Agreement, the Exchange Agreement may be terminated by written consent of both parties, by either party if the other party has breached the Exchange Agreement or if the closing conditions are not satisfied or by either party if the exchange is not closed by September 30, 2009 (the “Closing Date”). As previously disclosed, the Exchange was not closed by the Closing and as part of the closing procedure, the Company requested that Yasheng-BVI provide a current legal opinion from a reputable Chinese law firm attesting to the fact that no further regulatory approval from the Chinese government is required as well as other closing conditions to close the Exchange. On November 3, 2009, the Company sent Group and Yasheng-BVI a letter demanding various closing items. Group and Yasheng-BVI did not deliver the requested items and, on November 9, 2009, after verbally consulting management of the Company with respect to the hardship and delays expected consolidating both companies audits, Group and Yasheng-BVI sent a termination notice to the Company advising that the Exchange Agreement has been terminated.

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