FORM 10-K

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

For the fiscal year ended December 31, 2011

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

For the transition period from ______ to ______

Commission file number: 333-150692

Sunvalley Solar, Inc.
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)  
20-8415633  
(I.R.S. Employer Identification No.)

398 Lemon Creek Dr., Suite A
Walnut, California  
91789  
(Address of principal executive offices)  
91789  
(Zip Code)

Registrant’s telephone number: (909) 598-0618

Securities registered under Section 12(b) of the Exchange Act:

Title of each class  Name of each exchange on which registered

none  not applicable

Securities registered under Section 12(g) of the Exchange Act:

Title of class

none

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]

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 requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

[ ] Large accelerated filer  [ ] Accelerated filer
[ ] Non-accelerated filer  [X] Smaller reporting company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter. $9,816,544 as June 30, 2011.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date. 968,224,644 as of March 28, 2012.
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Item 1. Business

We are a California-based solar power technology and system integration company founded in January of 2007. We are focused on developing our expertise and proprietary technology to install residential, commercial and governmental solar power systems. We offer turnkey solar system solutions for owners, builders and architecture firms that include designing, building, operating, monitoring and maintaining solar power systems. Our customers range from small private residences to large commercial solar power users. We have the necessary licenses and expertise to design and install large scale solar power systems. We hold a C-46 Solar License from CBCL (California Board of Contractor License). Some of the large scale commercial solar power systems that we have designed and installed include large office buildings, manufacturing facilities and warehouses. Our proprietary technologies in solar installation provide our customers with a high quality, low cost and flexible solar power system solutions.

We are working to develop as an end-to-end solar energy solution provider by providing system solution, post-sale service, customer technical support, solar system design and field installation.

Principal Products and Services

Our philosophy is to “provide solar electricity directly from the sun in a technology innovation-centric and cost effective way”. Since inception, we have concentrated on serving the solar power needs of residential and commercial customers tied to the electric power grid. Our business plans are focused in four specific areas:

- Solar Systems Design and Installation
- Solar Technology Research and Development
- Solar Equipment Manufacturing and Distribution
- Distributed Power Plant Projects

In 2007 and 2008, 100% of our revenues were generated from our Solar Systems Design and Installation business. In 2009, 87.9% ($3.879 million) of our revenues were generated from our Solar Equipment Distribution business and 12.1% ($0.534 million) were generated from our Solar Systems Design and Installation business. In 2010, 89.23% ($4.135 million) of our revenues were generated from our Solar Equipment Distribution business and 10.77% ($0.499 million) from our Solar Equipment Distribution business. In 2011, 25.06% ($1.460 million) of our revenues were generated from our Solar Equipment Distribution business and 74.94% ($4.366 million) were generated from our Solar Systems Design and Installation business. Our Solar Technology Research and Development and our Distributed Power Plant Projects businesses are in the development stage and have not yet generated revenue.

We are not currently dependent on one or a few major customers for our revenues. Instead, our total revenues for the last fiscal year were generated from over one hundred different customers.

Solar Systems Design and Installation

The scope of our solar systems design and installation business includes:

- Designing solar systems for commercial, residential, governmental and non-profit customers
- Installing solar power systems and related constructional systems for solar power end users
- Providing technical support and service to solar power end users
- Providing system performance monitoring services to solar power end users
- Providing government permit/incentives application services to solar power end users
Since our founding in 2007, we have focused on solar system design and installation. Installation is our core business, and it also provides the company with a platform for solar product supply, new technology development, and other lines of business. Our gross revenues to date have come mostly from the solar systems installation business. Our installation business is focused primarily in Southern California. We were the first Chinese-American owned solar installation technology company in Southern California and much of the early growth in our systems installation business came from customers in the Chinese-American community of Southern California.

We are one of a few companies in California that has the permit and expertise to install large commercial solar systems (over 250K watts). Design and installation of a solar power system, especially a large commercial solar power system, requires proper licenses, design capabilities in electrical systems and solar systems, and constructional (ground or roof) implementation ability, as well as experienced project management and an understanding of industry regulations. In addition, the ability to procure proper solar equipment is critical to large commercial solar system projects.

We have obtained a C-46 Solar License from CBCL (California Board of Contractor License). We have been focusing on developing our expertise and proprietary technology to install large commercial and governmental solar power systems since 2010. We are also able to procure the necessary equipment and supplies through our distribution partnerships. Some of large scale commercial solar power systems that we has designed and installed include large office buildings, manufacturing facilities, warehouses and hotels.

In 2008, we were positioned in the top twenty solar installation companies in terms of total installed solar system size in a list compiled by the California Energy Commission (CEC). Over 3,000 listed companies had installed solar power systems, and over 90% of these companies were doing residential or small size commercial solar systems installation. Only a few companies in the list, including Sunvalley, had designed or installed solar power system projects over 250,000 watts.

Our installation business generated all of our revenues in 2007 and 2008, and it remains a significant component of our total revenue structure. Our development efforts in this area focus on the installation of large commercial and governmental solar power systems, as well as residential solar power systems. Our customers in this line of business run the gamut from small private residences to large commercial solar power projects. Some of large scale commercial solar power systems that we have designed and installed include large office buildings, manufacturing facilities, warehouses, and hotels.

Our current systems installation resources, which consist of two installation worker teams, one engineer/design team, and certain installation equipment, provide us with the capacity to install solar systems totaling approximately 1 million watts to 1.5 million watts on an annual basis.

Solar Technology Research and Development

As a reusable and green energy source, the solar cell has been providing an increasing portion of consumed energies, including in household heating and electricity, in commercially available cars, and in centralized solar electricity plants. However, the current solar cell modules or panels suffer severe drawbacks compared to fossil fuel energy sources in terms of cost-per-watt as well as in the efficiency of energy storage. The cost issue is related to the poor energy conversion efficiency and the use of the costly semiconductors as the electricity generation unit, which primarily corresponds to the light absorption of the solar cell module.

To improve the efficiency of the solar cell without adding more cost to it, we are developing a new metallic sub-wavelength design to realize the combination of the electrodes as SPP generators. A typical PV solar cell operates by receiving sunlight on an electric conversion unit or active layer. Active layers have typically been a semiconductor having a p-n junction to produce electron-hole pairs or excitons whenever illuminated with light. In operation, each electron and hole of produced excitation pairs are pulled in opposite directions by the internal electric field of the p-n junction resulting in an electric current. The same effect in organic cells is accomplished via either a bi-layer of acceptor and donor materials or a bulk hetero-junction of an acceptor and donor material. The resultant electric current may be extracted by electrodes and delivered to an electric circuit to an electricity storage device.
Despite this successful development and implementation, PV solar cell technologies have not yet been completely satisfactory for their intended purpose since manufacturing costs are high and efficiencies are too low for PV solar technologies to compete with non-renewable energies in terms of costs per energy watt produced.

As one of potential solutions, it has been discovered that surface plasmon polariton (SPP) assisted solar technologies may be developed to result in enhanced electricity production due to surface resonant excitation or surface Plasmon resonance (SPR). SPP assisted PV cells have heretofore operated by using the enhanced electrical fields produced by the SPR to either be directly converted to electricity or concentrate the light onto an active layer. With this technology, the efficiency of the solar cell can be increased, therefore the cost of solar power per watt will be reduced also.

The innovative design will also consider the variant spectral and angles, to guarantee excitation of the SPP at any angle around the bang gap, or absorption region of the solar cell unit. With the successful development of our new PV cells, we are expecting the efficiency of the organic thin-film-based solar cells to be over 10%, which is close to double that of the current commercially available thin film solar cells.

A typical PV solar cell operates by receiving sunlight on an electric conversion unit or active layer. Active layers have typically been a semiconductor having a p-n junction to produce an electric current. The efficiency of the conversion depends on purity of the semiconductor, structure of the solar cell, insight spectrum, angle, and power directly to the solar cell, as well as temperature and other environmental conditions.

Our patent-pending technology uses Surface Plasmon Polariton (SPP) assisted solar technologies to enhance electricity production due to surface resonant excitation or Surface Plasmon Resonance (SPR). It will provide an apparatus and related method for efficiently converting solar radiation into electricity wherein the conversion efficiency in thin film active layers is measurable increased.

We believe that deployment of our new technology to increase the panel efficiency will reduce solar panel cost per watt as well as the total system cost. As an example, in the current U.S. market, the cost of thin-film solar panel (a-Si) is approximately $1.0/w. The efficiency of the module is around 7% only. For instance, a-Si thin film solar module TW-SF 95W produced by the Tianwei Soalrfilm is rated 95 watts output power. The market price for this module is $95. With the commercialization and implementation of new solar technologies, such as our patent-pending technology, the efficiency of this module can be increased from 7% to 10%, which in turn will increase the module output power from 95W to 135W with the same module size. So the solar panel cost per watt will be reduced to $0.7/w compared to $1.0/w before. The customer could save $3,000 for a 10,000 watt solar power system based on reduced solar panel cost only. Plus, with higher efficiency solar panels, the racking and electrical accessory cost of the system will be also reduced because fewer panels will be used for the same system size. Total system cost could be reduced over 30%. We expect that implementation of our new technology will reduce the overall cost of the solar power system to a level that is less than or at least comparable with fossil fuel energy sources in the near future.

Though our patent-pending technology is able to increase the efficiency of thin-film-based solar cells to over 10%, commercializing this technology into mass production will involve a trade-off between manufacturing cost per-panel and increased per-panel efficiency. In addition, our new PV cell concept will also need to demonstrate that panels using the technology will have a productive life-span and a tolerance to environmental conditions such as humidity, temperature, wind load that are sufficient for the panels to be used in real life application. Accordingly, there is no guarantee that we will be able to commercially produce and market solar panels using our new PV technology.

We have not yet generated revenues from our patent-pending new technology. With additional capital, however, we hope to commercialize our R&D outputs to our PV panels and installation applications. By combining our research and development capability with our existing installation business and planned panel manufacturing operation, we hope to establish a vertically integrated entity that can grow to become a premier supplier of solar panels in the United States.
The main points of focus for our R&D operation are as follows:

- Keeping and developing a small but strong R&D team in San Diego
- Collaborating with universities in the U.S. and panel manufacturers in China
- Effectively use resources from research institutes and universities in China
- Developing new solar technology and parts, focusing on application technologies

We are working together with UCSD (University of California, San Diego) to develop Surface Plasmon Polariton (SPP) assisted solar technologies. The equipment and facilities needed to fabricate the device is accessed from University of California, San Diego. The nano-clean room facilities in the School of Engineering at UCSD are equipped with many state of the art micro and nano-fabrication equipment and facility. The interference pattern that will be recorded in the solar cells will be obtained using an Argon laser operating at 362nm. This laser and its associated equipment, is available to us through special arrangement with the administration of the University of California, San Diego, as well as the Ultrafast and Nano-scale Optics lab in the Department of Electrical and Computer Engineering at UCSD. We are also working together with some panel manufacturers in China to get product line supports to commercialize the patented technology in the panel manufacturing. The panel manufacturers are also providing us some raw materials for lab testing. We are also collaborating with Haerbin Industrial University in China and Shenyang Mechanical Research Institute to develop and prototype a new solar micro-inverter.

Our key current R&D topics include:

- Developing new coating technology to increase the efficiency of PV panel
- Develop solar PV application technology to reduce system level cost and increase installation flexibility – racking and panel cleaning system
- Commercializing our patented advanced solar technology.

Solar Equipment Manufacturing and Distribution

In recent years, we have signed distribution agreements with three of the largest solar panel producers in the world and one large solar inverter suppliers. Our partnerships with these manufacturers in the solar power industry have allowed us to broaden our customer base and to provide our customers with more cost competitive and complete solar system solutions with multiple selective options on PV panels and inverters. In 2009 and 2010, our solar equipment distribution business has grown to constitute the majority of our revenues.

Although we have not yet generated revenue from the manufacture of our own solar panels, our R&D team has developed a new type of nano-structured solar cell and filed for patent protection in the U.S. as “New Solar Cell Structure with Increased Efficiency” on March 22, 2010, application number 12/729,201. We are currently applying for a Phase-I grant from Department of Energy, entitled “Surface Plasmon Enhanced Solar Cells,” in order to fund additional development of its proprietary solar cell. With proper funding, the new technology could be commercialized and implemented in solar panel manufacture starting from OEM manufactured panels from reputable solar panel manufacturers in China. The manufactured solar panels would use our brand name with its patented technology. We would be responsible for quality control, certification applying, marketing, technical support and services in the United States. Our unique technology, if successfully commercialized and brought to market, would provide the solar panel market with a higher efficiency, lower cost unit than competing panels currently on the market. Our ability to provide after-sale services such as system maintenance, technical support, training, etc. for its customers could add another selling point for promotion of the new panel.
We are in the development stage for a new line of business based on the installation of distributed solar power plants. Although we are not currently generating revenue from the installation of distributed solar power plants, this area is a focus of our ongoing business development. Currently, most proposed solar power plants are stand-alone large scale power plants. Currently, all completed or proposed stand-alone large scale solar power plants were proposed or implemented by large solar panel manufacturers (such as First Solar, Solar Power, etc.) as well as investment bankers, utility companies or large installation companies as a group. We do not have sufficient funds and resources to build stand-alone large scale solar power plant, and we do not intend to develop stand-alone large scale power plants in the near future. Such plants are either solar thermal power plants (using solar panels to generate heat and then using thermal electrical methods to generate electricity) or photovoltaic farms (using PV panels to generate electrical power directly). Stand-alone power plants need to deploy high-voltage transformers, high-voltage power transmission lines, etc. Also, the limiting factor of solar power is that it generates little electricity when skies are cloudy and none at night. Excess power must therefore be produced during sunny hours and stored for use during dark hours. Most energy storage systems such as batteries are expensive or inefficient. Pressurized caverns and hot salt technologies are commonly used right now for these solar power plants, but they will require larger storage room and more complex technology. Due to these reasons, stand-alone power plants naturally are large scale (generally more than 15M Watts), and most of them are built on open public land, such as in a hot desert, due to large installation physical space required and cost of the land.

Building larger solar power plants involves serious issues such as the need for large investments in land and infrastructure including power transmission line and electrical distribution network constructions. Other troublesome issues are customer management independent from current utility company billing systems, three years or even longer environmental impact assessment study (required by federal environmental protection laws), sophisticated application processing for land use permits, different safety and security requirements for open public space, etc. All of these difficulties add up to tremendous investments, efforts and long waiting times. The Bureau of Land Management has taken as long as two years in order to just complete required environmental reviews.

By comparison, the small size, tied-to-grid, Distributed Power Plants we are planning to launch would be quite different from stand-alone large scale power plants. Our planned projects won’t use public land. Instead, our plan is to use free roofs on private commercial buildings or private lands. We plan to build the power plants on private property to avoid environmental issues and easily tie to the grid to avoid power transmission lines and electrical distribution networks construction. We would also use current utility company billing systems to manage the system.

Most of environmental issues involved in the use public lands involve costs related to the protection of certain plants and animals and to the maintenance of soil composition, as the public lands that are suitable for large power plants are generally preserved open lands. Private property suitable for smaller distributed power plants generally does not involve in such issues, however since the land is typically smaller tracts in private agricultural use or existing rooftops spaces.

The size of these types of roof-top solar power plants is much smaller than typical solar power plants (1M to 2M watts is typical for roof-top power plants, compared to over 15M watts for typical plants), but we would be able to build many smaller “power plants” on top of different buildings and tie them to utility grid to form a distributed power plant system.

Our planned distributed PV power plants are prompted by recent advances in solar technology that reduce the cost of installed photovoltaic generation and federal/state laws that ensure the “oversize to load” (no restriction on homeowners or businesses over-sizing their solar system when compared with their usage, or “load”) and provides greater fairness for consumers by requiring wholesale compensation for surplus power. Building smaller roof solar power plants would avoid most of the difficulties that currently face those who build larger solar power plants.

We are currently negotiating with some agricultural farmers who are our existing customers in the Palm Desert, California area to use their private lands to build our power plants. We are also in discussions with local utility companies about the possibility of selling excess solar power to be generated by the plants back to the utilities.
As an established solar system designer/installer, we have the requisite technical background, experience, licenses, and other capabilities necessary to build the roof-top distributed power plants. Because of our experience in larger scale commercial solar system design and installation, the planned distributed power plants would closely resemble some relatively larger commercial solar systems we are building today.

**Competition and Market Overview**

The solar power industry is at an early stage of its growth and is highly fragmented with many smaller companies. The prospect for long-term worldwide demand for solar power has attracted many new solar panel manufacturers, as well as a multitude of design/integration companies in our market segment, with no single competitor gaining market dominance. We expect the manufacturing segment of the industry to consolidate as more solar panel manufacturing capacity comes online. We also expect there to be consolidation in the design/integration segment of the industry based mostly on branding, development of new technology and business process improvements.

**Distribution Methods and Marketing**

The most important part in a solar power system is the solar panel (PV module). Photovoltaic (PV) devices generate electricity directly from sunlight via an electric process that occurs naturally in certain types of materials. Groups of PV cells are configured into modules and arrays, which can be used to power any number of electrical loads. Crystalline silicon - the same material commonly used by the semiconductor industry - is the material used in a large portion of all PV modules today. PV modules generate direct current (DC) electricity. For residential use, the current is then fed through an inverter to produce alternating current (AC) electricity that can be used to power home appliances.

The majority of PV systems today are installed for homes and businesses that remain connected to the electric grid. Consumers use their grid-connected PV system to supply some of the power they need and use utility-generated power when their power usage exceeds the PV system output (e.g., at night). When the owner of a grid connected PV system uses less power than their PV system creates, they can sell the electricity back to their local utility, watch their meter spinning backwards, and receive a credit on their electric bill - a process referred as net metering. The electric grid thus serves as a “storage device” for PV-generated power.

The initial market focus for our commercial installation business has been the Chinese-American and broader Asian-American community of Southern California, with special emphasis on the Asian-American commercial market. We have been able to attract the attention of news media serving this market segment. Several newspapers (Chinese Daily News and World Journal), TV stations (Phoenix Satellite Television and DongSen Satellite Television), and local radio stations (AM1300), have had special reports on our company. These reports have generated positive reactions from readers, viewers, and listeners and have driven customer traffic to our office.

We plan to continue to pursue our media-based marketing and sales strategy in Southern California. In addition, we are working very closely with our solar panel suppliers and inverter supplier to bid on larger power plants, including government contracts.

**Principal Suppliers**

We currently purchase solar panels primarily from two manufacturers, TianWei SolarFilms and JS Solar. We maintain good relationships with all of our suppliers, and especially with our primary and important suppliers. In addition, we are continuously adding new alternative suppliers to our supplier list. Due to the standardization of solar equipment, all materials we purchase from our suppliers are available from other sources and suppliers.

Our revenues currently derive from solar system design and installation as well as solar equipment distribution. In order to expand our installation business to states other than California, we will be required to comply with local license requirements by acquiring a local installer or by hiring locally-licensed contractors to serve as officers. For our solar equipment distribution business, no local licensures are required in California or other states.
As a result of continuing global development at all levels of solar equipment manufacturing, including in the area of raw materials supply, in 2009 and 2010, the risk of disruption in the supply of necessary raw materials for solar panels has been greatly reduced since 2011. In addition, we have established solid relationships with several large solar equipment suppliers, allowing us to access multiple sources. For the immediate future, we therefore believe that raw materials for our products will continue to be readily available.

Currently, we believe that the market for solar power in China is not yet mature, while, the European market is overcrowded. As a result, we believe that Chinese manufacturers are looking for business opportunities in the United States. As an established technology and system integration company, Sunvalley maintains a unique position to act as the bridge between Chinese manufacturers. The partnership with these manufacturers in the solar power industry allows Sunvalley to provide its customers with a cost competitive, complete solar system solution with multiple selective options on PV panels and inverters.

Intellectual Property

Our R&D team has developed a new type of nano-structured solar cell and filed for patent protection in the U.S. as “New Solar Cell Structure with Increased Efficiency” on March 22, 2010, application number 12/729,201. We also made a progress on our smart system of networked PV panels for improved provision of electricity to the power grid. We filed for patent protection in the U.S. for this invention, “Networked Solar Panels and Related Methods,” on August 4, 2011.

The specific patent applications info is as follows:

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<td>12729201</td>
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<tr>
<td>Confirmation Number</td>
<td>6760</td>
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<tr>
<td>Title</td>
<td>A Surface Plasmon Resonance Enhanced Solar Cell Structure with Broad Spectral and Angular Bandwidth and Polarization Insensitivity</td>
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<tr>
<td>Receipt Date</td>
<td>22-MAR-2010</td>
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<td>Application Type</td>
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<td>Networked Solar Panels and Related Methods</td>
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<tr>
<td>Receipt Date</td>
<td>04-AUG-2011</td>
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<tr>
<td>Application Type</td>
<td>Utility under 35 USC 111(a)</td>
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Personnel

We have 20 employees, 16 of whom are full-time employees. Our current internal departments include the Administration Department, the Engineering Department, the Sales/Marketing Department and the New Technology Development Department. We are lead by a management team that includes a group of scientists, research/development engineers, a professional marketing/sales team, and an experienced supply chain management team. In addition, our team includes solar power system design engineers, solar power system installation engineers, electrical system design engineers and construction engineers.
Government Regulation

The market for solar energy systems is heavily influenced by foreign, federal, state and local government regulations and policies concerning the electric utility industry, as well as policies adopted by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. For example, there currently exist metering caps in certain jurisdictions, which limit the aggregate amount of power that may be sold by solar power generators into the electric grid. These regulations and policies have been modified in the past and may be modified in the future in ways that could deter purchases of solar energy systems and investment in the research and development of solar energy technology. For example, without a mandated regulatory exception for solar energy systems, utility customers are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. Such fees could increase the cost to our customers of using solar energy systems and make them less desirable, thereby harming our business, operating results and financial condition. Changes in net metering policies could also deter the purchase and use of solar energy systems. In addition, electricity generated by solar energy systems competes primarily with expensive peak hour electricity rates rather than with the less expensive average price of electricity. Modifications to the peak hour pricing policies of utilities, such as to a flat rate, would require solar energy systems to achieve lower prices in order to compete with the price of electricity.

The importation of a part of the products we sell is subject to tariffs, duties and quotas imposed by the United States. In addition, other restrictions on the importation of our products are periodically considered by the United States Congress, and may again be considered to protect against “Asian” deflation. No assurances can be given that tariffs or duties on such goods may not be raised, resulting in higher costs to us or that import quotas with respect to such goods will not be lowered. Deliveries of products from our foreign suppliers could be restricted or delayed by the imposition of lower quotas or increased tariffs. We may be unable to obtain similar quality products at equally favorable prices from domestic suppliers or from other foreign suppliers whose quotas have not been exceeded by the supply of goods to existing customers.

Item 2. Properties

We lease approximately 2,193 sq ft of office space in the Walnut Tech Business Center located at 398 Lemon Creek Drive, Suite A, Walnut CA 91789 for $2,961 per month. This lease will terminate on November 30, 2012. The property is sufficient for our current business size. We plan to extend our lease for another year after November 30, 2012.

Item 3. Legal Proceedings

We are not currently a party to any material pending legal proceedings.

Our agent for service of process in Nevada is Cane Clark Agency, LLC, 3273 East Warm Springs Rd., Las Vegas, NV 89120.

Item 4. Mine Safety Disclosures

Not applicable.
Our common stock is quoted under the symbol “SSOL” on the OTCBB operated by the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the OTCQB operated by OTC Markets Group, Inc. Few market makers continue to participate in the OTCBB system because of high fees charged by FINRA. Consequently, market makers that once quoted our shares on the OTCBB system may no longer be posting a quotation for our shares. As of the date of this report, however, our shares are quoted by several market makers on the OTCQB. The criteria for listing on either the OTCBB or OTCQB are similar and include that we remain current in our SEC reporting. Our reporting is presently current and, since inception, we have filed our SEC reports on time.

The following tables set forth the range of high and low prices for our common stock for the each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<table>
<thead>
<tr>
<th>Fiscal Year Ended December 31, 2011</th>
<th>Quarter Ended</th>
<th>High $</th>
<th>Low $</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2011</td>
<td>$</td>
<td>0.0079</td>
<td>$</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>$</td>
<td>0.0135</td>
<td>$</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>$</td>
<td>0.0158</td>
<td>$</td>
</tr>
<tr>
<td>March 31, 2011</td>
<td>$</td>
<td>0.0259</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year Ending December 31, 2010</th>
<th>Quarter Ended</th>
<th>High $</th>
<th>Low $</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2010</td>
<td>$</td>
<td>0.0479</td>
<td>$</td>
</tr>
<tr>
<td>September 30, 2010</td>
<td>$</td>
<td>0.0802</td>
<td>$</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$</td>
<td>0.0016</td>
<td>$</td>
</tr>
<tr>
<td>March 31, 2010</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>

On March 28, 2012, the last sales price per share of our common stock was $0.0030.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.
The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer’s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holders of Our Common Stock

As of March 28, 2012, we had 968,224,644 shares of our common stock issued and outstanding, held by sixty (60) shareholders of record.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;
2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Recent Sales of Unregistered Securities

Securities Authorized for Issuance under Equity Compensation Plans

Item 6. Selected Financial Data

A smaller reporting company is not required to provide the information required by this Item.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements.” These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.
Business Development Plan

The primary components of our growth strategy are as follows:

- Developing and commercializing our proprietary solar technologies including our coating and focusing technologies, racking and panel cleaning system. By deploying these new technologies into our PV panels and solar installation business, we hope to enhance the value provided to our customers and increase our profitability.
- Promoting and enhancing our company’s brand and reputation in solar design and integration and expanding our installation business.
- Developing a PV panel manufacturing capability to provide high efficiency and low cost solar panels to US market. This will complement our installation business and provide an implementation platform for our R&D.
- Getting involved in the private power providing business (Distributed Power Plants). Developing this line of business will lead to higher profit margins and income to our business. In the future, this line of business could become one of our main income sources.

Expansion of Installation Business

We are planning to expand its installation business. We will continue to execute our marketing and sales strategy in Southern California and, with additional capital, will be able to expand our business to cover Northern California, Arizona or other states. The planned expansion is expected to occur through acquiring smaller installation companies in these regions and/or through the establishment of subsidiaries in these states and boost our installation profits. Our current intention is to establish two new offices located in Northern California or other states and in San Diego. The estimated start-up cost for each new branch would be approximately $500,000.

If we are able to expand our installation business, it will assist us in gaining favorable terms from OEM international manufacturers of our planned solar panel manufacturing operation. In addition, an expanded installation business would allow us to accelerate the introduction of our new technologies and solar parts and would generate additional revenue to fund initial investment in our planned Distributed Power Plant business and to further fund our investments in R&D.

Commercialization of Research and Development

Prior to initiating our planned OEM manufacturing of Sunvalley-branded solar panels, we will need to commercialize our advanced panel technology through the design, fabrication, and characterization of a prototype solar cell. The total expense for planned commercialization of our research and development will be approximately $500,000. The necessary equipment and facilities will be accessed from University of California, San Diego. The Nano3 clean room facilities in the school of Engineering at UCSD are equipped with state-of-the-art micro and nano fabrication equipment and facilities, and can be accessed by outside users with a $107 hourly fee.

The interference pattern that will be recorded in the solar cells will be obtained using an Argon laser operating at 362nm. This laser and its associated equipment is available to us through a special arrangement with the administration office in the University of California, San Diego, as well as the Ultrafast and Nano-scale Optics lab in the Department of Electrical and Computer Engineering in UCSD.

Other equipment will also be required, including coating machine for PV panel testing.

Initiate OEM Manufacturing of Solar Panels

By leveraging our solar panel installation business and R&D, we plan to procure OEM solar panels from selected Chinese manufacturers and to market them in the U.S. under our brand name. We will be responsible for R&D, quality control, customer service, sales and marketing activities, as well as panel certification in U.S.
The estimated OEM panel cost is less than $0.70 per watt. As a reference, currently, the panel price is around $1.00 per watt (Mono-crystalline, Polycrystalline). We can use our own sales and installation platform to showcase the new panels and drive sales of the new panels in the U.S market. Meanwhile, we will continue our R&D effort on panel coating and other advanced technologies and apply the results to its panel manufacturing business. The goal will be to further improve the efficiency, lower the cost of solar panels with our proprietary technologies, and to grow our market share.

Our marketing strategy for its planned OEM solar panels is as follows:

- **Set-up a platform to showcase our innovative solar panel technologies and make Sunvalley solar panels a household name.**

Unlike other merchandise, solar panel is very unique in that it requires very high level of quality assurance and customer satisfaction. Providing satisfactory customer service and technical support is absolutely vital in solar panel sales. As the first step, we will strive to make its brand a household name. The Sunvalley solar panel will be used by our installation business as well as several other installation companies which have partnerships with us. We do not currently have partnerships with other solar installation companies, but we plan to pursue them after introducing the panels to the market through our own installation business. A marketing campaign aimed at other solar installation companies will help to achieve this goal. We will use our own installation business as the platform to showcase the product quality and build up consumer awareness of its brand.

- **Penetrate into the main stream distribution network**

By leveraging early successes and customer trust earned from our initial installations, we plan to penetrate into the mainstream distribution network with our OEM solar panels.

- **Further sale activities**

Once our brand name solar panels become well known, our sales team will begin an aggressive marketing campaign to connect the individual sales points (distributors and vendors) to form a distribution network. The marketing campaigns will also include attending trade shows, advertising in the media (TV commercials and newspaper advertisement) and designating local representatives to boost the market share and brand awareness.

- **Offer a low cost, high efficiency solar panel derived from advanced research**

To boost our solar panel market share, our R&D team will work with our OEM partner to apply selective coating technique and other cutting edge technologies to further reduce the manufacturing cost and improve the panel efficiency.

The total capital required to initiate our planned panel manufacturing business would be approximately $2,000,000 which can be categorized into three parts:

- Registration and Certification of OEM panels with our brand – $300,000, including UL certification fees, CEC registration fees, and lab testing fees.
- Initial Inventory – $1,500,000. We will need to keep 4-5 containers of PV panels in the warehouse in order to support sales of 5~10M watts per year, which means we will need to have over $1,000,000 in inventory for PV panels only. An additional $300,000 in inventory would be needed in order to keep the requisite amount of inverters and racking and panel cleaning systems. In addition, we anticipate providing variable payment terms to different customers based on their creditworthiness; this will add additional cash flow pressure.
- OEM Management costs – $200,000
Develop Distributed Power Plant Business

With our resources and experience gained from large scale solar power system designs, installation and other related business, we believe we have unique advantages in the design and installation of large roof-top power plant systems. We are aggressively proposing our Distributed Power Plant solution to utility companies in Southern California. We believe that by collaborating with us on this approach, utility companies will benefit in the form of free installation, field space, and our expertise on large commercial solar system designs, installation and maintenance services, as well as our technical and management experience. By collaborating with us, utility companies can help to achieve their alternative energy requirements under California law.

We are among the few companies in California that has the permit and expertise to install large-scale commercial and/or government solar power systems, together with roof constructional design and building interior/exterior electrical designs. We believe additional advantages are provided by our experience in filing solar power system permit applications and rebate applications and our expertise gained through our experience with governments and utility companies.

Results of Operations for the Years Ended December 31, 2011 and 2010

During the year ended December 31, 2011, we generated gross revenues of $5,826,490. Total cost of sales was $4,502,257, resulting in gross profit of $1,324,233. Total operating expenses were $1,427,914, and consisted of salary and wage expenses of $603,229, selling, general and administrative expenses of $404,136, professional fees of $322,102 and bad debt expense of $98,447. We experienced a net interest expense of $529,528, a gain of $220,279 due to the change in value of a derivative liability, and other income of $14,064. Our net loss for the year ended December 31, 2011 was therefore $398,866.

By comparison, during the year ended December 31, 2010, we generated gross revenues of $4,634,140. Total cost of sales was $3,924,330, resulting in gross profit of $709,180 Total operating expenses were $1,080,905, and consisted of salary and wage expenses of $547,738, selling, general and administrative expenses of $442,069, professional fees of $55,778 and bad debt expense of $35,320. We experienced a net interest expense of $15,891 and other income of $11,147. Our net loss for the year ended December 31, 2010 was therefore $375,839.

Our gross revenues increased significantly in 2011 compared to 2010 because we completed three large installation projects in 2011. These three major projects generated installation revenue of approximately $3.7 million in 2011. We incurred higher operating costs and higher consulting and other fees in 2011. These were mostly related to convertible notes, factoring of accounts receivable, and audit and legal services. In addition, we experienced higher bad debt expenses in 2011 due to a few of our vendors declaring bankruptcy or going out of business and their accounts receivable becoming uncollectible.

We use the Black-Scholes option pricing model to value our derivative liabilities and the subsequent remeasurement of our convertible notes. Due to these accounting procedures relating to our convertible notes, we recognized $523,466 as interest expenses and gain on derivative liabilities of $220,279.

Although we had expected to see an increase of over 150% in our solar installation business in 2009, our solar installation business and the solar industry as a whole was badly affected by the global economic crisis started in late 2008. During 2009 and 2010, because banks and investment institutes were very reluctant to loan money to solar customers, many potential solar power system customers suspended their plans to invest in new solar power systems. This development, in turn, had a negative impact on our solar installation business in 2009 and 2010. In order to reduce the risk to our business presented by these developments, we expanded our operations to include a new solar equipment distribution business beginning in November of 2008. We established distribution partnerships with some large PV panel manufacturers, such as Tainwei Solarfilms and PV Powered Inc., to distribute solar panels, solar inverters and other solar equipments to their clients in the U.S. Although the gross margin for our distribution business is less than 10%, this line of business contributed to the majority of our gross revenues in 2009, 2010, and during the first half of fiscal year 2011.
During 2011, due to the incentives provided by utility companies’ rebate programs and the Federal Recovery Act’s cash grant program, we were able to obtain more large commercial installation projects than we did in 2010. We implemented over 1M watts in solar installation projects in year 2011. We have signed installation contracts for over 1.5M watts in solar systems for 2012 and they are currently under implementation. We expect these projects to be completed before the end of Q4, 2012.

Liquidity and Capital Resources

As of December 31, 2011, we had current assets in the amount of 5,731,166, consisting of cash in the amount of $162,403, accounts receivable of $4,512,198, inventory in the amount of $847,083, costs in excess of billings on uncompleted contracts of $168,493, prepaid expenses and other current assets of $14,289, other receivables of $1,700, and restricted cash of $25,000. As of December 31, 2011, we had current liabilities in the amount of $5,682,329. These consisted of accounts payable and accrued expenses in the amount of $4,135,229, a derivative liability of $501,626, customer deposits of $409,801, a factoring payable of $325,652, convertible debt of $124,789, a related party note payable of $100,000, accrued warranty of $68,881, the current portion of long term debt in the amount of $14,073, and the current portion of a capital lease in the amount of $2,278. Our working capital as of December 31, 2011 was therefore $48,837.

Our accounts receivable increased by $3,965,810 as of December 31, 2011 compared to December 31, 2010, largely as the result of our completion of large installation projects in late 2011. Primarily for the same reason, our inventory decreased by $1,078,150 as of December 31, 2011 compared to December 31, 2010. Our costs in excess of billings on uncompleted contracts increased by $112,490 as of December 31, 2011 compared to December 31, 2010. This increase is due to our current involvement in three major short-term solar panel installation projects. Our derivative liability in the amount of $501,626 on December 31, 2011 represents a category of liability which did not exist as of December 31, 2010. Our derivative liabilities are related to promissory notes convertible to common stock which were issued in 2011. Also, our related party payables in the amount of $100,000 as of December 31, 2011 represent a category of liability which did not exist as of December 31, 2010. These liabilities relate to promissory notes for money borrowed from our officers and directors in 2011. In addition, our factoring payable in the amount of $325,652 as of December 31, 2011 represents a category of liability which did not exist as of December 31, 2010. This liability is the result of our factoring of certain invoices under a new factoring agreement signed in 2011. Finally, our accounts payable and accrued expenses increased by $1,251,913 as of December 31, 2011 compared to December 31, 2010.

Our accounts payable and accrued expenses as of December 31, 2011 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$3,622,479</td>
</tr>
<tr>
<td>Credit Card payable</td>
<td>241,751</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>22,703</td>
</tr>
<tr>
<td>Other accrued expense</td>
<td>125,538</td>
</tr>
<tr>
<td>Payroll liabilities</td>
<td>17,008</td>
</tr>
<tr>
<td>Sales tax liabilities</td>
<td>105,750</td>
</tr>
<tr>
<td>Total</td>
<td>$4,135,229</td>
</tr>
</tbody>
</table>

Our working capital as of December 31, 2011 was therefore $48,837.
Operating activities used $1,414,814 in cash during 2011, compared to $252,700 in cash provided by operating activities during 2010. The main factors causing this change were an increase in accounts receivable of $3,965,810 combined with an increase in accounts payable of $1,260,318, amortization of discount in the amount of $506,096, and a gain on the re-measurement of derivatives in the amount of $220,279. Financing activities provided $1,202,513 in cash during 2011, compared to $12,525 in 2012. These included proceeds from convertible debt (discussed in more detail below) in the amount of $650,000, proceeds from our factoring line in the amount of $325,652, proceeds from related party notes payable in the amount of $100,000, and a repayment of long term debt in the amount of $14,160. Investing activities used $171,460 in cash for the purchase of property and equipment. We experienced a net decrease in cash of $383,761 for 2011, compared to a net increase of $236,711 for 2010.

As of December 31, 2011, our long-term liabilities were $73,519, which consisted of a loan owing to East West Bank with a balance of $60,220 and the remaining obligations of a capital lease in the amount of $13,299. The current portion of East West Bank loan due within the next year is $14,073 and the principal amount outstanding accrues annual interest at the bank's variable index rate. The East West Bank loan is collateralized by all business assets.

In September 2011, we entered a lease-to-own purchase agreement. We evaluated the lease at the time of purchase and determined that the agreement contained a beneficial by-out option wherein we have the option to buy the equipment for $1 at the end of the lease term. Under the guidance in ASC 840, we have classified the lease as a capital lease. We used the discounted value of future payments as the fair value of this asset and have recorded the discounted value of the remaining payments as a liability. As of December 31, 2011 the capital lease payable outstanding was $15,577, with $5,376 due within the next year.

In addition, we have received debt financing from Asher Enterprises, Inc. under a series of Convertible Promissory Notes. The notes, both converted and currently outstanding, are as follows:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Issue date</th>
<th>Due date</th>
<th>Shares issued upon conversion</th>
<th>Conversion date (s)</th>
<th>Principal amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>01/07/11</td>
<td>10/7/11</td>
<td>15,652,625</td>
<td>July 8-25, 2011</td>
<td>$0</td>
</tr>
<tr>
<td>$100,000</td>
<td>04/06/11</td>
<td>1/4/12</td>
<td>41,370,513</td>
<td>Oct. 7-25, 2011</td>
<td>$0</td>
</tr>
<tr>
<td>$100,000</td>
<td>07/21/11</td>
<td>4/17/12</td>
<td>52,184,755</td>
<td>Jan. 10 – Feb. 2, 2012</td>
<td>$0</td>
</tr>
<tr>
<td>$75,000</td>
<td>10/03/11</td>
<td>6/27/12</td>
<td>—</td>
<td>—</td>
<td>$75,000</td>
</tr>
<tr>
<td>$75,000</td>
<td>10/26/11</td>
<td>7/20/12</td>
<td>—</td>
<td>—</td>
<td>$75,000</td>
</tr>
<tr>
<td>$78,500</td>
<td>02/15/12</td>
<td>11/21/12</td>
<td>—</td>
<td>—</td>
<td>$78,500</td>
</tr>
</tbody>
</table>
All Notes issued to Asher Enterprises, Inc. bear interest at a rate of 8% per year and are convertible at a conversion price equal to 61% of the Market Price of our common stock on the conversion date. For purposes of the Notes, “Market Price” is defined as the average of the 3 lowest closing prices for our common stock on the 10 trading days immediately preceding the conversion date. The number of shares issuable upon conversion of the Notes is limited so that the holder’s total beneficial ownership of our common stock may not exceed 4.99% of the total issued and outstanding shares. This condition may be waived at the option of the holder upon not less than 61 days notice.

The Company has determined that the conversion feature of these notes is not considered to be solely indexed to the Company’s own stock and is therefore not afforded equity treatment. In accordance with ASC 815, the Company has bifurcated the conversion feature of the notes and recorded a derivative liability. As of December 31, 2011 the value of the derivative liability was $501,626 and we recognized a gain on the derivative of $220,279 for the year ended December 31, 2011.

In addition, we have also recently received debt financing from Tonaquint, Inc. in the amount of $200,000 under a Convertible Promissory Note as follows:

<table>
<thead>
<tr>
<th>Convertible Notes Issued To Tonaquint, Inc.</th>
<th>Amount</th>
<th>Issue date</th>
<th>Due date</th>
<th>Shares issued upon conversion</th>
<th>Conversion date (s)</th>
<th>Principal amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 200,000</td>
<td>10/28/11</td>
<td>7/18/12</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 200,000</td>
</tr>
</tbody>
</table>

The note issued to Tonaquint, Inc. bears interest at a rate of 8% per year and is convertible at a conversion price equal to 61% of the Market Price of our common stock on the conversion date. For purposes of the Note, “Market Price” is defined as the average of the 3 lowest closing prices for our common stock on the 10 trading days immediately preceding the conversion date. The number of shares issuable upon conversion of the Note is limited so that the holder’s total beneficial ownership of our common stock may not exceed 9.99% of the total issued and outstanding shares. This condition may be waived at the option of the holder upon not less than 61 days notice.

On November 10, 2011, we entered into a Factoring and Security Agreement (the “Agreement”) with CapFlow Funding Group Managers LLC (“CapFlow”). The Agreement is a credit facility for the purpose of factoring our accounts receivable. The cost of this funding is a discount of 1.85% of the gross amount of each receivable factored for the first 30 days, and an additional 0.95% for each additional 15 day period thereafter until the factored account receivable is closed. Under the Agreement, 20% to 25% of the amount of the purchased invoices is reserved. Our obligations to CapFlow under the Agreement are secured by substantially all of our assets. The total available credit line under the Agreement is $1,000,000. As of April 11, 2012, we had received total advances under the Agreement of $1,041,381.33 on factored invoices totaling $1,321,838.40. Currently, we have outstanding invoices factored to CapFlow of $928,538.40, for which $726,741.33 has been advanced. Our current available credit under the Agreement is $243,576.29. To date, discount rates for invoices factored to CapFlow under the Agreement have ranged from 1.85% to 7.55%.

In order to move forward with our business development plan set forth above, we will require additional financing in the approximate amount of $4,500,000, to be allocated as follows:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>OEM Mfg</td>
<td>$ 2,000,000</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Installation Business (3 new branches)</td>
<td>$ 1,500,000</td>
</tr>
<tr>
<td>Additional working capital and general corporate</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Total capital needs</td>
<td>$ 4,500,000</td>
</tr>
</tbody>
</table>

We will require substantial additional financing in the approximate amount of $4,500,000 in order to execute our business expansion and development plans and we may require additional financing in order to sustain substantial future business operations for an extended period of time. We currently do not have any firm arrangements for financing and we may not be able to obtain financing when required, in the amounts necessary to execute on our plans in full, or on terms which are economically feasible.
We are currently seeking additional financing through the sale of common equity, including the sale of common equity to Auctus Private Equity Fund, LLC through an existing Draw-Down Equity Financing Agreement, and/or the issuance of short-term debt convertible to common equity as discussed above. If we are unable to obtain the necessary capital to pursue our strategic plan, we may have to reduce the planned future growth of our operations.

**Off Balance Sheet Arrangements**

As of December 31, 2011, there were no off balance sheet arrangements.

**Going Concern**

We have experienced recurring losses from operations and had an accumulated deficit of $1,357,790 as of December 31, 2011. To date, we have not been able to produce sufficient sales to become cash flow positive and profitable on an ongoing basis. The success of our business plan during the next 12 months and beyond will be contingent upon generating sufficient revenue to cover our costs of operations and/or upon obtaining additional financing. For these reasons, our auditor has raised substantial doubt about our ability to continue as a going concern.

**Critical Accounting Policies**

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We do not believe that any accounting policies currently fit this definition.

**Recently Issued Accounting Pronouncements**

Our management has considered all recent accounting pronouncements issued since the last audit of our financial statements. Our management believes that these recent pronouncements will not have a material effect on our financial statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

A smaller reporting company is not required to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data**

Index to Financial Statements Required by Article 8 of Regulation S-X:

**Audited Financial Statements:**

<table>
<thead>
<tr>
<th>F-1</th>
<th>Report of Independent Registered Public Accounting Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-2</td>
<td>Balance Sheets as of December 31, 2011 and 2010;</td>
</tr>
<tr>
<td>F-3</td>
<td>Statements of Operations for the years ended December 31, 2011 and 2010;</td>
</tr>
<tr>
<td>F-4</td>
<td>Statement of Stockholders’ Equity for the years ended December 31, 2011 and 2010;</td>
</tr>
<tr>
<td>F-5</td>
<td>Statements of Cash Flows for the years ended December 31, 2011 and 2010;</td>
</tr>
<tr>
<td>F-6</td>
<td>Notes to Financial Statements</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Sunvalley Solar, Inc.

We have audited the accompanying consolidated balance sheets of Sunvalley Solar, Inc., as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders’ equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated 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 audits 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 Sunvalley Solar, Inc., as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company had losses from operations of $103,681 and accumulated deficit of $1,357,790, which raises substantial doubt about its ability to continue as a going concern. Management’s plans concerning these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sadler, Gibb & Associates, LLC

Sadler, Gibb & Associates, LLC
Salt Lake City, UT
April 13, 2012
### SUNVALLEY SOLAR, INC.  
Consolidated Balance Sheets

#### ASSETS

<table>
<thead>
<tr>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 162,403</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>25,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>4,512,198</td>
</tr>
<tr>
<td>Inventory</td>
<td>847,083</td>
</tr>
<tr>
<td>Costs in excess of billings on uncompleted contracts</td>
<td>168,493</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,700</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>14,289</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$ 5,731,166</td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT, NET</strong></td>
<td>$ 224,375</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>28,827</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>28,827</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 5,984,368</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

| **CURRENT LIABILITIES** |                   |
| Accounts payable and accrued expenses | $ 4,135,229 | $ 2,883,316 |
| Customer deposits | 409,801 | 70,070 |
| Accrued warranty | 68,881 | 27,688 |
| Current portion of long-term debt | 14,073 | 13,256 |
| Current portion of capital lease | 2,278 | — |
| Convertible debt, net | 124,789 | — |
| Related party notes payable | 100,000 | — |
| Factoring payable | 325,652 | — |
| Derivative liability | 501,626 | — |
| **Total current liabilities** | $ 5,682,329 | $ 2,994,330 |
| **LONG-TERM LIABILITIES** |                   |
| Capital leases | 13,299 | — |
| Notes payable | 60,220 | 74,269 |
| **Total long-term liabilities** | 73,519 | 74,269 |
| **TOTAL LIABILITIES** | $ 5,755,848 | $ 3,068,599 |

#### STOCKHOLDERS' EQUITY

| Common stock, $0.001 par value, 1,500,000,000 shares authorized, 886,039,889 and 800,068,420 shares issued and outstanding, respectively | 886,040 | 800,068 |
| Additional paid-in capital | 700,270 | 276,713 |
| Accumulated deficit | (1,357,790) | (958,924) |
| **Total Stockholders' Equity** | $ 228,520 | $ 117,857 |

#### TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

| $ 5,984,368 | $ 3,186,456 |
The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>$5,826,490</td>
<td>$4,634,140</td>
</tr>
<tr>
<td><strong>COST OF SALES</strong></td>
<td>4,502,257</td>
<td>3,924,330</td>
</tr>
<tr>
<td><strong>GROSS PROFIT</strong></td>
<td>1,324,233</td>
<td>709,810</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary and wage expense</td>
<td>603,229</td>
<td>547,738</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>98,447</td>
<td>35,320</td>
</tr>
<tr>
<td>Professional fees</td>
<td>322,102</td>
<td>55,778</td>
</tr>
<tr>
<td>Selling, general and</td>
<td>404,136</td>
<td>442,069</td>
</tr>
<tr>
<td>administrative expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>1,427,914</td>
<td>1,080,905</td>
</tr>
<tr>
<td><strong>LOSS FROM OPERATIONS</strong></td>
<td>(103,681)</td>
<td>(371,095)</td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on derivative liability</td>
<td>220,279</td>
<td>—</td>
</tr>
<tr>
<td>Other income</td>
<td>14,064</td>
<td>11,147</td>
</tr>
<tr>
<td>Interest income (expense),</td>
<td>(529,528)</td>
<td>(15,891)</td>
</tr>
<tr>
<td>net</td>
<td>(295,185)</td>
<td>(4,744)</td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td>(295,185)</td>
<td>(4,744)</td>
</tr>
<tr>
<td><strong>LOSS BEFORE TAXES</strong></td>
<td>(398,866)</td>
<td>(375,839)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>NET LOSS</strong></td>
<td>(398,866)</td>
<td>(375,839)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted loss per</td>
<td>$ (0.00)</td>
<td>$ (0.00)</td>
</tr>
<tr>
<td>share</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted</td>
<td>827,955,114</td>
<td>648,323,685</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### SUNVALLEY SOLAR, INC.
#### Consolidated Statements of Stockholders' Equity

#### Table of Contents

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed executive services</td>
<td>—</td>
<td>—</td>
<td>10,000</td>
</tr>
<tr>
<td>Issuance of common stock for compensation</td>
<td>83,500</td>
<td>84</td>
<td>24,545</td>
</tr>
<tr>
<td>Issuance of common stock as partial payment of accounts payable</td>
<td>389,274</td>
<td>389</td>
<td>125,783</td>
</tr>
<tr>
<td>Warrants issued as payment of accrued interest due to related party</td>
<td>—</td>
<td>—</td>
<td>60,509</td>
</tr>
<tr>
<td>Warrants issued for services</td>
<td>—</td>
<td>—</td>
<td>32,422</td>
</tr>
<tr>
<td>Buy back of common stock</td>
<td>(10,000)</td>
<td>(10)</td>
<td>(37,490)</td>
</tr>
<tr>
<td>Net loss for the year ended February 29, 2008</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at January 1, 2008</td>
<td>14,264,000</td>
<td>$792,754</td>
<td>$ —</td>
</tr>
<tr>
<td>Issuance of common stock for consulting services</td>
<td>3,246,000</td>
<td>55,247</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock for placement agent services</td>
<td>3,450,000</td>
<td>58,719</td>
<td>—</td>
</tr>
<tr>
<td>Repurchase and retirement of common stock</td>
<td>(2,510,000)</td>
<td>(452,000)</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock for cash, net of issuance costs</td>
<td>687,000</td>
<td>588,281</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification of S Corporation accumulated deficit</td>
<td>—</td>
<td>(166,220)</td>
<td>—</td>
</tr>
<tr>
<td>Net income for the year ended December 31, 2008</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2008</td>
<td>488,984,171</td>
<td>$488,984</td>
<td>$387,797</td>
</tr>
<tr>
<td>Retirement of common stock</td>
<td>(3,832,765)</td>
<td>(3,833)</td>
<td>3,833</td>
</tr>
<tr>
<td>Net income for the year ended December 31, 2009</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2009</td>
<td>485,151,406</td>
<td>$485,151</td>
<td>$391,630</td>
</tr>
<tr>
<td>Repurchase of common stock</td>
<td>(5,110,353)</td>
<td>(5,110)</td>
<td>(194,890)</td>
</tr>
<tr>
<td>Recapitlization</td>
<td>320,027,367</td>
<td>320,027</td>
<td>(320,027)</td>
</tr>
<tr>
<td>Contributed capital</td>
<td>—</td>
<td>—</td>
<td>400,000</td>
</tr>
<tr>
<td>Net income for the year ended December 31, 2010</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2010</td>
<td>800,068,420</td>
<td>800,068</td>
<td>276,713</td>
</tr>
</tbody>
</table>
The accompanying notes are an integral part of these consolidated financial statements.

| Issuance of common stock for services | 5,625,000 | 5,625 | 45,076 | — | 50,701 |
| Issuance of common stock for cash | 23,323,331 | 23,323 | 117,698 | — | 141,021 |
| Issuance of common stock for debt | 57,023,138 | 57,024 | 260,783 | — | 317,807 |
| Net income for the year ended December 31, 2011 | — | — | — | (398,866) | (398,866) |
| Balance at December 31, 2011 | 886,039,889 | $ 886,040 | $ 700,270 | $ (1,357,790) | $ 228,520 |

The accompanying notes are an integral part of these consolidated financial statements.
SUNVALLEY SOLAR, INC.
Consolidated Statements of Cash Flows

For the Years Ended
December 31,

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
</table>

**OPERATING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Item</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$(398,866)</td>
<td>$(375,839)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>34,798</td>
<td>14,159</td>
</tr>
<tr>
<td>Amortization of discount</td>
<td>506,096</td>
<td>—</td>
</tr>
<tr>
<td>Gain on re-measurement of derivative</td>
<td>(220,279)</td>
<td>—</td>
</tr>
<tr>
<td>Stock issued for services</td>
<td>50,701</td>
<td>—</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(3,965,810)</td>
<td>(251,110)</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,078,150</td>
<td>1,419,633</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>1,504</td>
<td>(14,265)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>5,781</td>
<td>57,897</td>
</tr>
<tr>
<td>Costs in excess of billings on uncompleted contracts</td>
<td>(112,490)</td>
<td>(56,004)</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>(12,500)</td>
<td>—</td>
</tr>
<tr>
<td>Other assets</td>
<td>(23,141)</td>
<td>(1,250)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,260,318</td>
<td>521,891</td>
</tr>
<tr>
<td>Accrued warranty expenses</td>
<td>41,193</td>
<td>4,855</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>339,731</td>
<td>(23,485)</td>
</tr>
<tr>
<td>Net Cash Provided by (Used) in Operating Activities</td>
<td>(1,414,814)</td>
<td>252,700</td>
</tr>
</tbody>
</table>

**INVESTING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Item</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase in property and equipment</td>
<td>(171,460)</td>
<td>(28,514)</td>
</tr>
<tr>
<td>Net Cash Used in Investing Activities</td>
<td>(171,460)</td>
<td>(28,514)</td>
</tr>
</tbody>
</table>

**FINANCING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Item</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from related party notes payable</td>
<td>100,000</td>
<td>—</td>
</tr>
<tr>
<td>Repayment of related party notes payable</td>
<td>—</td>
<td>(175,000)</td>
</tr>
<tr>
<td>Repayments of long term debt</td>
<td>(14,160)</td>
<td>(12,475)</td>
</tr>
<tr>
<td>Cash acquired in recapitalization</td>
<td>—</td>
<td>400,000</td>
</tr>
<tr>
<td>Repurchase of common stock</td>
<td>—</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Proceeds from factoring line</td>
<td>325,652</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sale of common stock</td>
<td>141,021</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from convertible debt</td>
<td>650,000</td>
<td>—</td>
</tr>
<tr>
<td>Net Cash Provided by Financing Activities</td>
<td>1,202,513</td>
<td>12,525</td>
</tr>
</tbody>
</table>

**NET INCREASE (DECREASE) IN CASH**

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(383,761)</td>
<td>236,711</td>
</tr>
</tbody>
</table>

**CASH AT BEGINNING OF YEAR**

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>546,164</td>
<td>309,453</td>
</tr>
</tbody>
</table>

**CASH AT END OF YEAR**

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>$162,403</td>
<td>$546,164</td>
</tr>
</tbody>
</table>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

**CASH PAID FOR:**

<table>
<thead>
<tr>
<th>Item</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$2,938</td>
<td>$24,808</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$—</td>
<td>$—</td>
</tr>
</tbody>
</table>

**NON-CASH INVESTING AND FINANCING**
The accompanying notes are an integral part of these consolidated financial statements.

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative liability</td>
<td>$605,313</td>
<td></td>
</tr>
<tr>
<td>Common stock issued for debt</td>
<td>$317,807</td>
<td></td>
</tr>
<tr>
<td>Equipment purchased under capital lease</td>
<td>$16,505</td>
<td></td>
</tr>
</tbody>
</table>
NOTE 1: ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization
Sunvalley Solar, Inc. (the Company) was incorporated on August 16, 2007 under the laws of the State of Nevada as Western Ridge Minerals, Inc., Sunvalley Solar Inc. (the "Subsidiary"), formerly known as West Coast Solar Technologies Corporation, a California corporation, was incorporated on January 30, 2007.

On June 24, 2010, in accordance with the Exchange Agreement dated June 24, 2010, Western Ridge Minerals acquired all of the issued and outstanding shares of the Sunvalley, which resulted in Sunvalley becoming a wholly-owned subsidiary. In exchange for all of the issued and outstanding shares of Sunvalley, the shareholders of the Sunvalley received a total of 480,041,053 (2,514,600 pre-split) shares of Western Ridge Mineral’s common stock, which represented approximately 60% of the Company’s outstanding common stock following the acquisition. There were 1,049,271,312 (5,496,400 pre-split) shares of the Company’s common stock outstanding before giving effect to the stock issuances in the acquisition and the cancellation of 729,243,944 (3,820,000 pre-split) shares by Mr. Marco Bastidas and certain other shareholders resulted in there being 800,068,420 (4,191,000 pre-split) shares outstanding post acquisition. As a result, the shareholders of the Subsidiary became the controlling shareholders of the combined entity. In connection with the acquisition, $400,000 was contributed to the Company from a Company shareholder.

Accordingly, the transaction is accounted for as a recapitalization with the Subsidiary deemed to be the accounting acquirer and the Company the legal acquirer in the reverse acquisition. Consequently, the assets and liabilities and the historical operations of the Subsidiary prior to the Merger are reflected in the financial statements and are recorded at the historical cost basis of the Subsidiary. The Company’s consolidated financial statements after completion of the Acquisition include the assets and liabilities of both companies. Following the Acquisition the Company’s fiscal year-end has been changed from March 31 to December 31.

On July 20, 2010 the Company’s board of directors approved a 19.0885235 for 1 forward stock split of the Company’s common stock. On August 23, 2010 the Company’s board of directors approved a 10 for 1 forward stock split of the Company’s common stock. The Company’s authorized common stock was increased to 1,500,000,000. This forward splits have been retroactively applied and is reflected in the financial statements.

Description of Business
The Company markets, sells, designs and installs solar panels for residential and commercial customers. The Company’s primary market is in the state of California, however the Company may sell anywhere in the United States.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Going Concern
As reflected in the accompanying financial statements, the Company has experienced recurring losses from operations through December 31, 2011 and has an accumulated deficit of $1,357,790 as of December 31, 2011. These factors, among others, raise substantial doubt about the Company’s ability to continue as a going concern.

Management plans to raise additional operating capital through a private placement of the Company’s common stock. Management believes that with sufficient working capital the Company can produce sufficient sales to become cash flow positive and profitable which will allow it to continue as a going concern. There is no assurance that the Company will be successful in its plans.

Basis of Presentation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.
Use of Estimates
The preparation of the financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made in preparing the financial statements include the allowance for doubtful accounts, accrued warranty, convertible debt derivative liabilities and discount expenses. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

Reclassification of Financial Statement Accounts
Certain amounts in the December 31, 2010 financial statements have been reclassified to conform to the presentation in the December 31, 2011 financial statements.

Operating Segments
The Company operates in one operating segment.

Cash and Cash Equivalents
Cash equivalents are comprised of certain highly liquid investments with original maturities of three months or less when purchased. The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses related to this concentration of risk.

Accounts Receivable
The Company’s trade accounts receivable consist primarily of accounts due from wholesale customers, and accounts due from installation customers, with the most significant amounts arising from installation contracts. Trade receivables are generally due within 30 days on wholesale contracts, while receivables on installation contracts are due in installments over terms ranging from five to seven years. The Company performs periodic credit evaluations of its customers’ respective financial conditions and does not require collateral. Credit losses have consistently been within management’s expectations. An allowance for doubtful accounts is recorded when it is probable that all or a portion of a trade receivables balance will not be collected. The Company’s allowance for doubtful accounts totals $178,447 and $80,000, as of December 31, 2011 and 2010, respectively.

Customer Deposits
Customer deposits represent advance payments received for installation projects. Typically the Company will receive five percent of a contract total at the commencement of the installation project. These amounts are recorded as liabilities until such time that the Company has performed the majority of its contractually agreed-upon work, at which time the deposits are recognized as revenue in accordance with the Company’s revenue recognition policy.

Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined on an average cost basis; and the inventory is comprised of raw materials and finished goods. Raw materials consist of fittings and other components necessary to assemble the Company’s finished goods. Finished goods consist of solar panels ready for installation and delivery to customers.

At each balance sheet date, the Company evaluates its ending inventory for excess quantities and obsolescence. This evaluation includes an analysis of sales levels by product type. Among other factors, the Company considers current product configurations, historical and forecasted demand, market conditions and product life cycles when determining the net realizable value of the inventory. Provisions are made to reduce excess or obsolete inventories to their estimated net realizable values. Once established, write-downs are considered permanent adjustments to the cost basis of the excess or obsolete inventory. The Company’s reserve for excess and obsolete inventory amounted to $-0- and $-0- as of December 31, 2011 and 2010.
Property and Equipment
Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Management evaluates useful lives regularly in order to determine recoverability taking into consideration current technological conditions.

Maintenance and repairs are charged to expense as incurred; additions and betterments are capitalized. Upon retirement or sale, the cost and related accumulated depreciation of the disposed assets are removed, and any resulting gain or loss is recorded. Fully depreciated assets are not removed from the accounts until physical disposition. The estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile</td>
<td>5 Years</td>
</tr>
<tr>
<td>Furniture</td>
<td>7 Years</td>
</tr>
<tr>
<td>Software</td>
<td>5 Years</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>5 Years</td>
</tr>
<tr>
<td>Machinery</td>
<td>5 Years</td>
</tr>
</tbody>
</table>

Long-Lived Assets
In accordance with ASC 360, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Based on this analysis, the Company believes that no impairment of the carrying value on its long-lived assets existed at December 31, 2011 and 2010.

Fair Value of Financial Instruments
For certain financial instruments, including accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their relatively short maturities. In the case of the Notes Payable, the interest rate on the notes approximates the market rate of interest for similar borrowings. Consequently the carrying value of the Notes Payable also approximates the fair value. It is not practicable to estimate the fair value of the Notes Payable to Related Party due to the relationship of the counterparty.

Revenue Recognition
The completion of a solar installation project ranges from one to nine months; therefore, the Company recognizes revenue from a system installation under the completed contract method of accounting, pursuant to ASC 605. Revenue from system installations and sales of solar panels is recognized when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable and (4) collection of the related receivable is reasonably assured. The Company defines its services as having been substantially completed upon passing inspection by the Fire Department and obtaining the City’s Building Department’s approval after its final inspection of the installed system. Wholesale revenues are recognized pursuant to the same criteria; however, with wholesale arrangements the Company defines its delivery as having been completed at such time the customer takes possession of the Company’s
product.
Cost of Sales
Cost of sales is comprised primarily of the cost of purchased product, as well as direct labor, inbound freight costs and other material costs required to complete products and installation projects. For installation projects, the direct labor costs are recorded as work-in-progress inventory and other installation project costs incurred by the Company are recorded as costs in excess of billings on uncompleted contracts before the project’s revenue is recognized.

Product Warranties
The Company warrants its products for various periods against defects in material or installation workmanship. The manufacturers of the solar panels and the inverters provide a warranty period of generally 25 years and 10 years, respectively. The Company will assist its customers in the event that the manufacturers’ warranty needs to be used to replace a defective solar panel or inverter. The Company provides for a 10-year warranty on the installation of a system and all equipment and incidental supplies other than solar panels and inverters that are recovered under the manufacturers’ warranty. Maintenance services such as cleaning the solar panels and checking the systems are offered to customers twice a year without a separate service charge.

The Company records a provision for the installation warranty, an expense included in cost of sales, based on management's best estimate of the probable cost to be incurred in honoring its warranty commitment. The Company's accrued warranty provision was $68,881 and $27,688 at December 31, 2011 and 2010, respectively.

Advertising Expenses
Advertising expenses are expensed as incurred. Total advertising expenses amounted to $3,021 and $27,210 for the years ended December 31, 2011 and 2010, respectively.

Research and Development
Research and development costs are expensed as incurred and amounted to approximately $-0- and $-0- for the years ended December 31, 2011 and 2010, respectively. These costs are included in selling, general and administrative expenses in the accompanying statements of operations.

Income Taxes
The Company applies ASC 740, which requires the asset and liability method of accounting for income taxes. The asset and liability method requires that the current or deferred tax consequences of all events recognized in the financial statements are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable or refundable currently or in future years. Deferred tax assets are reviewed for recoverability and the Company records a valuation allowance to reduce its deferred tax assets when it is more likely than not that all or some portion of the deferred tax assets will not be recovered.

The Company adopted ASC 740, at the beginning of fiscal year 2008. This interpretation requires recognition and measurement of uncertain tax positions using a “more-likely-than-not” approach, requiring the recognition and measurement of uncertain tax positions. The adoption of ASC 740 had no material impact on the Company’s financial statements. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will to be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.
Loss Per Common Share
Basic net loss per common share is computed by dividing the net loss by the weighted average number of outstanding common shares (restricted and free trading) during the periods presented. Basic loss per share and diluted loss per share are the same amount because the impact of additional common shares that might have been issued under the Company’s outstanding and exercisable warrants would be anti-dilutive. Such potentially dilutive shares are excluded when the effect would be to reduce net loss per share. There were 191,235,412 and $-0- such potentially dilutive shares excluded as of December 31, 2011 and 2010, respectively.

Recent Accounting Pronouncements
Management has considered all recent accounting pronouncements issued since the last audit of our financial statements. The Company’s management believes that these recent pronouncements will not have a material effect on the Company’s financial statements.

NOTE 3:  RESTRICTED CASH
In order to comply with the State of California’s licensing requirement or contract bonds as of December 31, 2011 and 2010 the Company maintains a certificate of deposit in the amount of $25,000 and $12,500, respectively, with a financial institution.

NOTE 4:  INVENTORY
The Company’s inventory consisted of the following at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>$585</td>
<td>$8</td>
</tr>
<tr>
<td>Work in Progress</td>
<td>12,361</td>
<td>6,741</td>
</tr>
<tr>
<td>Finished goods</td>
<td>834,137</td>
<td>1,918,484</td>
</tr>
<tr>
<td>Total Inventory</td>
<td>$847,083</td>
<td>$1,925,233</td>
</tr>
</tbody>
</table>

NOTE 5:  PROPERTY AND EQUIPMENT
The following is a summary of property and equipment at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$57,706</td>
<td>$32,407</td>
</tr>
<tr>
<td>Buildings</td>
<td>113,874</td>
<td>—</td>
</tr>
<tr>
<td>Furniture</td>
<td>16,655</td>
<td>16,065</td>
</tr>
<tr>
<td>Software</td>
<td>2,368</td>
<td>2,368</td>
</tr>
<tr>
<td>Vehicles</td>
<td>110,286</td>
<td>62,094</td>
</tr>
<tr>
<td>Gross Property and Equipment</td>
<td>$300,889</td>
<td>$112,934</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>($76,514)</td>
<td>($41,726)</td>
</tr>
<tr>
<td>Net Property and Equipment</td>
<td>$224,375</td>
<td>$71,208</td>
</tr>
</tbody>
</table>

Depreciation expense for the years ended December 31, 2011 and 2010 was $34,798 and $14,159, respectively.

NOTE 6:  RELATED PARTY TRANSACTIONS
The Company owes $100,000 and $-0- for short-term related party loans with maturity dates of less than 1 year bearing an interest rate of 6.5%; per annum to its stockholders as of December 31, 2011 and 2010, respectively. The interest expense incurred for these short-term loans was $178 and $-0-, for the years ended December 31, 2011 and 2010, respectively.
NOTE 7: COSTS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS

The Company is currently involved in three major short-term solar panel installation projects. The Company is accounting for revenue and expenses associated with these three contracts under the completed contract method of accounting in accordance with ASC 605. Under ASC 605, income is recognized on when the contracts are completed or substantially completed and billings and others costs are accumulated on the balance sheet. Under the completed contract method, no profit or income is recorded before completion of substantial completion of the work.

As of December 31, 2011 and 2010, the Company has capitalized $168,493 and $56,003 of costs incurred in relation to installation projects. One of the major projects is estimated to be substantially completed by March 31, 2012 and the other two projects are estimated to be substantially completed by June 30, 2012.

NOTE 8: NOTES PAYABLE

Notes payable outstanding as of December 31, 2011 and 2010 consisted of the following:

<table>
<thead>
<tr>
<th>Notes payable (1)</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion</td>
<td>$ 14,073</td>
<td>$ 13,256</td>
</tr>
<tr>
<td>Long-term portion</td>
<td>60,220</td>
<td>74,269</td>
</tr>
<tr>
<td><strong>Total Notes Payable</strong></td>
<td><strong>$ 74,293</strong></td>
<td><strong>$ 87,525</strong></td>
</tr>
</tbody>
</table>

(1) Arrangement with a bank having a maximum borrowing of $100,000; is collateralized by all business assets. Any principal amounts outstanding accrue interest at the bank’s variable index rate (currently 6.00% as of December 31, 2011) plus 2% per annum.

Future maturities of notes payable are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 14,073</td>
</tr>
<tr>
<td>2013</td>
<td>$ 14,940</td>
</tr>
<tr>
<td>2014</td>
<td>$ 15,861</td>
</tr>
<tr>
<td>2015</td>
<td>$ 16,839</td>
</tr>
<tr>
<td>2016</td>
<td>$ 12,580</td>
</tr>
<tr>
<td>Thereafter</td>
<td>__</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 74,293</strong></td>
</tr>
</tbody>
</table>

NOTE 9: CAPITAL LEASE

In September 2011, the Company entered a lease-to-own purchase agreement. The Company evaluated the lease at the time of purchase and determined that the agreement contained a beneficial by-out option wherein the Company has the option to buy the equipment for $1 at the end of the lease term. Under the guidance in ASC 840, the Company has classified the lease as a capital lease. The Company used the discounted value of future payments as the fair value of this asset and has recorded the discounted value of the remaining payments as a liability.

Capital leases payable outstanding as of December 31, 2011 and 2010 consisted of the following:

<table>
<thead>
<tr>
<th>Notes Payable</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forklift lease</td>
<td>$ 15,577</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Total Capital Leases</strong></td>
<td><strong>$ 15,577</strong></td>
<td><strong>$ —</strong></td>
</tr>
</tbody>
</table>
Future maturities of capital leases are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$5,376</td>
</tr>
<tr>
<td>2013</td>
<td>5,376</td>
</tr>
<tr>
<td>2014</td>
<td>5,376</td>
</tr>
<tr>
<td>2015</td>
<td>5,376</td>
</tr>
<tr>
<td>2016</td>
<td>3,585</td>
</tr>
</tbody>
</table>

Total minimum lease payments | $25,089 |
Less executory costs | 1,348 |
Net minimum lease payments | 23,741 |
Less amount representing interest | 8,164 |
Present value of minimum lease payments | $15,577 |

NOTE 10: CONVERTIBLE DEBT

On January 7, 2011, the Company borrowed $100,000 in the form of a convertible note payable. The note is convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 trading days prior to conversion. Pursuant to this conversion feature, the Company recorded a discount on debt in the amount of $100,000 on the note date. As of December 31, 2011, the Company had issued 15,652,625 shares of common stock upon conversion of the $100,000 note, along with $4,155 in accrued interest payable. As of December 31, 2011 the entire $100,000 debt discount had been amortized to interest expense.

On April 6, 2011, the Company borrowed $100,000 in the form of a convertible note payable. The note is convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 trading days prior to conversion. Pursuant to this conversion feature, the Company recorded a discount on debt in the amount of $100,000 on the note date. As of December 31, 2011 the Company had issued 41,370,513 shares of common stock upon conversion of the $100,000 note, along with $4,250 in accrued interest payable. As of December 31, 2011 the entire $100,000 debt discount had been amortized to interest expense.

On July 21, 2011, the Company borrowed $100,000 in the form of a convertible note payable. The note is convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 trading days prior to conversion. Pursuant to this conversion feature, the Company recorded a discount on debt in the amount of $100,000 on the note date. The note is due on April 17, 2012, is unsecured, and bears an interest rate of 8%. As of December 31, 2011 the Company has recorded $3,573 in accrued interest on the note. As of December 31, 2011 the Company had amortized $51,253 of the debt discount to interest expense, leaving $48,747 in unamortized debt discount at December 31, 2011.

On October 3, 2011, the Company borrowed $75,000 in the form of a convertible note payable. The note is convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 trading days prior to conversion. Pursuant to this conversion feature, the Company recorded a discount on debt in the amount of $30,313 on the note date. The note is due on June 27, 2012, is unsecured and bears an interest rate of 8%. As of December 31, 2011 the Company had recorded $1,463 in accrued interest on the note. As of December 31, 2011 the Company had amortized $10,066 of the debt discount to interest expense, leaving $20,247 in unamortized debt discount at December 31, 2011.
On October 26, 2011, the Company borrowed $75,000 in the form of a convertible note payable. The note is convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 trading days prior to conversion. Pursuant to this conversion feature, the Company recorded a discount on debt in the amount of $75,000 on the note date. The note is due on July 20, 2012, is unsecured and bears an interest rate of 8%. As of December 31, 2011 the Company had recorded $1,085 in accrued interest on the note. As of December 31, 2011 the Company had amortized $18,470 of the debt discount to interest expense, leaving $56,530 in unamortized debt discount at December 31, 2011.

On October 28, 2011, the Company borrowed $200,000 in the form of a convertible note. The note is convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 trading days prior to conversion. Pursuant to this conversion feature, the Company recorded a discount on debt in the amount of $200,000 on the note date. The convertible debt is due on July 18, 2012, is unsecured and bears an interest rate of 8%. As of December 31, 2011 the Company had recorded $2,844 in interest on the note. As of December 31, 2011 the Company had amortized $313 of the debt discount to interest expense, leaving $199,687 in unamortized debt discount at December 31, 2011.

NOTE 11: DERIVATIVE LIABILITY

Effective July 31, 2009, the Company adopted ASC 815-40 which defines determining whether an instrument (or embedded feature) is solely indexed to an entity’s own stock. The Company borrowed $100,000 on January 7, 2011, $100,000 on April 6, 2011 and $100,000 on July 21, 2011. These notes are convertible at the holder’s option at 61% of the average of the lowest three trading prices during the 10 days prior to conversion. The number of shares issuable upon conversion of these notes is limited so that the holder’s total beneficial ownership of the Company’s common stock may not exceed 4.99% of the total issued and outstanding shares.

The exercise price of both conversion options are subject to “reset” provisions in the event the Company subsequently issues common stock, stock warrants, stock options or convertible debt with a stock price, exercise price or conversion price lower than effective conversion price of the conversion option. If these provisions are triggered, the exercise price of all their warrants will be reduced. As a result, the conversion options are not considered to be solely indexed to the Company’s own stock and are not afforded equity treatment.

The total fair values of the conversion option of the January 7, 2011 note ($166,852), the April 6, 2011 note ($166,402), the July 21, 2011 note ($163,861), the October 3, 2011 note (30,313), the October 26, 2011 note (91,954), and the October 28, 2011 note (211,930) have been recognized as a derivative liability on the dates of issuance with all future changes in the fair value of these conversion options being recognized in earnings in the Company’s statement of operations under the caption “Other income (expense) – Gain on derivative liability” until such time as the warrants are exercised or expire.

The Company uses the Black-Scholes option pricing model to value the derivative liabilities and subsequent remeasurement. Included in the models are the following assumptions: risk free rates ranging from 0.01% to 0.29%, and annual volatility ranging from 140% to 913%.

During July 2011, the Company issued 15,652,625 shares of the Company’s common stock to convert the January 7, 2011 note in full. Accordingly, the remaining value of the associated derivative liability was recognized in earnings at conversion.

During October 2011, the Company issued 41,370,513 shares of the Company’s common stock to convert the April 6, 2011 note in full. Accordingly, the remaining value of the associated derivative liability was recognized in earnings at conversion.

ASC 815 requires the Company to assess the fair market value of certain derivatives at each reporting period and recognize any change in the fair market value of the derivatives as gain (loss) on the income statements. As of December 31, 2011 and 2010, the Company has recognized a gain of $220,279 and $-0-, respectively.
NOTE 12: EQUITY TRANSACTIONS

During the year ended December 31, 2010, the Company entered into agreements to repurchase a total of 5,110,353 (200,000 pre-split) common stock shares from shareholders at a price of $0.04 per share. As of December 31, 2010, the Company had received all of the stock certificates and had paid the investors in full.

On January 11, 2011, the Company issued 3,000,000 shares of its common stock for financing services valued at $0.0044 per share. On January 20, 2011, the Company issued 2,000,000 shares of its common stock for consulting services valued at $0.015 per share. The Company is amortizing the value of the services over the 1 year term of the consulting agreement.

On August 1, 2011, the Board of Directors approved the issuance of 625,000 new shares of common stock to a consultant for services provided to the Company over a period of three months from June 2011 to August 2011. The shares were valued at $0.012 per share based on the value of the shares at close of market on April 28, 2011 which was the date of the agreement signed between the consultant and the Company.

During July 2011, the Company issued 15,652,625 shares of common stock upon conversion of $100,000 of its convertible debt and $4,155 in accrued interest.

During October 2011, the Company issued 41,370,513 shares of common stock upon conversion of $100,000 of its convertible debt and $4,250 in accrued interest.

Drawdown Equity Financing Agreement - On December 31, 2010, the Company entered into a Drawdown Equity Financing Agreement (the “DEFA”) and an accompanying Registration Rights Agreement (the “RRA”). Under the DEFA, the Company agreed to issue and sell up to $10,000,000 worth of the Company’s common stock over a three year period. The DEFA entitles the Company to request advances, or “drawdowns,” periodically over the term of the agreement. Upon delivery of a drawdown notice the Company can affect the sale of common stock, which can be valued at a maximum of either (i) $500,000 or (ii) 200% of the average daily volume of the common stock based on the ten (10) trading days preceding the drawdown notice date (as defined in the DEFA), whichever is larger. The purchase price of the common stock for an advance is set at ninety-three percent (93%) of the lowest closing bid price of the common stock during the pricing period, which is defined as the five consecutive trading days immediately after the drawdown notice date. There must be a minimum of five trading days between each drawdown notice date. Under the DEFA, the lender shall cease selling any shares of the Company’s common stock during a pricing period if a) the market price of the Company’s common stock falls below a fixed-price floor that the Company provide per drawdown or b) the market price of the Company’s common stock falls below seventy-five percent of the average closing bid price of the common stock over the preceding ten trading days prior to the drawdown notice date (the "floor"). At the Company’s sole discretion, the Company may waive its right with respect to the floor and allow the lender to sell any shares below the floor price. The floor price restriction only applies to the five consecutive trading days immediately after the drawdown notice date.

During the year ended December 31, 2011, the Company issued 23,323,331 shares of its common stock pursuant to the Equity Drawdown, resulting in net cash proceeds of $141,021.

NOTE 13: FACTORING LINE PAYABLE

During the year ended December 31, 2011, the Company borrowed a total of $314,640 from a factoring company against its accounts receivable. The factoring line charges a discount of approximately 0.95% for each 15 day period of the amount of the receivable remains unpaid. As of December 31, 2011, accrued interest and fees on this factoring line totaled $11,012. The Company has a credit facility of up to $600,000.
NOTE 14: INCOME TAXES

The FASB has issued FASB ASC 740-10 which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This standard requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. As a result of the implementation of this standard, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by FASB ASC 740-10.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Deferred tax assets and the valuation account are as follows:

<table>
<thead>
<tr>
<th>Deferred tax assets:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOL carryover</td>
<td>$50,520</td>
<td>$127,786</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(50,520)</td>
<td>(127,786)</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 34% to pretax income from continuing operations for the years ended December 31, 2011 and 2010. The components of income tax expense are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss carry forwards</td>
<td>$401,540</td>
<td>$327,658</td>
</tr>
<tr>
<td>Gain on derivative liability</td>
<td>74,895</td>
<td>—</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(476,435)</td>
<td>(327,658)</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

The Company currently has no issues creating timing differences that would mandate deferred tax expense. Net operating losses would create possible tax assets in future years. Due to the uncertainty of the utilization of net operating loss carry forwards, an evaluation allowance has been made to the extent of any tax benefit that net operating losses may generate. A provision for income taxes has not been made due to net operating loss carry-forwards of $1,112,286 and $963,699 as of December 31, 2011 and 2010, respectively, which may be offset against future taxable income through 2031. No tax benefit has been reported in the financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal statutory rate (34%)</td>
<td>$(135,614)</td>
<td>$(127,786)</td>
</tr>
<tr>
<td>Non-deductable expenses</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>State tax benefit, net of federal tax effect</td>
<td>$(13,163)</td>
<td>$(12,403)</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>148,777</td>
<td>140,188</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
The Company did not have any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2011 and 2010, the Company had no accrued interest or penalties related to uncertain tax positions. The tax years that remain subject to examination by major taxing jurisdictions are for the years ended December 31, 2011, 2010, 2009, and 2008.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Office Lease - The Company leases an office under an operating lease that expires on May 31, 2011. Total rent expense amounted to $39,300 and $38,000 for the fiscal years ended December 31, 2011 and 2010, respectively.

Minimum base lease payments required to be made during 2012 total $34,978.

Legal Proceedings - From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations, or liquidity.

NOTE 16: CONCENTRATIONS OF RISK

Supplier Concentrations
The Company purchases solar panels from one manufacturer during the years ended December 31, 2011 and 2010, respectively. For the years ended December 31, 2011 and 2010, these vendors accounted for approximately 47% and 97%, respectively, of total inventory purchases.

Customer Concentrations
For the years ended December 31, 2011 and 2010, one and two customers, respectively, represented more than 10% of the Company’s sales. This translates to approximately 64% and 19%, respectively, of the Company’s annual net revenues.

NOTE 17: SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2011 through March 19, 2012 the Company executed several issuances of common stock totaling 30,000,000 shares to a third party and received net cash proceeds of $75,330.

The Company entered into a convertible note of $78,500 dated February 15, 2012 for which the funding was received on February 22, 2012.

During January and February 2012, the Company issued 52,184,755 shares of common stock upon conversion of $100,000 of its convertible debt issued during 2011, and $4,000 in accrued interest.

On February 24, 2012 the Company borrowed $21,308 from one of its stockholders. The Note has a maturity date of less than one year and bears interest at a rate of 6.5% per annum.

During March 2012, the Company paid $344,334 to its factoring provider, inclusive of accrued fees, and the Company borrowed a total of $726,741 from the factoring provider against its accounts receivable with a discount fee of approximately 0.95% for each 15-day period the accounts receivable remain unpaid. The Company’s credit facility with the factoring company was increased to one million in March 2012.

In accordance with ASC 855-10 Company management reviewed all material events through the date of this report and there are no additional material subsequent events to report.
Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

No events occurred requiring disclosure under Item 307 and 308 of Regulation S-K during the fiscal year ending December 31, 2011.

Item 9A(T). Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal year ended December 31, 2011. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company’s reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based upon that evaluation, including our Chief Executive Officer and Chief Financial Officer, we have concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this annual report.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2011 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of December 31, 2011, our internal control over financial reporting was not effective. Our management identified the following material weaknesses in our internal control over financial reporting, which are indicative of many small companies with small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

We plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we hope to implement the following changes during our fiscal year ending December 31, 2011: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out in (i) and (ii) are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Item 9B. Other Information

None
PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following information sets forth the names, ages, and positions of our current directors and executive officers as of December 31, 2011.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Office(s) held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhijian (James) Zhang</td>
<td>45</td>
<td>President, CEO, Director</td>
</tr>
<tr>
<td>Mandy Chung</td>
<td>44</td>
<td>Chief Financial Officer, Secretary, Treasurer</td>
</tr>
<tr>
<td>Hangbo (Henry) Yu</td>
<td>58</td>
<td>General Manager, Director</td>
</tr>
<tr>
<td>Fang Xu</td>
<td>46</td>
<td>Chief Technology Officer</td>
</tr>
<tr>
<td>Shirley Liao</td>
<td>43</td>
<td>Director of Administration</td>
</tr>
<tr>
<td>Anyork Lee</td>
<td>62</td>
<td>Director</td>
</tr>
</tbody>
</table>

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors.

Zhijian (James) Zhang – Dr. Zhang is our President, CEO, and a member of our board of directors. He has held these positions since January of 2007. Dr. Zhang graduated from Tsinghua University with a Ph.D. in opto-electronics. He has over 15 years of experience in opto-electronics and the semiconductor industry. From 2006 to 2008, he held the position of senior manager at Motorola, a leading telecommunication equipment provider. From 2004 to 2006, he held the position of Director at ZTE San Diego, also a leading telecommunication equipment provider.

Dr.Zhang has a strong reputation as an executive in the opto-electronics/semiconductor industry, including the solar energy field. Dr. Zhang has quality leadership experience in business operations, especially in product and program development, product development procedures, and milestone setting and enforcement, and R&D team building.

Mandy Chung – Ms. Chung is our Chief Financial Officer, Secretary, and Treasurer. She has held these positions since August of 2008. Ms. Chung co-founded Chung & Chung Accountancy Corporation, CPAs (CCAC) in 2004 and she is licensed as a Certified Public Accountant in California. Ms. Chung is one of the partners in CCAC and she provides audit, review, compilation, consulting, tax services and financial planning to various clients. Ms. Chung has been working for CCAC for the past five years since its establishment.

Ms. Chung graduated from Texas A&M University (College Station) with a Master’s degree in Finance and a Bachelor’s degree in Accounting. Ms. Chung has over 15 years of public accounting experience in providing auditing, accounting, business consulting and tax services to a wide range of industries. She has extensive experience in performing reviews and audits for various organizations, including publicly reporting companies. In addition, Ms. Chung helped the former founder of Dietrich Coffee to prepare a ten-year business and financial plan to establish a new series of coffee stores. Ms. Chung also conducted various incurred costs audits for MGM Mirage, Los Angeles County Metropolitan Transportation Authority and Caltrans. On a daily basis, Ms. Chung is responsible for the accounting operations and record keeping of Sunvalley Solar Inc. Her duties include customer deposits and check payments recording, accounts receivable, accounts payable and inventory recording, customers’ credit evaluation, employees hiring and termination issues, sales tax filing, payroll tax filing, monthly bank reconciliation, preparing financial statements, performing preparation for annual audit, quarterly review and income tax return filing. Approximately 50% of Ms.Chung’s time is used to perform her job as the CFO of Sunvalley Solar Inc.
Hangbo (Henry) Yu – Mr. Yu is our General Manager and a member of our Board of Directors. He has served in these positions since January of 2007 and was the founder of our business. From 2004 through 2006, Mr. Yu was the General Manager and a board member of International Transportation Corp., Canada. He graduated from Beijing University of Aeronautics and Astronautics with a Bachelor’s degree in Structure Design. He has run several startup companies in China and Canada, respectively. Over the past 12 months, Mr. Yu has been working to establish relationships with major solar power equipment manufacturers in China. Mr. Yu is an experienced business and operations manager. He has over 20 years of experience in import-export, logistics, international transportation, solar business operation and solar power system project planning and field managing.

Fang Xu – Dr. Xu is our Chief Technology Officer. He has served in this position since July of 2008. From 2005 through June of 2008, he was a staff design engineer at Via Telecom, Inc. He graduated from the Electrical Department of Beijing University in China, has a Masters Degree in Electronics from the University of Alabama, and a PhD in Photonics from the University of California, San Diego. Dr. Xu is currently in charge of our research and development efforts. Dr. Xu has over 13 years of experience in both in academic and industrial environments. Dr. Xu has extensive knowledge in photonics, and optics, as well as micro and nano-scale device processing technologies. In addition, Dr. Xu has hands on experience in making the nano-scale structure that modifies the effective dielectric properties of optical materials. Dr. Xu has been a pioneer in the use polarization selective materials to construction micro and nanoscale diffractive optical elements.

Shirley Liao – Mrs. Liao is our Director of Administration. She has served Sunvalley Solar, Inc. in this position since January of 2007. She graduated from Guangxi University in Art and Financial Management. Before moving to the United States, Shirley Liao worked in an international trading company (Audio & Video Company of Guangxi) as an executive management member. While working there, Mrs. Liao acquired experience in international trade as well as general sales management. From 1997 through 1998, she worked at Trust Bank as a Loan Officer. She has also worked at Coldwell Banker George Realty since 2000 as a real estate broker. Through the real estate sales business, she established good relationships with local societies, business owners, banks, builders and government agencies. Her excellent market and sales experiences as well as connections to customers bring an exceptional value to the company. Currently, Mrs. Liao does not spend working hours at Coldwell Banker George Realty. She is a full time employee devoting forty hours per week to Sunvalley Solar, Inc.

Anyork Lee – Mr. Lee is a member of our Board of Directors. He graduated from National Taiwan University, Taiwan and got his MBA from California State University, Stanislaus, in 1979. Mr. Lee has extensive connections to various Chinese-American and other organizations and societies. Mr. Lee has been a Director of the Board of Alhambra Medical University since 2005 and served as a Governing Board Member of Walnut Valley from 1997 to 2005. He is the president of CAAM (California Alliance of Acupuncture Medicine), Chairman of Southern California Chapter of APIAPAA (Asian Pacific Island American Public Affair Association), a Planning Committee Member of Susan Samueili Center for Integrative Medicine at University of California, Irvine, a Board Member of the Chinese American Association of Diamond Bar, and a member of the Board of Trustees of Walnut Valley Unified School District. Mr. Lee’s other affiliations include:

Jan. 2008 – present Council of Acupuncture & Oriental Medical Association, President
April 2007 – present Asian Pacific Island American Public Affair Association-
Southern California Chapter, Chair
Jan. 2007 – present Ca. Alliance of Acupuncture Medicine, President Emeritus
Aug. 2005 – present University of California, Irvine, Susan Samueili Center for Integrative Medicine, Planning Committee Member

For the past five years, Mr. Lee has worked as a licensed health practitioner at two private clinics, Dr. Lee Acupuncture and Alhambra Medical University.

Term of Office

Our Directors are appointed for a one year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.
Family Relationships

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers other than Shirley Liao and Hangbo (Henry) Yu who are wife and husband.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director, executive officer, or employee: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Committees of the Board

We do not currently have a compensation committee, executive committee, or stock plan committee.

Audit Committee

We do not have a separately-designated standing audit committee. The entire Board of Directors performs the functions of an audit committee, but no written charter governs the actions of the Board when performing the functions of what would generally be performed by an audit committee. The Board approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the Board reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor. Our Board of Directors, which performs the functions of an audit committee, does not have a member who would qualify as an “audit committee financial expert” within the definition of Item 407(d)(5)(ii) of Regulation S-K. Mandy Chung, our CFO, Secretary, and Treasurer, attends all meetings of the Board of Directors, including those meetings at which the board is performing those functions which would generally be performed by an audit committee. Mrs. Chung is licensed as a Certified Public Accountant in California. Mrs. Chung has over 15 years of public accounting experience in providing auditing, accounting, business consulting and tax services to a wide range of industries. She has extensive experience in performing reviews and audits for various organizations including publicly reporting companies. She also had prior audit experience in the filing process for a start-up company that filed with SEC to become a publicly reporting company. We believe that Mrs. Chung’s accounting expertise and audit experience allows her to provide satisfactory counsel to the Board and that, at our current size and stage of development, the addition of a special audit committee financial expert to the Board is not necessary.

Nomination Committee

Our Board of Directors does not maintain a nominating committee. As a result, no written charter governs the director nomination process. Our size and the size of our Board, at this time, do not require a separate nominating committee.
When evaluating director nominees, our directors consider the following factors:

- The appropriate size of our Board of Directors;
- Our needs with respect to the particular talents and experience of our directors;
- The knowledge, skills and experience of nominees, including experience in finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;
- Experience in political affairs;
- Experience with accounting rules and practices; and
- The desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new Board members.

Our goal is to assemble a Board that brings together a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Board will also consider candidates with appropriate non-business backgrounds.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the Board may also consider such other factors as it may deem are in our best interests as well as our stockholders. In addition, the Board identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service or if the Board decides not to re-nominate a member for re-election, the Board then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board are polled for suggestions as to individuals meeting the criteria described above. The Board may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary. The Board does not typically consider shareholder nominees because it believes that its current nomination process is sufficient to identify directors who serve our best interests.

Code of Ethics

As of December 31, 2011, we had not adopted a Code of Ethics for Financial Executives, which would include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Item 11. Executive Compensation

Compensation Discussion and Analysis

We presently do not have employment or compensation agreements with any of our named executive officers and have not established any overall system of executive compensation or any fixed policies regarding compensation of executive officers. Currently, our executive officers receive fixed cash compensation as set forth below.
The table below summarizes all compensation awarded to, earned by, or paid to our former or current executive officers for the fiscal years ended December 31, 2011 and 2010.

### SUMMARY COMPENSATION TABLE

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Bonus ($)</th>
<th>Stock Awards ($)</th>
<th>Option Awards ($)</th>
<th>Non-Equity Incentive Plan Compensation ($)</th>
<th>Nonqualified Deferred Compensation Earnings ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhijian (James) Zhang, President, CEO, and Director</td>
<td>2011 101,977</td>
<td>46,353</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>148,330</td>
</tr>
<tr>
<td></td>
<td>2010 98,500</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>98,500</td>
</tr>
<tr>
<td>Mandy Chung, CFO, Secretary, and Treasurer</td>
<td>2011 50,134</td>
<td>22,795</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>72,979</td>
</tr>
<tr>
<td></td>
<td>2010 37,500</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>37,500</td>
</tr>
<tr>
<td>Hangbo (Henry) Yu, General Manager and Director</td>
<td>2011 110,754</td>
<td>46,603</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>157,357</td>
</tr>
<tr>
<td></td>
<td>2010 100,000</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>100,000</td>
</tr>
<tr>
<td>Fang Xu, CTO</td>
<td>2011 8,856</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>8,856</td>
</tr>
<tr>
<td></td>
<td>2010 9,300</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>9,300</td>
</tr>
<tr>
<td>Shirley Liao, Director of Administration</td>
<td>2011 62,961</td>
<td>22,895</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>85,856</td>
</tr>
<tr>
<td></td>
<td>2010 61,502</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>61,502</td>
</tr>
</tbody>
</table>

### Narrative Disclosure to the Summary Compensation Table

Currently, our executive officers receive fixed cash compensation as set forth in the Summary Compensation Table. We presently do not have employment or compensation agreements with any of our named executive officers and have not established any overall system of executive compensation or any fixed policies regarding compensation of executive officers.

### Stock Option Grants

We have not granted any stock options to the executive officers or directors since our inception.
Outstanding Equity Awards at Fiscal Year-End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of December 31, 2011.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Securities Underlying Unexercised Options (#)</th>
<th>Number of Securities Underlying Exercisable Options (#)</th>
<th>Number of Securities Underlying Unexercisable Options (#)</th>
<th>Number of Securities Underlying Exercisable Options (#)</th>
<th>Number of Securities Underlying Unearned Equity Incentive Plan Awards:</th>
<th>Number of Securities Underlying Unearned Equity Incentive Plan Awards:</th>
<th>Number of Shares or Shares of Stock That Have Not Vested (#)</th>
<th>Number of Shares or Shares of Stock That Have Not Vested (#)</th>
<th>Number of Shares or Shares of Stock That Have Not Vested (#)</th>
<th>Number of Shares or Shares of Stock That Have Not Vested (#)</th>
<th>Option Exercise Price ($)</th>
<th>Option Expiration Date</th>
<th>Market or Payout Value of Shares, Shares or Other Rights That Have Not Vested (#)</th>
<th>Equity Incentive Plan Awards: Market or Payout Value of Shares, Shares or Other Rights That Have Not Vested (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhijian (James) Zhang, President, CEO, and Director</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mandy Chung, CFO, Secretary, and treasurer</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hangbo (Henry) Yu, General Manager and Director</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fang Xu, CTO</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shirley Liao, Director of Administration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Director Compensation

The table below summarizes all compensation of our directors for our last completed fiscal year.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash ($)</th>
<th>Stock Awards ($)</th>
<th>Option Awards ($)</th>
<th>Non-Equity Incentive Plan Compensation ($)</th>
<th>Non-Qualified Deferred Compensation Earnings ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhijian (James) Zhang</td>
<td>0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>0</td>
</tr>
<tr>
<td>Hangbo (Henry) Yu</td>
<td>0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>0</td>
</tr>
<tr>
<td>Anyork Lee</td>
<td>1,770</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>-0</td>
<td>1,770</td>
</tr>
</tbody>
</table>

Narrative Disclosure to the Director Compensation Table

We do not currently provide any set compensation to directors for their service as directors.

Employment Agreements with Current Management

We do not currently have any employment agreements in place with any of our executive officers.


The following table sets forth the beneficial ownership of our capital stock by each executive officer and director, by each person known by us to beneficially own more than 5% of any class of stock and by the executive officers and directors as a group. Except as otherwise indicated, all Shares are owned directly and the percentage shown is based on 968,224,644 shares common stock issued and outstanding as of March 28, 2012.

<table>
<thead>
<tr>
<th>Title of class</th>
<th>Name and address of beneficial owner (1)</th>
<th>Amount of beneficial ownership</th>
<th>Percent of class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Executive Officers &amp; Directors:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock</td>
<td>Zhijian (James) Zhang 12161 Salix Way San Diego CA 92129</td>
<td>88,075,400 shares</td>
<td>9.10%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Hangbo (Henry) Yu 3309 S. Gauntlet Dr. West Covina, CA 91792</td>
<td>63,558,945 shares</td>
<td>6.57%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Anyork Lee 1050 Yorba Linda Blvd. Placentia, CA 92870</td>
<td>30,664,190 shares</td>
<td>3.17%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Shirley Liao 3309 S Gauntlet Dr. West Covina, CA 91792</td>
<td>8,973,602 shares</td>
<td>2.21%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Mandy Chung 1059 Moreno Way Placentia, CA 92870</td>
<td>6,899,360 shares</td>
<td>0.71%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Fang Xu 11239 Vandemen Way San Diego, CA 92131</td>
<td>127,700 shares</td>
<td>0.01%</td>
</tr>
</tbody>
</table>

Total of All Current Directors and Officers: Common Stock 198,299,197 shares 21.77%

More than 5% Beneficial Owners

<table>
<thead>
<tr>
<th>Title of class</th>
<th>Name and address of beneficial owner (1)</th>
<th>Amount of beneficial ownership</th>
<th>Percent of class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>Haibo Yu 38499 Berkeley Common Fremont CA 94536</td>
<td>53,899,668 shares</td>
<td>5.57%</td>
</tr>
</tbody>
</table>

(1) As used in this table, “beneficial ownership” means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have “beneficial ownership” of any security that such person has the right to acquire within 60 days after such date.
Item 13. Certain Relationships and Related Transactions, and Director Independence

Except as set forth below, none of our directors or executive officers, nor any proposed nominee for election as a director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to all of our outstanding shares, nor any members of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons has any material interest, direct or indirect, in any transaction since our incorporation or in any presently proposed transaction which, in either case, has or will materially affect us:

1. We previously borrowed the sum of $100,000 from our President, James Zhang. This loan bore interest at a rate of 6.5% per annum. The principal of $100,000, plus interest of $9,941.44, was repaid in 2010.

2. We previously borrowed the sum of $75,000 from our General Manager, Hangbo (Henry) Yu. This loan also bore interest at a rate of 6.5% per annum. The principal of $75,000, plus interest of $9,205.68, was repaid in 2010.

3. On December 21, 2011, we borrowed the sum of $50,000 from James Zhang, our President, under the terms of a Private Loan Agreement. The loan is due within a year and bears interest at a rate of 6.50% per year.

4. On December 21, 2011, we borrowed the sum of $50,000 from Hangbo (Henry) Yu, our General Manager, under the terms of a Private Loan Agreement. The loan is due within a year and bears interest at a rate of 6.50% per year.

5. On February 24, 2012, we borrowed the sum of $21,307.90 from Hangbo (Henry) Yu, our General Manager, under the terms of a Private Loan Agreement. The loan is due within a year and bears interest at a rate of 6.50% per year.

Director Independence

We are not a “listed issuer” within the meaning of Item 407 of Regulation S-K and there are no applicable listing standards for determining the independence of our directors. Applying the definition of independence set forth in Rule 4200(a)(15) of The Nasdaq Stock Market, Inc., we believe that Anyork Lee is our only independent director.

Item 14. Principal Accounting Fees and Services

Below is the table of Audit Fees (amounts in US$) billed by our auditor in connection with the audit of the Company’s annual financial statements for the years ended:

<table>
<thead>
<tr>
<th>Financial Statements for the Year Ended</th>
<th>Audit Services</th>
<th>Audit Related Fees</th>
<th>Tax Fees</th>
<th>Other Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2011</td>
<td>$ 28,500</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>December 31, 2010</td>
<td>$ 18,000</td>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

PART IV

Item 15. Exhibits, Financial Statements Schedules

(a) Financial Statements and Schedules

The following financial statements and schedules listed below are included in this Form 10-K.

Financial Statements (See Item 8)
### Exhibits

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Articles of Incorporation&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>3.2</td>
<td>Bylaws&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.1</td>
<td>Drawdown Equity Financing Agreement&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.2</td>
<td>Registration Rights Agreement&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.3</td>
<td>Securities Purchase Agreement with Asher Enterprises, Inc. dated February 15, 2012</td>
</tr>
<tr>
<td>10.4</td>
<td>Convertible Promissory Note issued to Asher Enterprises, Inc. dated February 15, 2012</td>
</tr>
<tr>
<td>10.5</td>
<td>Securities Purchase Agreement with Asher Enterprises, Inc. dated October 18, 2011&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.6</td>
<td>Convertible Promissory Note issued to Asher Enterprises, Inc. dated October 18, 2011&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.7</td>
<td>Securities Purchase Agreement with Asher Enterprises, Inc. dated September 23, 2011&lt;sup&gt;(3)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.8</td>
<td>Convertible Promissory Note issued to Asher Enterprises, Inc. dated September 23, 2011&lt;sup&gt;(3)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.9</td>
<td>Securities Purchase Agreement with Tonaquint, Inc. dated October 18, 2011&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.10</td>
<td>Convertible Promissory Note issued to Tonaquint, Inc. dated October 18, 2011&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.11</td>
<td>Factoring and Security Agreement with CapFlow Funding Group Managers LLC dated November 10, 2011</td>
</tr>
<tr>
<td>10.12</td>
<td>Premises Lease&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.13</td>
<td>First Amendment to Premises Lease</td>
</tr>
<tr>
<td>10.14</td>
<td>Distribution Contract – TianWei SolarFilms Co. &lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10.15</td>
<td>Private Loan Agreement with James Zhang dated December 21, 2011</td>
</tr>
<tr>
<td>10.16</td>
<td>Private Loan Agreement with Henry Yu dated December 21, 2011</td>
</tr>
<tr>
<td>10.17</td>
<td>Private Loan Agreement with Henry Yu dated February 24, 2012</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Incorporated by reference to Annual Report on Form 10-K filed on March 31, 2011.

<sup>(2)</sup> Incorporated by reference to Annual Report on Form 10-K/A filed on May 12, 2011.

<sup>(3)</sup> Incorporated by reference to Current Report on Form 8-K filed on October 18, 2011.

<sup>(4)</sup> Incorporated by reference to Current Report on Form 8-K filed on October 24, 2011.
SIGNATURES

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

Sunvalley Solar, Inc.

By: /s/ James Zhang
James Zhang
President, Chief Executive Officer, and Director

April 16, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James Zhang
James Zhang
President, Chief Executive Officer, and Director

April 16, 2012

By: /s/ Mandy Chung
Mandy Chung
Chief Financial Officer, Principal Accounting Officer, Secretary, and Treasurer

April 16, 2012

By: /s/ Hangbo (Henry) Yu
Hangbo (Henry) Yu
General Manager, Director

April 16, 2012

By: /s/ Anyork Lee
Anyork Lee
Director

April 16, 2012
This "SECURITIES PURCHASE AGREEMENT" (the "Agreement"), dated as of February 15, 2012, by and between SUNVALLEY SOLAR, INC., a Nevada corporation, with headquarters located at 398 Lemon Creek Drive - Suite A, Walnut, CA 91789 (the “Company”), and ASHER ENTERPRISES, INC., a Delaware corporation, with its address at 1 Linden Place, Suite 207, Great Neck, NY 11021 (the “Buyer”).

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement an 8% convertible note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of $78,500.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “Note”), convertible into shares of common stock, $0.001 par value per share, of the Company (the “Common Stock”), upon the terms and subject to the limitations and conditions set forth in such Note.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. Purchase and Sale of Note.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto.

b. Form of Payment. On the Closing Date (as defined below), (i) the Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the “Purchase Price”) by wire transfer of immediately available funds to the Company, in accordance with the Company’s written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyers name on the signature pages hereto, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.
c. **Closing Date.** Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Section 6 and Section 7 below, the date and time of the issuance and sale of the Note pursuant to this Agreement (the “Closing Date”) shall be 12:00 noon, Eastern Standard Time on February 21, 2012, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties.

2. **Buyer’s Representations and Warranties.** The Buyer represents and warrants to the Company that:

   a. **Investment Purpose.** As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Note, (ii) as a result of the events described in Sections 1.3 and 1.4(g) of the Note or (iii) in payment of the Standard Liquidated Damages Amount (as defined in Section 2(f) below) pursuant to this Agreement, such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note, the “Securities”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

   b. **Accredited Investor Status.** The Buyer is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D (an “Accredited Investor”).

   c. **Reliance on Exemptions.** The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

   d. **Information.** The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer’s right to rely on the Company’s representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company’s representations and warranties made herein.
e. **Governmental Review.** The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. **Transfer or Re-sale.** The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an “affiliate” (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) (“Rule 144”)) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) (“Regulation S”), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

g. **Legends.** The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”
The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer’s name on the signature pages hereto.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that:
a. **Organization and Qualification.** The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business and where now owned, leased, used, operated and conducted. Schedule 3(a) sets forth a list of all of the Subsidiaries of the Company and the jurisdiction in which each is incorporated. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. “Material Adverse Effect” means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. “Subsidiaries” means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. **Authorization; Enforcement.** (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company’s Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. **Capitalization.** As of the date hereof, the authorized capital stock of the Company consists of: (i) 1,500,000,000 shares of Common Stock, $0.001 par value per share, of which 876,039,889 shares are issued and outstanding; and (ii) there are no authorized shares of Preferred Stock; no shares are reserved for issuance pursuant to the Company’s stock option plans, no shares are reserved for issuance pursuant to securities (other than the Note and two (2) prior convertible promissory notes in favor of the Buyer: (a) prior convertible promissory note in favor of the Buyer dated September 23, 2011 in the amount of $75,000.00 for which 300,000,000 shares of Common Stock are presently reserved and (b) prior convertible promissory note in favor of the Buyer dated October 18, 2011 in the amount of $75,000.00 for which 167,000,000 shares of Common Stock are presently reserved) exercisable for, or convertible into or exchangeable for shares of Common Stock and 156,500,000 shares are reserved for issuance upon conversion of the Note. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. As of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has furnished to the Buyer true and correct copies of the Company’s Certificate of Incorporation as in effect on the date hereof (“Certificate of Incorporation”), the Company’s By-laws, as in effect on the date hereof (the “By-laws”), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company’s Chief Executive on behalf of the Company as of the Closing Date.
d. **Issuance of Shares.** The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. **Acknowledgment of Dilution.** The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. **No Conflicts.** The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Bulletin Board (the “OTCBB”) and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB in the foreseeable future. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.
SEC Documents; Financial Statements. The Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “1934 Act”) (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the “SEC Documents”). Upon written request the Company will deliver to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to September 30, 2011, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act.
h. **Absence of Certain Changes.** Since September 30, 2011, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. **Absence of Litigation.** There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. **Patents, Copyrights, etc.** The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights (“Intellectual Property”) necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); there is no claim or action by any person pertaining to, or proceeding pending, or to the Company’s knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company’s knowledge, the Company’s or its Subsidiaries’ current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.
k. **No Materially Adverse Contracts, Etc.** Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company’s officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company’s officers has or is expected to have a Material Adverse Effect.

l. **Tax Status.** The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company’s tax returns is presently being audited by any taxing authority.

m. **Certain Transactions.** Except for arm’s length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. **Disclosure.** All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company’s reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).
o. Acknowledgment Regarding Buyer’ Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm’s length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer’ purchase of the Securities. The Company further represents to the Buyer that the Company’s decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company’s securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the “Company Permits”), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Since September 30, 2011, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.
s. **Environmental Matters.**

(i) There are, to the Company’s knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company’s knowledge, threatened in connection with any of the foregoing. The term “Environmental Laws” means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, “Hazardous Materials”) into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company’s or any of its Subsidiaries’ business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. **Title to Property.** The Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(t) or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. **Insurance.** The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors’ and officers’ liability coverage, errors and omissions coverage, and commercial general liability coverage.

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v. **Internal Accounting Controls.** The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company’s board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management’s general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

w. **Foreign Corrupt Practices.** Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

x. **[INTENTIONALLY DELETED]**

y. **No Investment Company.** The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an “investment company” required to be registered under the Investment Company Act of 1940 (an “Investment Company”). The Company is not controlled by an Investment Company.

z. **Breach of Representations and Warranties by the Company.** If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under Section 3.4 of the Note.

4. **COVENANTS.**

a. **Best Efforts.** The parties shall use their best efforts to satisfy timely each of the conditions described in Section 6 and 7 of this Agreement.

b. **Form D; Blue Sky Laws.** The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer at the applicable closing pursuant to this Agreement under applicable securities or “blue sky” laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to the Closing Date.
c. **Use of Proceeds.** The Company shall use the proceeds for general working capital purposes.

d. **Right of First Refusal.** Unless it shall have first delivered to the Buyer, at least seventy two (72) hours prior to the closing of such Future Offering (as defined herein), written notice describing the proposed Future Offering, including the terms and conditions thereof and proposed definitive documentation to be entered into in connection therewith, and providing the Buyer an option during the seventy two (72) hour period following delivery of such notice to purchase the securities being offered in the Future Offering on the same terms as contemplated by such Future Offering (the limitations referred to in this sentence and the preceding sentence are collectively referred to as the “Right of First Refusal”) (and subject to the exceptions described below), the Company will not conduct any equity financing (including debt with an equity component) (“Future Offerings”) during the period beginning on the Closing Date and ending twelve (12) months following the Closing Date. In the event the terms and conditions of a proposed Future Offering are amended in any respect after delivery of the notice to the Buyer concerning the proposed Future Offering, the Company shall deliver a new notice to the Buyer describing the amended terms and conditions of the proposed Future Offering and the Buyer thereafter shall have an option during the seventy two (72) hour period following delivery of such new notice to purchase its pro rata share of the securities being offered on the same terms as contemplated by such proposed Future Offering, as amended. The foregoing sentence shall apply to successive amendments to the terms and conditions of any proposed Future Offering. The Right of First Refusal shall not apply to transaction involving (i) issuances of securities in a firm commitment underwritten public offering (excluding a continuous offering pursuant to Rule 415 under the 1933 Act) or (ii) issuances of securities as consideration for a merger, consolidation or purchase of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company. The Right of First Refusal also shall not apply to the issuance of securities upon exercise or conversion of the Company’s options, warrants or other convertible securities outstanding as of the date hereof or to the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan approved by the shareholders of the Company.

e. **Expenses.** At the Closing, the Company shall reimburse Buyer for expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith (“Documents”), including, without limitation, reasonable attorneys’ and consultants’ fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents. When possible, the Company must pay these fees directly, otherwise the Company must make immediate payment for reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer. The Company’s obligation with respect to this transaction is to reimburse Buyer’s expenses shall be $3,500.
f. **Financial Information.** Upon written request the Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders.

g. **[INTENTIONALLY DELETED]**

h. **Listing.** The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB or any equivalent replacement exchange, the Nasdaq National Market (“Nasdaq”), the Nasdaq SmallCap Market (“Nasdaq SmallCap”), the New York Stock Exchange (“NYSE”), or the American Stock Exchange (“AMEX”) and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority (“FINRA”) and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any notices it receives from the OTCBB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems. The Company’s common stock is currently dually quoted on the OTC Bulletin Board and the Pink Sheets. In the event that the Company’s common stock is dropped from quotation on the OTC Bulletin Board and such action is not taken as a result of any action or failure to act on the part of the Company, the Company shall be considered in compliance with this section so long as it remains current and in full compliance with all reporting obligations under the 1934 Act. In the event that the Company’s common stock becomes quoted solely on the Pink Sheets, the Company shall maintain the Pink Sheets market tier designation “OTCQB” or its equivalent.

i. **Corporate Existence.** So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company’s assets, where the surviving or successor entity in such transaction (i) assumes the Company’s obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, Nasdaq, Nasdaq SmallCap, NYSE or AMEX.
j. **No Integration.** The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

k. **Breach of Covenants.** If the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under Section 3.4 of the Note.

l. **Failure to Comply with the 1934 Act.** So long as the Buyer beneficially owns the Note, the Company shall comply with the reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

m. **Trading Activities.** Neither the Buyer nor its affiliates has an open short position in the common stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the common stock of the Company.

5. **Transfer Agent Instructions.** The Company shall issue irrevocable instructions to its transfer agent to issue certificates, registered in the name of the Buyer or its nominee, for the Conversion Shares in such amounts as specified from time to time by the Buyer to the Company upon conversion of the Note in accordance with the terms thereof (the “Irrevocable Transfer Agent Instructions”). In the event that the Borrower proposes to replace its transfer agent, the Borrower shall provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 5, and stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing)(electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer’s obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Buyer, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 5 may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required.
6. **Conditions to the Company's Obligation to Sell.** The obligation of the Company hereunder to issue and sell the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

   a. The Buyer shall have executed this Agreement and delivered the same to the Company.

   b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

   c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

   d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.
7. **Conditions to The Buyer’s Obligation to Purchase.** The obligation of the Buyer hereunder to purchase the Note at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Buyer’s sole benefit and may be waived by the Buyer at any time in its sole discretion:

   a. The Company shall have executed this Agreement and delivered the same to the Buyer.

   b. The Company shall have delivered to the Buyer the duly executed Note (in such denominations as the Buyer shall request) in accordance with Section 1(b) above.

   c. The Irrevocable Transfer Agent Instructions, in form and substance satisfactory to a majority-in-interest of the Buyer, shall have been delivered to and acknowledged in writing by the Company’s Transfer Agent.

   d. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company’s Certificate of Incorporation, By-laws and Board of Directors’ resolutions relating to the transactions contemplated hereby.

   e. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

   f. No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

   g. The Conversion Shares shall have been authorized for quotation on the OTCBB and trading in the Common Stock on the OTCBB shall not have been suspended by the SEC or the OTCBB.
h. The Buyer shall have received an officer’s certificate described in Section 3(c) above, dated as of the Closing Date.

8. Governing Law; Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state and county of Nassau. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.
f. **Notices.** All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

**SUNVALLEY SOLAR, INC.**  
398 Lemon Creek Drive - Suite A  
Walnut, CA 91789  
Attn: ZHIJIAN ZHANG, Chief Executive Officer  
facsimile: [enter fax number]  

With a copy by fax only to (which copy shall not constitute notice):

Joe Laxague  
Cane Clark LLP  
3273 E. Warm Springs Rd.  
Las Vegas, NV 89120  
Phone: (702) 312-6255  
Fax: (702) 944-7100  

If to the Buyer:

**ASHER ENTERPRISES, INC.**  
1 Linden Pl., Suite 207  
Great Neck, NY. 11021  
Attn: Curt Kramer, President  
facsimile: 516-498-9894  

With a copy by fax only to (which copy shall not constitute notice):

Naidich Wurman Birnbaum & Maday LLP  
80 Cuttermill Road, Suite 410  
facsimile: 516-466-3555
Each party shall provide notice to the other party of any change in address.

g. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its “affiliates,” as that term is defined under the 1934 Act, without the consent of the Company.

h. **Third Party Beneficiaries.** This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. **Survival.** The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. **Publicity.** The Company, and the Buyer shall have the right to review a reasonable period of time before issuance of any press releases, SEC, OTCBB or FINRA filings, or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyer, to make any press release or SEC, OTCBB (or other applicable trading market) or FINRA filings with respect to such transactions as is required by applicable law and regulations (although the Buyer shall be consulted by the Company in connection with any such press release prior to its release and shall be provided with a copy thereof and be given an opportunity to comment thereon).

k. **Further Assurances.** Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

l. **No Strict Construction.** The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

m. **Remedies.** The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.
IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

SUNVALLEY SOLAR, INC.

By: /s/ Zhijian Zhang
ZHIIJIAN ZHANG
Chief Executive Officer

ASHER ENTERPRISES, INC.

By: /s/ Curt Kramer
Name: Curt Kramer
Title: President

1 Linden Pl., Suite 207
Great Neck, NY. 11021

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note: $78,500.00
Aggregate Purchase Price: $78,500.00
NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, SUNVALLEY SOLAR, INC., a Nevada corporation (hereinafter called the “Borrower”), hereby promises to pay to the order of ASHER ENTERPRISES, INC., a Delaware corporation, or registered assigns (the “Holder”) the sum of $78,500.00 together with any interest as set forth herein, on November 21, 2012 (the “Maturity Date”), and to pay interest on the unpaid principal balance hereof at the rate of eight percent (8%) (the “Interest Rate”) per annum from the date hereof (the “Issue Date”) until the same becomes due and payable, whether at maturity or upon acceleration or by prepayment or otherwise. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of twenty two percent (22%) per annum from the due date thereof until the same is paid (“Default Interest”). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into common stock, $0.001 par value per share (the “Common Stock”) in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term “business day” shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement dated the date hereof, pursuant to which this Note was originally issued (the “Purchase Agreement”).

Principal Amount: $78,500.00
Purchase Price: $78,500.00

Issue Date: February 15, 2012
This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this Note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default Amount (as defined in Article III) pursuant to Section 1.6(a) or Article III, each in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the “Conversion Price”) determined as provided herein (a “Conversion”); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived by the Holder upon, at the election of the Holder, not less than 61 days’ prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the “Notice of Conversion”), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the “Conversion Date”). The term “Conversion Amount” means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Borrower’s option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Borrower’s option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder’s option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.
1.2 Conversion Price.

(a) Calculation of Conversion Price. The conversion price (the "Conversion Price") shall equal the Variable Conversion Price (as defined herein) (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower’s securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Variable Conversion Price" shall mean 61% multiplied by the Market Price (as defined herein) (representing a discount rate of 39%). “Market Price” means the average of the lowest three (3) Trading Prices (as defined below) for the Common Stock during the thirty (30) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. “Trading Price” means, for any security as of any date, the closing bid price on the Over-the-Counter Bulletin Board, or applicable trading market (the "OTCBB") as reported by a reliable reporting service (“Reporting Service”) mutually acceptable to Borrower and Holder (i.e. Bloomberg) or, if the OTCBB is not the principal trading market for such security, the closing bid price of such security on the principal securities exchange or trading market where such security is listed or traded or, if no closing bid price of such security is available in any of the foregoing manners, the average of the closing bid prices of any market makers for such security that are listed in the “pink sheets” by the National Quotation Bureau, Inc. If the Trading Price cannot be calculated for such security on such date in the manner provided above, the Trading Price shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Price is required in order to determine the Conversion Price of such Notes. “Trading Day” shall mean any day on which the Common Stock is tradable for any period on the OTCBB, or on the principal securities exchange or other securities market on which the Common Stock is then being traded.

(b) Conversion Price During Major Announcements. Notwithstanding anything contained in Section 1.2(a) to the contrary, in the event the Borrower (i) makes a public announcement that it intends to consolidate or merge with any other corporation (other than a merger in which the Borrower is the surviving or continuing corporation and its capital stock is unchanged) or sell or transfer all or substantially all of the assets of the Borrower or (ii) any person, group or entity (including the Borrower) publicly announces a tender offer to purchase 50% or more of the Borrower’s Common Stock (or any other takeover scheme) (the date of the announcement referred to in clause (i) or (ii) is hereinafter referred to as the “Announcement Date”), then the Conversion Price shall, effective upon the Announcement Date and continuing through the Adjusted Conversion Price Termination Date (as defined below), be equal to the lower of (x) the Conversion Price which would have been applicable for a Conversion occurring on the Announcement Date and (y) the Conversion Price that would otherwise be in effect. From and after the Adjusted Conversion Price Termination Date, the Conversion Price shall be determined as set forth in this Section 1.2(a). For purposes hereof, “Adjusted Conversion Price Termination Date” shall mean, with respect to any proposed transaction or tender offer (or takeover scheme) for which a public announcement as contemplated by this Section 1.2(b) has been made, the date upon which the Borrower (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) consummates or publicly announces the termination or abandonment of the proposed transaction or tender offer (or takeover scheme) which caused this Section 1.2(b) to become operative.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note issued pursuant to the Purchase Agreement. The Borrower is required at all times to have authorized and reserved five times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time) (the “Reserved Amount”). The Reserved Amount shall be increased from time to time in accordance with the Borrower’s obligations pursuant to Section 4(g) of the Purchase Agreement. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.
1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, prima facie, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder’s account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (but in any event the fifth (5th) business day being hereinafter referred to as the “Deadline”) (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof and the Purchase Agreement.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower’s obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.
(f) **Delivery of Common Stock by Electronic Transfer.** In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company (“DTC”) Fast Automated Securities Transfer (“FAST”) program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder’s Prime Broker with DTC through its Deposit Withdrawal Agent Commission (“DWAC”) system.

(g) **Failure to Deliver Common Stock Prior to Deadline.** Without in any way limiting the Holder’s right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder $2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 **Concerning the Shares.** The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) (“Rule 144”) or (iv) such shares are transferred to an “affiliate” (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor (as defined in the Purchase Agreement). Except as otherwise provided in the Purchase Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:
“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR 
THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED 
UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE 
SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE 
ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE 
SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL 
BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT 
REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER 
SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN 
CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING 
ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Company so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.
1.6 **Effect of Certain Events.**

(a) **Effect of Merger, Consolidation, Etc.** At the option of the Holder, the sale, conveyance or disposition of all or substantially all of the assets of the Borrower, the effectuation by the Borrower of a transaction or series of related transactions in which more than 50% of the voting power of the Borrower is disposed of, or the consolidation, merger or other business combination of the Borrower with or into any other Person (as defined below) or Persons when the Borrower is not the survivor shall either: (i) be deemed to be an Event of Default (as defined in Article III) pursuant to which the Borrower shall be required to pay to the Holder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as defined in Article III) or (ii) be treated pursuant to Section 1.6(b) hereof. “Person” shall mean any individual, corporation, limited liability company, partnership, association, trust or other entity or organization.

(b) **Adjustment Due to Merger, Consolidation, Etc.** If, at any time when this Note is issued and outstanding and prior to conversion of all of the Notes, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof. The Borrower shall not affect any transaction described in this Section 1.6(b) unless (a) it first gives, to the extent practicable, thirty (30) days prior written notice (but in any event at least fifteen (15) days prior written notice) of the record date of the special meeting of shareholders to approve, or if there is no such record date, the consummation of, such merger, consolidation, exchange of shares, recapitalization, reorganization or other similar event or sale of assets (during which time the Holder shall be entitled to convert this Note) and (b) the resulting successor or acquiring entity (if not the Borrower) assumes by written instrument the obligations of this Section 1.6(b). The above provisions shall similarly apply to successive consolidations, mergers, sales, transfers or share exchanges.

(c) **Adjustment Due to Distribution.** If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower’s shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a “Distribution”), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.
(d) Adjustment Due to Dilutive Issuance. If, at any time when any Notes are issued and outstanding, the Borrower issues or sells, or in accordance with this Section 1.6(d) hereof is deemed to have issued or sold, any shares of Common Stock for no consideration or for a consideration per share (before deduction of reasonable expenses or commissions or underwriting discounts or allowances in connection therewith) less than the Conversion Price in effect on the date of such issuance (or deemed issuance) of such shares of Common Stock (a “Dilutive Issuance”), then immediately upon the Dilutive Issuance, the Conversion Price will be reduced to the amount of the consideration per share received by the Borrower in such Dilutive Issuance.

The Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or grants any warrants, rights or options (not including employee stock option plans), whether or not immediately exercisable, to subscribe for or to purchase Common Stock or other securities convertible into or exchangeable for Common Stock (“Convertible Securities”) (such warrants, rights and options to purchase Common Stock or Convertible Securities are hereinafter referred to as “Options”) and the price per share for which Common Stock is issuable upon the exercise of such Options is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon the exercise of such Options” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or granting of all such Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the exercise of all such Options, plus, in the case of Convertible Securities issuable upon the exercise of such Options, the minimum aggregate amount of additional consideration payable upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Options (assuming full conversion of Convertible Securities, if applicable). No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon the exercise of such Options or upon the conversion or exchange of Convertible Securities issuable upon exercise of such Options.

Additionally, the Borrower shall be deemed to have issued or sold shares of Common Stock if the Borrower in any manner issues or sells any Convertible Securities, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options), and the price per share for which Common Stock is issuable upon such conversion or exchange is less than the Conversion Price then in effect, then the Conversion Price shall be equal to such price per share. For the purposes of the preceding sentence, the “price per share for which Common Stock is issuable upon such conversion or exchange” is determined by dividing (i) the total amount, if any, received or receivable by the Borrower as consideration for the issuance or sale of all such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Borrower upon the conversion or exchange thereof at the time such Convertible Securities first become convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment to the Conversion Price will be made upon the actual issuance of such Common Stock upon conversion or exchange of such Convertible Securities.
Purchase Rights. If, at any time when any Notes are issued and outstanding, the Borrower issues any convertible securities or rights to purchase stock, warrants, securities or other property (the “Purchase Rights”) pro rata to the record holders of any class of Common Stock, then the Holder of this Note will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such Holder could have acquired if such Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on conversion contained herein) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.6, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder of a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth (i) such adjustment or readjustment, (ii) the Conversion Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

Trading Market Limitations. Unless permitted by the applicable rules and regulations of the principal securities market on which the Common Stock is then listed or traded, in no event shall the Borrower issue upon conversion of or otherwise pursuant to this Note and the other Notes issued pursuant to the Purchase Agreement more than the maximum number of shares of Common Stock that the Borrower can issue pursuant to any rule of the principal United States securities market on which the Common Stock is then traded (the “Maximum Share Amount”), which shall be 4.99% of the total shares outstanding on the Closing Date (as defined in the Purchase Agreement), subject to equitable adjustment from time to time for stock splits, stock dividends, combinations, capital reorganizations and similar events relating to the Common Stock occurring after the date hereof. Once the Maximum Share Amount has been issued, if the Borrower fails to eliminate any prohibitions under applicable law or the rules or regulations of any stock exchange, interdealer quotation system or other self-regulatory organization with jurisdiction over the Borrower or any of its securities on the Borrower’s ability to issue shares of Common Stock in excess of the Maximum Share Amount, in lieu of any further right to convert this Note, this will be considered an Event of Default under Section 3.3 of the Note.
1.8 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder’s allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder’s rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower’s failure to convert this Note.

1.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, so long as the Borrower has not received a Notice of Conversion from the Holder, then at any time during the period beginning on the Issue Date and ending on the date which is sixty (60) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any notice of prepayment hereunder (an “Optional Prepayment Notice”) shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the date fixed for prepayment (the “Optional Prepayment Date”), the Borrower shall make payment of the Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the “Optional Prepayment Amount”) equal to 130%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.
Notwithstanding anything to the contrary contained in this Note, so long as the Borrower has not received a Notice of Conversion from the Holder, then at any time during the period beginning on the date which is sixty-one (61) days following the issue date and ending on the date which is one hundred twenty (120) days following the issue date, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the Optional Prepayment Date, the Borrower shall make payment of the Second Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Second Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

Notwithstanding any to the contrary stated elsewhere herein, at any time during the period beginning on the date that is one hundred twenty-one (121) days from the issue date and ending one hundred eighty (180) days following the date of the Note, the Borrower shall have the right, exercisable on not less than three (3) Trading Days prior written notice to the Holder of the Note to prepay the outstanding Note (principal and accrued interest), in full, in accordance with this Section 1.9. Any Optional Prepayment Notice shall be delivered to the Holder of the Note at its registered addresses and shall state: (1) that the Borrower is exercising its right to prepay the Note, and (2) the date of prepayment which shall be not more than three (3) Trading Days from the date of the Optional Prepayment Notice. On the Optional Prepayment Date, the Borrower shall make payment of the Third Optional Prepayment Amount (as defined below) to or upon the order of the Holder as specified by the Holder in writing to the Borrower at least one (1) business day prior to the Optional Prepayment Date. If the Borrower exercises its right to prepay the Note, the Borrower shall make payment to the Holder of an amount in cash (the “Third Optional Prepayment Amount”) equal to 150%, multiplied by the sum of: (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the Optional Prepayment Date plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof. If the Borrower delivers an Optional Prepayment Notice and fails to pay the Third Optional Prepayment Amount due to the Holder of the Note within two (2) business days following the Optional Prepayment Date, the Borrower shall forever forfeit its right to prepay the Note pursuant to this Section 1.9.

After the expiration of one hundred eighty (180) following the date of the Note, the Borrower shall have no right of prepayment.
ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder’s written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders’ rights plan which is approved by a majority of the Borrower’s disinterested directors.

2.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder’s written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

2.3 Borrowings. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder’s written consent, create, incur, assume guarantee, endorse, contingently agree to purchase or otherwise become liable upon the obligation of any person, firm, partnership, joint venture or corporation, except by the endorsement of negotiable instruments for deposit or collection, or suffer to exist any liability for borrowed money, except (a) borrowings in existence or committed on the date hereof and of which the Borrower has informed Holder in writing prior to the date hereof, (b) indebtedness to trade creditors or financial institutions incurred in the ordinary course of business or (c) borrowings, the proceeds of which shall be used to repay this Note.

2.4 Sale of Assets. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder’s written consent, sell, lease or otherwise dispose of any significant portion of its assets outside the ordinary course of business. Any consent to the disposition of any assets may be conditioned on a specified use of the proceeds of disposition.

2.5 Advances and Loans. So long as the Borrower shall have any obligation under this Note, the Borrower shall not, without the Holder’s written consent, lend money, give credit or make advances to any person, firm, joint venture or corporation, including, without limitation, officers, directors, employees, subsidiaries and affiliates of the Borrower, except loans, credits or advances (a) in existence or committed on the date hereof and which the Borrower has informed Holder in writing prior to the date hereof, (b) made in the ordinary course of business or (c) not in excess of $100,000.
ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an “Event of Default”) shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise.

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for three (3) business days after the Holder shall have delivered a Notice of Conversion.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.
3.6 **Judgments.** Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than $50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 **Bankruptcy.** Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 **Delisting of Common Stock.** The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTCBB or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

3.9 **Failure to Comply with the Exchange Act.** The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 **Liquidation.** Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 **Cessation of Operations.** Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower’s ability to continue as a “going concern” shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 **Maintenance of Assets.** The failure by Borrower to maintain any material intellectual property rights, personal, real property or other assets which are necessary to conduct its business (whether now or in the future).

3.13 **Financial Statement Restatement.** The restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

3.14 **Reverse Splits.** The Borrower effectuates a reverse split of its Common Stock without twenty (20) days prior written notice to the Holder.
3.15 Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.16 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. “Other Agreements” means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term “Other Agreements” shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

Upon the occurrence and during the continuation of any Event of Default specified in Section 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due at the Maturity Date), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the Default Sum (as defined herein). UPON THE OCCURRENCE AND DURING THE CONTINUATION OF ANY EVENT OF DEFAULT SPECIFIED IN SECTION 3.2, THE NOTE SHALL BECOME IMMEDIATELY DUE AND PAYABLE AND THE BORROWER SHALL PAY TO THE HOLDER, IN FULL SATISFACTION OF ITS OBLIGATIONS HEREUNDER, AN AMOUNT EQUAL TO: (Y) THE DEFAULT SUM (AS DEFINED HEREIN); MULTIPLIED BY (Z) TWO (2). Upon the occurrence and during the continuation of any Event of Default specified in Sections 3.1 (solely with respect to failure to pay the principal hereof or interest thereon when due on this Note upon a Trading Market Prepayment Event pursuant to Section 1.7 or upon acceleration), 3.3, 3.4, 3.6, 3.8, 3.9, 3.11, 3.12, 3.13, 3.14, and/or 3.15 exercisable through the delivery of written notice to the Borrower by such Holders (the “Default Notice”), and upon the occurrence of an Event of Default specified the remaining sections of Articles III (other than failure to pay the principal hereof or interest thereon at the Maturity Date specified in Section 3.1 hereof), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of this Note plus (x) accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment (the “Mandatory Prepayment Date”) plus (y) Default Interest, if any, on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof (the then outstanding principal amount of this Note to the date of payment plus the amounts referred to in clauses (x), (y) and (z) shall collectively be known as the “Default Sum”) or (ii) the “parity value” of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of Common Stock issuable upon conversion of or otherwise pursuant to such Default Sum in accordance with Article I, treating the Trading Day immediately preceding the Mandatory Prepayment Date as the “Conversion Date” for purposes of determining the lowest applicable Conversion Price, unless the Default Event arises as a result of a breach in respect of a specific Conversion Date in which case such Conversion Date shall be the Conversion Date, multiplied by (b) the highest Closing Price for the Common Stock during the period beginning on the date of first occurrence of the Event of Default and ending one day prior to the Mandatory Prepayment Date (the “Default Amount”) and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

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If the Borrower fails to pay the Default Amount within five (5) business days of written notice that such amount is due and payable, then the Holder shall have the right at any time, so long as the Borrower remains in default (and so long and to the extent that there are sufficient authorized shares), to require the Borrower, upon written notice, to immediately issue, in lieu of the Default Amount, the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:
4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument (and the other Notes issued pursuant to the Purchase Agreement) as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an “accredited investor” (as defined in Rule 501 (a) of the 1933 Act). Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.
4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state courts of New York or in the federal courts located in the state and county of Nassau. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Purchase Agreement. By its acceptance of this Note, each party agrees to be bound by the applicable terms of the Purchase Agreement.

4.9 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower’s shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time. The Borrower shall make a public announcement of any event requiring notification to the Holder hereunder substantially simultaneously with the notification to the Holder in accordance with the terms of this Section 4.9.
4.10 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this February 15, 2012.

SUNVALLEY SOLAR, INC.

By: /s/ Zhijian Zhang
ZHANG
Chief Executive Officer
EXHIBIT A: NOTICE OF CONVERSION

The undersigned hereby elects to convert $______________ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note (“Common Stock”) as set forth below, of SUNVALLEY SOLAR, INC., a Nevada corporation (the “Borrower”) according to the conditions of the convertible note of the Borrower dated as of February 15, 2012 (the “Note”), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

[ ] The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system (“DWAC Transfer”).
   Name of DTC Prime Broker:
   Account Number:

[ ] The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder’s calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

ASHER ENTERPRISES, INC.
1 Linden Pl., Suite 207
Great Neck, NY. 11021
Attention: Certificate Delivery
(516) 498-9890

Date of Conversion: _____________
Applicable Conversion Price: $____________
Number of Shares of Common Stock to be Issued
Pursuant to Conversion of the Notes: ______________
Amount of Principal Balance Due remaining
Under the Note after this conversion: ______________

ASHER ENTERPRISES, INC.
By: ____________________________
Name: Curt Kramer
Title: President
Date: ______________
1 Linden Pl., Suite 207
Great Neck, NY. 11021
FACTORING AND SECURITY AGREEMENT

THIS FACTORING AND SECURITY AGREEMENT ("Agreement") is deemed executed and binding as of Nov 10th, 2011, by and between Sunvalley Solar, Inc ("Seller”) a Nevada registered company, its subsidiaries and affiliated companies (including all DBAs), and CapFlow Funding Group Managers LLC, a Delaware limited liability company ("Purchaser").

1. Definitions and Index to Definitions. The following terms used in this section shall have the following meanings. Each capitalized term not herein defined shall have the meaning set forth in the Uniform Commercial Code:

1.1 "Account" - any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

1.2 "Account Debtor" - means a person obligated on an account, chattel paper, or general intangible.

1.3 "Avoidance Claim" - any claim that any payment received by Purchaser is a fraudulent conveyance, preference, or is otherwise avoidable under Title 11 of the United States Bankruptcy Code, any other debtor relief statute or any other law.

1.4 "Base Fees" - the Initial Factoring Fee and all subsequent Factoring Fees

1.5 "Chosen State" - shall be New Jersey

1.6 "Clearance Days" - three (3) banking days for checks drawn on United States banks; otherwise, ten (10) days.

1.7 "Closed" - a Purchased Account is closed upon the first to occur of: (i) receipt of full payment by Purchaser or (ii) the unpaid Face Amount has been charged by Purchaser to the Reserve Account pursuant to the terms hereof.

1.8 "Collateral" - all Seller's now owned and hereafter acquired Accounts, Chattel Paper, Deposit Accounts, Inventory, Equipment, Instruments, Investment Property, Documents, Letter of Credit Rights, Commercial Tort Claims, General Intangibles (excluding Intellectual Property), Supporting Obligations and any sums maintained by Purchaser that are identified as payable to Seller from the Reserve Account.

1.9 "Complete Termination" - Complete Termination occurs upon satisfaction of each of the following conditions:

1.9.1. Payment in full of all Obligations of Seller to Purchaser and Purchaser's issuance of a UCC termination statement;

1.9.2. If Purchaser has issued or caused to be issued any guaranty, promise, or letter of credit on behalf of Seller, acknowledgement from any beneficiaries thereof that Purchaser or any other issuer has no outstanding direct or contingent liability therein; and

1.9.3. Seller has executed and delivered to Purchaser a general release in the form of Exhibit 1.7.3 attached hereto.

1.10 "Early Termination Date" - see Section 19.1 hereof

1.11 "Early Termination Fee" - shall be 5%.
1.12 "Eligible Account" - an Account that is acceptable for purchase as determined by Purchaser in the exercise of its reasonable sole credit or business judgment, however, the following Accounts will not qualify as Eligible Accounts:
   i) accounts that have been outstanding greater than 130 days;
   ii) invoices from account debtors that have receivables greater than 130 days ("cross-age accounts") or that are currently in dispute;
   iii) account debtors that are currently seeking or are under bankruptcy protection;
   iv) invoices that are less than $500;
   v) invoices from customers whereby the Seller is both a creditor and debtor ("contra accounts");
   vi) invoices generated from unapproved foreign receivables.

1.13 "Events of Default" - see Section 16.1.

1.14 "Exposed Payments" - any payments received by Purchaser from or for the account of a Payor that has become subject to a bankruptcy or other form of debtor relief proceeding, to the extent such payments cleared the Payor's deposit account within ninety days of the commencement of said bankruptcy case or are otherwise subject to avoidance.

1.15 "Face Amount" - the total gross amount due on an Account at the time of purchase.

1.16 "Factoring Fee" - the Factoring Fee Percentage multiplied by the Face Amount of a Purchased Account, for each Factoring Fee Period that any portion thereof remains unpaid, computed from the end of the Initial Fee Period to and including the date on which a Purchased Account is Closed.

1.17 "Factoring Fee Percentage" - shall be 0.95% for each fifteen day period after the Initial Factoring Fee Period and commencing on the 31st day after purchase. The Factoring Fees for each Factoring Fee Period (including the Initial Factoring Fee) will be as follows:

<table>
<thead>
<tr>
<th>Invoice Aging</th>
<th>Periodic Amount</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-30 days</td>
<td>1.85%</td>
<td>1.85%</td>
</tr>
<tr>
<td>31-45 days</td>
<td>0.95%</td>
<td>2.80%</td>
</tr>
<tr>
<td>Each 15 day period thereafter</td>
<td>0.95%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1.18 "Factoring Fee Period" - shall be 15 days for all periods except the initial period, which shall be 30 days.

1.19 "Initial Factoring Fee" - shall be 1.85% of the Face Amount for the first 30 day period.

1.20 "Initial Fee Period" - shall be 30 days from the date on which the Purchase Price is paid to Seller or credited by Purchaser to Seller's Reserve Account.

1.21 "Invoice" - any form of document that evidences or is intended to evidence an Account. Where the context so requires, reference to an Invoice shall be deemed to refer to the Account to which it relates.

1.22 "Late Payment Factoring Fee" - shall be 0.10% per day.

1.23 "Late Payment Date" - the date which is 131 days from the funding date on a Purchased Account.

1.24 "Maximum Amount" - shall be $600,000. The total Maximum Amount shall be increased to $1,000,000 once outstandings total $500,000.
1.25 "Minimum Invoice Fee" shall be $25.

1.26 "Misdirected Payment Fee" - if after one (1) month from closing, the Company receives an invoice payment from an account debtor and fails to remit the payment to CFG within three (3) business days, then the Company shall pay a penalty fee equal to the lesser of: i) 15% on the face amount of the invoice, or ii) $400.00 (all invoice payments should be directed to lockbox).

1.27 "Obligations" - all present and future obligations and liabilities owing by Seller to Purchaser, whether direct or indirect, absolute or contingent, including obligations and liabilities that are likely to become owing by Seller to Purchaser, whether arising hereunder or otherwise, and whether arising before, during or after the commencement of any case filed under title 11 of the United States Bankruptcy Code or any other debtor relief proceeding in which Seller is a Debtor.

1.28 "Parties" - the Seller and Purchaser.

1.29 "Payor" - an Account Debtor or other obligor on an Account, including an entity making payment thereon for the account of such party.

1.30 "Purchase Date" - the date on which Seller has been advised in writing that Purchaser has agreed to purchase an Account or in which Purchaser has caused a credit to be made to Seller’s Reserve Account.

1.31 "Purchase Price" - the Face Amount of a Purchased Account less all Base Fees.

1.32 "Purchased Accounts" - are Accounts purchased hereunder which have not been Closed.

1.33 "Registered Organization" shall have the meaning as defined in the Uniform Commercial Code, Section 9-201(a) (70).

1.34 "Repurchased" - an Account has been repurchased when Seller has paid to Purchaser the then unpaid Face Amount.

1.35 "Required Reserve Amount" - the Reserve Percentage multiplied by the unpaid balance of all Purchased Accounts.

1.36 "Reserve Account" - a bookkeeping account on the books of the Purchaser representing the portion of the Purchase Price which has not been paid by Purchaser to Seller, maintained by Purchaser to secure Seller’s performance with the provisions hereof.

1.37 "Reserve Percentage" - shall be 25% of the Federal grant amount of an invoice that has been approved by both the City and utility. When the independent project auditor distributes a "DRAFT" version of a project’s costs, the Reserve Percentage shall decrease to 20%.

1.38 "Reserve Shortfall" - the amount by which the Reserve Account is less than the Required Reserve Amount.

1.39 "Schedule of Accounts" - a form supplied by Purchaser from time to time wherein Seller lists such of its Accounts as it requests that Purchaser purchase under the terms of this Agreement.

1.40 "Security Interest" - shall have the meaning as defined in the Uniform Commercial Code, Section 1-201(a)(35)

1.41 "Term" - a one (1) year period.

1.42 "UCC" - the Uniform Commercial Code as adopted in the Chosen State.

2. Sale; Purchase Price; Billing
2.1 Assignment and Sale.

2.1.1. Seller shall offer for sale to Purchaser, as absolute owner, such of Seller's Accounts as are listed from time to time on Schedules of Accounts as displayed in Exhibit 2.1.1.

2.1.2. Each Schedule of Accounts shall be accompanied by such documentation supporting and evidencing each Account, as Purchaser shall time to time request.

2.1.3. Purchaser may, but need not, purchase from Seller such Accounts as Purchaser determines to be Eligible Accounts.

2.1.4. Purchaser may elect not to purchase any Account which will cause the unpaid balance of Purchased Accounts to exceed the Maximum Amount. However, if Purchaser purchases Accounts in excess of the Maximum Amount, same shall have no adverse consequences to Purchaser.

2.1.5. Purchaser shall pay to Seller on the next business day following the Purchase Date the Purchase Price of any Purchased Account, less any amounts due to Purchaser from Seller, including, without limitation, any amounts due under Sections 3.1 and 6 hereof, whereupon the Accounts shall be deemed purchased hereunder.

2.2 Billing. Purchaser may send a periodic statement to all Payors itemizing their account activity during the preceding billing period. All Payors will be instructed to make payments exclusively to Purchaser.

2.3 Collections. All collections of purchased Accounts and other proceeds of Collateral shall be deposited into a lockbox controlled by the Purchaser upon which Purchaser shall have a perfected first priority security interest. Purchaser shall provide details of the lockbox to Seller prior to entering into a transaction. CFG shall purchase additional invoices two times each week, and will remit lockbox funds one day after receipt of a payment executed by wire, and up to five days after receipt of a payment by check.

3. Reserve Account.

3.1 Seller shall pay to Purchaser on demand the amount of any Reserve Shortfall.

3.2 Purchaser is required, and shall pay to Seller, on a weekly basis any amount by which the Reserve Account exceeds the Required Reserve Amount. Failure of Purchaser to make any required payments to Seller, as detailed in this Agreement, shall result in an event of default and a termination of the Agreement and no break-up fee as detailed in Section 19.2 would be due.

3.3 Purchaser may charge the Reserve Account with any Obligation

3.4 Purchaser may pay any amounts due Seller hereunder by a credit to the Reserve Account

3.5 Purchaser may retain the Reserve Account until Complete Termination.

3.6 If, upon Complete Termination of the Agreement and absent an Event of Default, Purchaser fails to return all monies due to Seller, Purchaser shall be liable to Seller for all amounts due. If Seller incurs legal costs or collection costs in order to collect monies that are found to be owed to the Seller, then Purchaser will be responsible to Seller for all costs reasonably required to collect monies unjustifiably withheld by Purchaser.

4. Exposed Payments.

4.1 Upon termination of this Agreement Seller shall pay to Purchaser (or Purchaser may retain or hold in a non-segregated non-interest bearing account) the amount of all Exposed Payments (the "Preference Reserve").

4.2 Purchaser may charge the Preference Reserve with the amount of any Exposed Payments that Purchaser pays or is reasonably likely to pay to the bankruptcy estate of a Payor that made the Exposed Payment, on account of a claim asserted under Section 547 of the Bankruptcy Code.
4.3 Purchaser shall refund to Seller from time to time that balance of the Preference Reserve for which a claim under Section 547 of the Bankruptcy Code can no longer be asserted due to the expiration of the statute of limitations, settlement with the bankruptcy estate of the Payor or otherwise.

5. **Authorization for Purchases.** Subject to the terms and conditions of this Agreement, Purchaser is authorized to purchase Accounts upon telephonic, facsimile or other instructions received from anyone purporting to be an officer, employee or representative of Seller.

6. **Fees and Expenses.** Seller shall pay to Purchaser:

   6.1 Initial Factoring Fee. The Initial Factoring Fee (i) on the Late Payment Date or (ii) the date on which a Purchased Account is closed, whichever is earlier.

   6.2 Factoring Fee. The Factoring Fee, for each Factoring Fee Period, computed from the end of the Initial Factoring Fee Period and (i) until the Late Payment Date or (ii) the date on which a Purchased Account is Closed, whichever is earliest.

   6.3 Misdirected Payment Fee. Any Misdirected Payment Fee immediately upon its accrual.

   6.4 Late Payment Factoring Fee. The Late Payment Factoring Fee, on demand, on all past due amounts due from Seller to Purchaser hereunder.

   6.5 Minimum Volume Fee. None

   6.6 Out-of-pocket Expenses. The out-of-pocket expenses directly incurred by Purchaser in the administration of this Agreement or any other agreement that is executed between the parties such as wire transfer fees of $25 for all outgoing wire transfers, postage, search fees, travel expenses and collateral audit fees. Seller will pay the Purchaser $1,000 in closing costs (a one-time fee) to cover the cost of legal, collateral valuations, credit inquiries and other administrative expenses, with $500 due prior to executing this Agreement, and $500 deducted from the first two advances.

   6.7 Renewal Fee. None

   6.8 Minimum Invoice Fee. Seller shall be obligated to pay Purchaser the Minimum Invoice Fee.

7. **Repurchase Of Accounts.** Purchaser may require that Seller repurchase, on demand, by payment of the then unpaid Face Amount thereof, together with any unpaid Base Fees relating to the Purchased Account, to replace an Account with a new, acceptable Account, or at Purchaser's option, by Purchaser's charge to the Reserve Account:

   7.1 Any Purchased Account:

      7.1.1 The payment of which has been disputed by the Account Debtor obligated thereon, Purchaser being under no obligation to determine the bona fides of such dispute;

      7.1.2 For which Seller has breached any covenant or representation and warranty as set forth in Sections 12 and 14 hereof.

      7.1.3 All Purchased Accounts upon the occurrence of an Event of Default, or upon the termination date of this Agreement; and

      7.1.4 Any Purchased Account which remains unpaid beyond the Late Payment Date.

8. **Security Interest.**

   8.1 In order to secure the Obligations, Seller grants to Purchaser a continuing first priority security interest in the Collateral.
8.2 Notwithstanding the creation of this security interest, the relationship of the parties in respect to all Purchased Accounts shall at all time be that of purchaser and seller, and not that of lender and borrower.

8.3 The security interest created hereby shall not render Purchaser liable to observe or perform any term, covenant or condition of any agreement, document or instrument to which Seller is a party or by which it is bound, including any interest in any unlimited liability company.

8.4 Seller acknowledges that value has been given and agrees that the security interest granted hereby shall attach when it signs this Agreement.

9. Clearance Days. For all purposes under this Agreement, Clearance Days will be added to the date on which Purchaser receives any payment.

10. Authorization to Purchaser.

10.1 Seller irrevocably authorizes Purchaser, to exercise at any time any of the following powers until all of the Obligations have been paid in full:

10.1.1. Receive, take, endorse, assign, deliver, accept and deposit, in the name of Purchaser or Seller, any and all proceeds of any Collateral securing the Obligations or the proceeds thereof;

10.1.2. Take or bring, in the name of Purchaser or Seller, all steps, actions, suits or proceedings deemed by Purchaser necessary or desirable to effect collection of or other realization upon Purchaser's Accounts;

10.1.3. Pay any sums necessary to discharge any lien or encumbrance which is or may become senior to Purchaser's ownership rights in the Purchased Accounts or security interest in any other assets of Seller, which sums shall be included as Obligations hereunder;

10.1.4. Notify any Payor obligated with respect to any Account, that the underlying Account has been assigned to Purchaser by Seller and that payment thereof is to be made to the order of and directly and solely to Purchaser. Purchaser shall provide its lockbox (or other address) payment instructions to Seller and Account Debtors;

10.1.5. Communicate directly with Seller's Payors to, among other things, verify the amount and validity of any Account created by Seller.

10.1.6. After an Event of Default, and at Seller's expense:

(a) Change the address for delivery of mail to Seller and to receive and open mail addressed to Seller and to the extent mail appears to be unrelated to Purchaser's interests, make such mail available to Seller three (3) days after Purchaser first receives physical possession of Seller's mail;

(b) Extend the time of payment of, compromise or settle for cash, credit, return of merchandise, and upon any terms or conditions, any and all Accounts and discharge or release any Payor without affecting any of the Obligations;

10.1.7. File any initial financing statements and amendments thereto that:

(a) Indicate the Collateral as all assets of the Seller (excluding Intellectual Property) or words of similar effect, regardless of whether any particular asset comprising the Collateral falls within the scope of Article 9 of the DCC, or as being of an equal or lesser scope or with greater detail;

(b) Contain any other information required by part 5 of Article 9 of the DCC for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Seller is a Registered Organization, the type of organization, and any organization identification number issued to the
Seller and, (ii) in the case of a financing statement filed as a fixture filing or indicating collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the collateral relates; and

(c) Contain a notification that the Seller has granted a negative pledge to the Purchaser, and that any subsequent holder of a Security Interest or lien may be tortiously interfering with Purchaser's rights.

10.1.8. Advises third parties that any notification of Seller's Account Debtors will interfere with Purchaser's collection rights.

10.1.9. File any Correction Statement in the name of Seller under Section 9-518 of the Uniform Commercial Code that Purchaser reasonably deems necessary to preserve its rights hereunder.

10.2 Seller authorizes Purchaser to accept, endorse and deposit on behalf of Seller any checks tendered by a Payor "in full payment" of its obligation to Seller. Seller shall not assert against Purchaser any claim arising therefrom, irrespective of whether such action by Purchaser effects an accord and satisfaction of Seller's claims, under §3-311 of the Uniform Commercial Code, or otherwise.

11. **ACH Authorization.** In order to satisfy any of the Obligations, Seller authorizes Purchaser to initiate electronic debit or credit entries through the ACH system in an Event of Default.

12. **Covenants by Seller.**

12.1 After written notice by Purchaser to Seller, and automatically, without notice, after an Event of Default, Seller shall not, without the prior written consent of Purchaser in each instance, (a) grant any extension of time for payment of any of its Accounts, (b) compromise or settle any of its Accounts for less than the full amount thereof, (c) release in whole or in part any Payor, or (d) grant any credits, discounts, allowances, deductions, return authorizations or the like with respect to any of the Accounts.

12.2 From time to time as requested by Purchaser, Purchaser or its designee shall have access, during reasonable business hours if prior to an Event of Default and at any time if on or after an Event of Default, to all business premises of the Seller and where Collateral is located for the purposes of inspecting (and removing, if after the occurrence of an Event of Default) any of the Collateral and Seller's books and records, and Seller shall permit Purchaser or its designee to make copies of such books and records or extracts therefrom, without expense to Purchaser, as Purchaser may request. If an Event of Default has occurred, Purchaser may use the Seller's personnel, equipment, including computer equipment, programs, printed output and computer readable media, supplies and premises for the collection of Accounts and realization on other Collateral as Purchaser deems appropriate. Seller hereby irrevocably authorizes all accountants and third parties, to promptly disclose and deliver to Purchaser at Seller's expense all financial information, books and records, work papers, management reports and other information in their possession relating to Seller and in respect thereto irrevocably waives any privilege that may otherwise preclude such production. Seller will allow a third party to conduct due diligence on the Collateral and books and records once a year, at Seller's expense. This annual due diligence expense shall not exceed $200.

12.3 Before sending any Invoice to an Account Debtor, Seller shall mark same with a notice of assignment and a duty to pay Purchaser in the form and manner as may be required by Purchaser.

12.4 Seller shall pay when due all payroll, sale, use and other taxes, and shall provide proof thereof to Purchaser in such form as Purchaser shall reasonably require.

12.5 Seller shall not create, incur, assume or permit to exist any additional debt by the Seller, except as approved by Purchaser in writing and subject to an Intercreditor Agreement in form and substance acceptable to Purchaser, excluding Permitted Indebtedness (as defined below).

"Permitted Indebtedness" is: (a) Seller's Obligations to Purchaser under this Agreement;
(b) subordinated debt; (c) Indebtedness to trade creditors incurred in the ordinary course of business; (d) Indebtedness secured by Permitted Liens; (e) Indebtedness existing on the date of this Agreement and shown on the perfection certificate; (f) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business; and (g) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (f) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Seller, as the case may be.

12.6 Seller shall not create, incur, assume or permit to exist any ownership interests or Security Interest or any other form of lien upon or with respect to any assets in which Purchaser now or hereafter holds a Security Interest or ownership interest except for Permitted Liens (as defined below) unless Seller obtains the consent of Purchaser and an Intercreditor Agreement in a form and content acceptable to Purchaser. For purposes of clarity, no provision of this Agreement shall be interpreted as either preventing the Seller from conducting bona fide equity financings or requiring notice to or consent of the Purchaser in the event of such financings.

"Permitted Liens" are: (a) Liens existing on the date of this agreement and shown on the perfection certificate or arising under this Agreement; (b) liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Seller maintains adequate reserves on its Books, if they have no priority over Purchaser's security interests; (c) Leases or subleases and non-exclusive licenses or sublicenses granted in the ordinary course of Seller's business; (d) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement lien must be limited to the property encumbered by the existing lien and the principal amount of the indebtedness may not increase; (e) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business; (f) liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 16.1; and (h) liens in favor of other financial institutions arising in connection with Seller's deposit and/or securities accounts held at such institutions, provided that Purchaser has a perfected security interest in the amounts held in such deposit and/or securities accounts in accordance with the tenus of this Agreement and are identified to the Purchaser prior to execution of this Agreement.

12.7 Seller shall maintain insurance on all insurable property owned or leased by Seller in the manner as usually maintained by owners of similar businesses and properties in similar geographic areas. Seller shall furnish to Purchaser upon written request: (a) any and all information concerning such insurance carried; (b) lender loss payable endorsements (or their equivalent) in favor of Purchaser. All policies of insurance shall provide for not less than thirty (30) day's prior written cancellation notice to Purchaser.

12.8 Seller shall pay to Purchaser on the 2nd banking day following the date of receipt by Seller the amount of any payment on account of a Purchased Account.

12.9 Seller shall furnish Purchaser with full financial statements and other documents and information, including, but not limited to, proof of payment and/or compliance with all federal, state and/or local tax requirements, within forty five (45) days from the end of each quarter. Seller shall maintain a standard and modern system of accounting in accordance with Generally Accepted Accounting Principles. Seller agrees to permit Purchaser and any of its employees, officers or agents access to and examination of Seller's records and books. The Seller shall provide Purchaser monthly financial reports as soon as available but no later than thirty (30) days after the last day of the month including, but not limited to, detailed description of the Collateral per Purchaser's specifications, Budget (as soon as available), financial statements (unaudited income statement, balance sheet and cash flow statement), as well as usual and customary reports for a transaction of this nature.

12.10 Avoidance Claims.

12.10.1. Seller shall indemnify Purchaser from any loss arising out of the assertion of any Avoidance Claim and shall pay to Purchaser on demand the amount thereof

12.10.2. Seller shall notify Purchaser within two business days of it becoming aware of the assertion of an Avoidance Claim.

12.10.3. This section 12.10 shall survive termination of this Agreement.
12.11 Seller shall not issue any dividends, make any extraordinary expenditures, pledge or sell any assets outside the ordinary course or engage in material activities or capital expenditures except as discussed with and approved by Purchaser and contemplated in the year-end budget.

12.12 Seller shall not merge, consolidate or sell any significant assets without the consent of the Purchaser.

12.13 James Zhang shall execute and provide a validity guarantee which requires all information sent by Seller to Purchaser to be accurate.

12.14 Seller shall remain in compliance with any/all other significant debt, equity and operating agreements it has entered into now and in the future.

12.15 Seller shall cooperate with any and all third party service providers that the Purchaser introduces and will provide information and will make management available to these service providers in the same manner the Seller interacts with the Purchaser.

12.16 Seller shall assist in the execution of estoppels between Account Debtors and/or Seller and Purchaser, if applicable. All future (unsigned) contracts will require the Account Debtor to sign estoppels.

13. **Account Disputes.** Seller shall notify Purchaser promptly of and, if and only if requested by Purchaser, settle all disputes concerning any Purchased Account, at Seller's sole cost and expense. Purchaser may, but is not required to, attempt to settle, compromise, or litigate (collectively, "Resolve") the dispute upon such terms, as Purchaser in its sole discretion may deem advisable, for Seller's account and risk and at Seller's sole expense. All invoices that are in dispute are ineligible as defined in Eligible Accounts.

14. **Representation and Warranties.** Seller and each of its principals represents and warrants that:

14.1 It is fully authorized to enter into this Agreement and to perform hereunder.

14.2 This Agreement constitutes its legal, valid and binding obligation.

14.3 Seller is solvent and in good standing in the jurisdiction of its organization.

14.4 The Purchased Accounts are and will remain:

14.4.1. Bona fide existing obligations created by the complete and unconditional sale and delivery of goods or the rendition of services in the ordinary course of Seller's business;

14.4.2. Unconditionally owed and will be paid to Purchaser without defenses, disputes, offsets, counterclaims, or rights of return or cancellation; and,

14.4.3. Sales to a customer that is not, directly or indirectly, affiliated with Seller or in any way not an "arms length" transaction.

14.5 Seller has not received notice or otherwise learned of actual or imminent bankruptcy, insolvency, or material impairment of the material condition of any applicable Payor regarding Purchased Accounts.

14.6 Seller is: either a corporation, limited liability company, limited partnership or other form of Registered Organization, duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization and is qualified and authorized to do business and duly licensed, if necessary and in good standing in every state in which such qualification and good standing are necessary or desirable.

14.7 Immediately prior to the execution and at the time of delivery of each Schedule of Account, Seller is the sole owner and holder of each of the Accounts described thereon and that upon Purchaser's acceptance of each Purchased Account; it shall become the sole owner of such Purchased Account(s).
14.8 No Purchased Account shall have been previously sold or transferred or be subject to any lien, encumbrance, Security Interest or other claim of any kind or nature, other than Permitted Liens. Seller will not sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its intellectual property without Purchaser's prior written consent.

14.9 Seller will not factor, sell, transfer, pledge or give a Security Interest in any of its Accounts to anyone other than Purchaser during the Term of this Agreement and there are and shall at no time be any financing statements now or hereafter on file in any public office covering any of Seller's Collateral except the financing statement or statements filed or to be filed in respect of this Agreement or those statements now on file that have been disclosed in writing by Seller to Purchaser as reflected on the attached Exhibit 14.9.

14.10 Seller shall maintain its books and records in accordance with generally accepted accounting principles and shall reflect on its books the absolute sale of the Purchased Accounts to Purchaser.

14.11 Seller shall furnish Purchaser such financial information as required in Section 12.9.

14.12 Seller will promptly notify Purchaser of (i) the filing of any lawsuit against Seller involving amounts greater than $10,000.00 or (ii) any attachment or any other legal process served or levied against Seller.

14.13 The application made or delivered by or on behalf of Seller in connection with this Agreement, and all statements made therein, were at the time that this Agreement is executed and shall at all times remain true and correct and Seller has complied with all fee requirements and obligations in connection therewith. There is no fact which Seller has not disclosed to Purchaser in writing which could adversely affect the properties, business or financial condition of Seller, or any of the Purchased Accounts or Collateral, or which is necessary to disclose in order to keep the foregoing representations and warranties from being misleading.

14.14 In no event shall the funds paid to Seller hereunder be used directly or indirectly for personal, family, household or agricultural purposes.

14.15 Seller does business under no trade or assumed names except as indicated specifically identified otherwise in Exhibit 14.15.

14.16 Each written or electronic communication issued by Seller to Purchaser will be authentic and genuine.

14.17 All Purchase Price payments will be used by Seller for routine working capital needs.

15. **Indemnification.** Seller agrees to indemnify Purchaser against and save Purchaser harmless from any and all manner of suits, claims, liabilities, demands and expenses (including reasonable attorneys' fees and collection costs) resulting from or arising out Seller's breach of this Agreement, whether directly or indirectly, including the transactions or relationships contemplated hereby (including the enforcement of this Agreement), and any failure by Seller to perform or observe its obligations under this Agreement.

16. **Default.**

16.1 Events of Default. The following events will constitute an Event of Default hereunder: (a) Seller defaults in the payment of any Obligations or in the performance of any provision hereof or of any other agreement now or hereafter entered into with Purchaser, or any warranty or representation contained herein proves to be false, (b) Seller or any guarantor of the Obligations becomes subject to any debtor-relief proceedings, (c) any third party lien (other than a Permitted Lien), garnishment, attachment or the like shall be issued against or shall attach to the Purchased Accounts, the Collateral or any portion thereof and the same is not released within five (5) days; (d) Seller suffers the entry against it of a final judgment for the payment of money in excess of $10,000.00, unless the same is satisfied, vacated or stayed within ten (10) days after the date of entry thereof; (e) Seller shall have a federal, state or other form of tax lien filed against any of its properties (other than a Permitted Lien), current liens disclosed by the Seller excepted; or (f) Seller is in breach of Section 12.11, 12.12, 12.13, 12.14, 12.15 and 12.16 above, or (g) Seller fails to pay any other cash obligations to shareholders, lenders, government agencies or other,
and such payment is unpaid for 30 days, or; (h) in the Purchaser's good faith business judgment, a material adverse change shall have occurred in Seller's financial conditions, business or operations.

16.2 Effect of Default. Upon the occurrence of any Event of Default:

16.2.1 In addition to any rights Purchaser has under this Agreement or applicable law, Purchaser may immediately terminate this Agreement, at which time all Obligations shall immediately become due and payable without notice.

16.2.2 The Late Payment Factoring Fee shall accrue and is payable on demand on any Obligation not paid when due.

16.2.3 Purchaser shall be entitled to any form of equitable relief that may be appropriate.

16.2.4 Purchaser shall be entitled to freeze, debit and/or effect a set-off against any fund or account Seller may maintain with any Bank.

16.2.5 Purchaser may seek equitable relief, including, but not limited to, injunctive or receivership remedies and Seller waives any requirement that Purchaser post or otherwise obtain or procure any bond, whether otherwise required under state or federal law or rules of court. Seller waives any right it may be entitled to, including an award of attorney's fees or costs, in the event any equitable relief sought by and awarded to Purchaser is thereafter, for whatever reason(s), vacated, dissolved or reversed. All post-judgment interest shall bear interest at the greater of (a) eighteen percent (18%) or (b) the highest rate as may be allowed by law.

16.2.6 All of Seller's rights of access that may be made available to Seller to any online internet services that Purchaser may make available to Seller shall be provisional pending any curing of such Events of Default. During such period of time, Purchaser may limit or terminate Seller's access to Purchaser's online services. Seller acknowledges that the information Purchaser makes available to Seller constitutes and satisfies any duty to respond to a Request for an Accounting or Request regarding a Statement of Account that is referenced in § 9-210 of the UCC.

16.2.7 The Parties acknowledge that Purchaser shall have no duty to undertake to collect any Account or Purchased Account including those in which Purchaser receives information from any Payor that a Dispute exists. In the event Purchaser undertakes to collect from or enforce an obligation of any Payor and ascertains that the possibility of collection is outweighed by the likely costs and expenses that will be incurred, Purchaser may at any such time cease any further collection efforts and such action shall be considered commercially reasonable.

16.3. Seller's sole remedy for any breach alleged to have been committed by Purchaser of any obligation or duty owed under the Agreement, any other agreement between Seller and Purchaser or any duty or obligation arising out of or related to this Agreement shall be limited to the lesser of (a) any amount in the Reserve Account at the time notice of such breach is first given to Purchaser, in writing, or (b) any amounts owed to Seller related to the purchase of Accounts subject to the Agreement. Purchaser shall not be liable for any incidental, special or consequential damages, including, but not limited to, loss of goodwill or any other losses associated therewith. Purchaser shall be liable to Seller for unreturned funds as detailed in Section 3.

17. Account Stated. Purchaser shall provide Seller with information on the Purchased Accounts and a monthly reconciliation of the factoring relationship relating to billing, collection and account maintenance such as aging, posting, error resolution and mailing of statements. Each statement, report, or accounting rendered or issued by Purchaser to Seller shall be deemed conclusively accurate and binding on Seller unless within fifteen (15) days after the date of issuance Seller notifies Purchaser to the contrary by electronic communication with proof of receipt, registered or certified mail, setting forth with specificity the reasons why Seller believes such statement, report, or accounting is inaccurate, as well as what Seller believes to be correct amount(s) therefore.

18. Amendment and Waiver. Only a writing signed by all parties hereto may serve to amend this Agreement. No failure or delay in exercising any right hereunder shall impair any such right that Purchaser may have, nor shall any waiver by Purchaser hereunder be deemed a waiver of any default or breach subsequently occurring. Purchaser's
rights and remedies herein are cumulative and not exclusive of each other or of any rights or remedies that Purchaser would otherwise have.

19. **Termination; Effective Date.**

   19.1 This Agreement will be effective on the date indicated in the introduction to this Agreement, shall continue for the Term, and may be extended for successive Terms upon mutual written agreement by both parties unless Seller issues, at any time, a written notice to terminate prior to 60 days before the Term (an “Early Termination Date”).

   19.2 Either Seller or Purchaser may voluntarily terminate the Factoring Facility with sixty (60) days prior written notice. Seller shall pay a break-up fee of 5% of the Facility Amount if the Seller terminates during the first six (6) months after closing. However, Seller may terminate the agreement for cause (if Purchaser does not advance funds to Seller in a timely manner or fails to pay excess from the Reserve Account as detailed in this Agreement) without incurring the break-up fee.

   19.3 Purchaser may terminate this Agreement by giving Seller at least sixty day's (60) prior written notice of termination, whereupon this Agreement shall terminate on the earlier date of the date of termination or the end of the then current Term.

   19.4 Upon termination, Seller shall pay the Obligations to Purchaser and Purchaser shall thereafter have no duty to purchase any Accounts from Seller. Notwithstanding termination, until Complete Termination, Seller shall remain obligated to tender all Accounts to Purchaser notwithstanding that Purchaser may thereafter determine that no Account qualifies as an Eligible Account.

20. **No Lien Termination without Release.** Notwithstanding payment in full of all Obligations by Seller, Purchaser shall not be required to file any UCC termination statements or satisfaction of any Security Interest in the Collateral unless and until Complete Termination has occurred.

21. **Conflict.** Unless otherwise expressly stated in any other agreement between Purchaser and Seller, if a conflict exists between the provisions of this Agreement and the provisions of such other agreement, the provisions of this Agreement shall control.

22. **Severability.** In the event anyone or more of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect, then such provision shall be ineffective only to the extent of such prohibition or invalidity, and the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

23. **Construction.** This Agreement and all agreements relating to the subject matter hereof shall be deemed the product of joint negotiation by and among each party and shall be construed accordingly.

24. **Relationship of Parties.** It is the express intention of the parties that pursuant to § 9-318(a) of the UCC as to all Purchased Accounts their relationship shall be that of seller and purchaser of Accounts, that Seller shall, once acquired by Purchaser, no longer have any right, title or interest in and to any Purchased Account and Purchaser shall at no time be deemed to be or become a fiduciary of the Seller, although Seller may be a fiduciary of the Purchaser.

25. **Attorneys' Fees.** Seller agrees to reimburse Purchaser on demand for:

   25.1 The actual amount of all costs and expenses, including attorneys' fees, which Purchaser has incurred or may incur in:

   25.1.1 Negotiating, preparing, or administering the execution of this Agreement and any documents prepared in connection herewith up to a maximum of $1,000 as detailed in Section 6.6;
25.1.2. Protecting, preserving or enforcing any lien, security or other right granted by Seller to Purchaser or arising under applicable law, including but not limited to the defense of any avoidance Claims or the defense of Purchaser's lien priority;

25.2 The actual costs of attorneys' fees and expenses incurred in complying with any subpoena or other legal process in any way relating to Seller. This provision shall survive termination of this Agreement.

25.3 The actual amount of attorneys' fees which Purchaser may incur in enforcing this Agreement and any documents prepared in connection herewith, or in connection with any federal or state insolvency proceeding commenced by or against Seller, including those (i) arising out the automatic stay, (ii) seeking dismissal or conversion of the bankruptcy proceeding or (ii) opposing confirmation of Seller's plan there under.

25.4 Seller and Purchaser shall be entitled to indemnification and recovery of attorney's fees or costs in respect to any litigation based herein.

26. **Entire Agreement.** No promises of any kind have been made by Purchaser or any third party to induce Seller to execute this Agreement. No course of dealing, course of performance or trade usage, and no parole evidence of any nature, shall be used to supplement or modify any terms of this Agreement.

27. **Choice of Law.** This Agreement and all transactions contemplated hereunder and/or evidenced hereby shall be governed by, construed under, and enforced in accordance with the internal laws of the Chosen State.

28. **Jury Trial Waiver.** THE PARTIES HERETO WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING HEREUNDER, OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED WITHOUT A JURY.

29. **Venue; Jurisdiction; Service of Process.**

29.1 Any suit, action or proceeding arising hereunder shall, at Purchaser's sole and exclusive discretion, be only instituted or maintained in any court sitting in the Chosen State and in the county in which Purchaser's chief executive office is located (the "Acceptable Forums"). Seller agrees that the Acceptable Forums are convenient to it, and submits to the jurisdiction of the Acceptable Forums and waives any and all objections to jurisdiction or venue. Should such proceeding be initiated in any other forum, Seller waives any right to oppose any motion or application made by Purchaser to transfer such proceeding to an Acceptable Forum.

29.2 Seller agrees that Purchaser may effect service of process upon Seller by regular mail at the address set forth herein or at such other address as may be reflected in the records of Purchaser, or at the option of Purchaser by service upon Seller's agent for the service of process.

30. **Assignment.** Purchaser may assign its rights and delegate its duties hereunder. Upon such assignment or delegation, Seller shall be deemed to have attorned to such assignee and shall owe the same obligations to such assignee and shall accept performance hereunder by such assignee as if such assignee were Purchaser. If Purchaser wholly assigns this agreement to a new party, Purchaser will first inform Seller of its intentions no later than 14 days prior to the expected assignment date (the "Assignment Notification Period"). Seller, in its sole discretion, may repurchase all Accounts and terminate this Agreement during the Assignment Notification Period subject to the terms and condition in this Agreement.

Notwithstanding anything contained herein to the contrary, Seller may not, without Purchaser's prior written consent, assign this Agreement to any corporation into or with which Seller is merged or consolidated or to an entity which purchases all, or substantially all, of the assets of Seller.
31. **Miscellaneous Provisions.**

31.1 This Agreement shall be deemed to be one of financial accommodation and not assumable by any debtor, trustee or debtor-in-possession in any bankruptcy proceeding without Purchaser's express written consent and may be immediately suspended in the event a petition in bankruptcy is filed by or against Seller.

31.2 In the event Seller's principal(s) including, but not limited to its officer(s) or director(s), directly or indirectly, causes to be formed a new entity or otherwise become associated with any new or existing entity which entity is in a business similar to or competitive with that of Seller, such entity shall be deemed to have expressly assumed the Obligations due Purchaser under this Agreement. With respect to any such entity, Purchaser shall be deemed to have been granted Purchaser an irrevocable power of attorney with authority to file, naming such newly formed or existing entity as Debtor, an initial UCC-1 financing statement and to have it filed with any and all appropriate secretaries of state or other UCC filing offices. Purchaser shall be held harmless by Seller and its principals and be relieved of any liability as a result of Purchaser's authentication and filing of any such financing statement or the resulting perfection of its ownership or security interests in such entity's assets. Purchaser shall have the right to notify such entity's Payors of Purchaser's rights, including without limitation, Purchaser's right to collect all Accounts, and to notify any creditor of such entity that Purchaser has such rights in such entity's assets.

31.3 Seller expressly authorizes Purchaser to access the internet website systems or otherwise of and/or communicate with any shipping or trucking company in order to obtain or verify tracking, shipment or delivery status of any Goods regarding a Purchased Account.

31.4 Seller's principal(s) acknowledge that the duty to accurately complete each Schedule of Accounts is fundamental to this Agreement and as such the duty to accurately complete each Schedule of Account shall at all times remain non-delegable. Each of Seller's principal(s) acknowledge that he/she shall remain fully responsible for the accuracy of each Schedule of Accounts delivered to Purchaser.

31.5 Seller shall fully complete and execute, as taxpayer, prior to or immediately upon the execution of this Agreement, a form 8821 (Rev. April 2004) and/or form 4506 (Rev. October 2008) or form 4506-T (Rev. January 2008) issued by the Department of the Treasury, Internal Revenue Service or such other forms as may be requested by Purchaser, irrevocably authorizing Purchaser to, among other things, inspect or receive tax information relating to any type of tax, tax form, years or periods or otherwise desired by Purchaser on an ongoing basis.

31.6 Seller will cooperate with Purchaser in obtaining a control agreement in form and substance satisfactory to Purchaser with respect to the Collateral.

32. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were upon the same instrument. Delivery of an executed counterpart of the signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement, and any party delivering such an executed counterpart of the signature page to this Agreement by facsimile to any other party shall thereafter also promptly deliver a manually executed counterpart of this Agreement to such other party, provided that the failure to deliver such manually executed counterpart shall not affect the validity, enforceability, or binding effect of this Agreement.

33. **Notice.**

33.1 All notices required to be given to any party other than Purchaser shall be deemed given upon the first to occur of (i) one day after deposit thereof in a receptacle under the control of the United States Postal Service, (ii) transmission by electronic means to a receiver under the control of such party, or (iii) actual receipt by such party or an employee or agent of such party.

33.2 All notices to Purchaser shall be deemed given upon actual receipt by a responsible officer of Purchaser.

33.3 For the purposes hereof, notices hereunder shall be sent to the following addresses, or to such other addresses as each such party may in writing hereafter indicate:
34. **Pledges and Assignment of Seller's Accounts Receivable by Purchaser.** Upon ten (10) days written notice, Seller acknowledges and understands that Purchaser may enter into a financial arrangement with one or more lenders (“Lenders”). In connection with such financing, Purchaser may sell and/or assign its interests in Seller's Accounts to Lenders. Seller hereby consents to Purchaser entering into any such financial arrangement and Seller further agrees that:

34.1 Seller shall have no rights under the financial arrangement with Lenders and Seller will not look or seek to hold Lenders, or its respective officers, employees, directors or agents responsible for any of Purchaser's obligations under this Agreement, and that Purchaser's relationship with Lenders is completely separate and apart from Seller's relationship with Purchaser. Seller consents to any lien rights and the granting and enforcing of any security interests that Lenders may have and assert by reason of its purchase and/or assignment of Seller's Accounts to Lenders pursuant to the financing agreement entered into between Purchaser and Lenders.

34.2 Seller agrees that all covenants, representations and warranties set forth in Sections 12 and 14 of this Agreement shall extend and inure to the benefit of Lenders and its successors and assigns.

34.3 Upon Purchaser or Lenders' request, Seller shall provide to Lenders any and all information, which Lenders may reasonably request.

34.4 Seller consents to Purchaser sharing with Lenders copies of all financial statements and information regarding Seller delivered or made available to Purchaser under this Agreement.

IN WITNESS WHEREOF, the Parties have executed this agreement on the day and year first above written.

**SELLER:**
Sunvalley Solar Inc.
By: /s/ James Zhang
Name: James Zhang
Title: CEO

**PURCHASER:**
CAPFLOW FUNDING GROUP MANAGERS LLC
By: /s/ Timothy Laughin
Name: Timothy Laughin
Title: Managing Member
EXHIBIT 1.7.3

GENERAL RELEASE

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the undersigned and each of them (collectively “Releasor”) hereby forever releases, discharges and acquits CapFlow Funding Group Managers LLC (“Releasee”), its parent, directors, shareholders, agents and employees, of and from all claims of every type, kind, nature, description or character, whether heretofore existing, now existing or hereafter arising, or which could or may be claimed to exist, of whatever kind or name, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, each as though fully set forth herein at length, to the extent that they arise out of or are in way connected to or are related to that certain Factoring and Security Agreement dated ____________, except for instances whereby the Releasee has violated a material term of this Agreement, and specifically to terms included in Section 3. In the instance where the Releasee has violated a material term of this Agreement, the Releasor may seek claims or damages from the Releasee only, and not from its parent, directors, shareholders, agents and employees.

Releasor agrees that the matters released herein are not limited to matters which are known or disclosed, and the Releasor waives any and all rights and benefits which it now has, or in the future may have.

Releasor acknowledges that factual matters now unknown to it may have given or may hereafter give rise to Claims which are presently unknown, unanticipated and unsuspected, and it acknowledges that this Release has been negotiated and agreed upon in light of that realization and that it nevertheless hereby intends to release, discharge and acquit the Releasee from any such unknown Claims.

Acceptance of this Release shall not be deemed or construed as an admission of liability by any party released.

Releasor acknowledges that either (a) it has had advice of counsel of its own choosing in negotiations for and the preparation of this release, or (b) it has knowingly determined that such advice is not needed.

DATED: ________________

Individual Releasor:

[ Name of individual], individually

By:

Name:

Title:

Entity Releasor:

16
EXHIBIT 2.1.1

Schedule of Accounts Sold/Bill of Sale

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Total Amount of Invoices $ - $ -

ASSIGNMENT:

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Seller for value received hereby sells, transfers and assigns to CapFlow Funding Group Managers LLC, a Delaware limited partnership (hereinafter called the “Purchaser”) or an affiliate, its successors and assigns, in accordance with the provision of that certain Factoring and Security Agreement heretofore duly executed and delivered by the Seller and duly accepted by the Purchaser, and any amendments thereto (hereinafter called the “Agreement”), each account listed hereon, and all right, title and interest of the Seller in and to such accounts and in and to all goods, the sale of which gave rise to such account, including all of the Seller’s right of stoppage in transit, replevin and reclamation as an unpaid vendor.

For the purpose of inducing the Purchaser to purchase such accounts, the Seller and its principals hereby reaffirm Representations, Warranties and Covenants under the Agreement applicable to such accounts and account debtors.

The Seller and its principals warrant and represent that with respect to each account identified in this Schedule since the last sale of accounts by the Seller to the Purchaser, no merchandise has been returned or rejected, no defense, dispute, claim, offset or counterclaim has developed or has been asserted with respect to any account heretofore sold, transferred and assigned by the Seller to the Purchaser, which has not been or is not contemporaneously being reported in writing by the Seller to the Purchaser.

We, the undersigned, attest that no Event of Default has occurred or is continuing as defined in the Agreement.

[Signature to follow]
Exhibit 14.9

DISCLOSED FINANCING STATEMENTS

East West Bank.

_____________________
Seller’s Principal’s Initials
FIRST AMENDMENT

THIS FIRST AMENDMENT (this "Amendment") is made and entered into as of December 12, 2011, by and between WALNUT TECH BUSINESS CENTER, LLC, a Delaware limited liability company ("Landlord"), and SUNVALLEY SOLAR, INC., a Nevada corporation ("Tenant").

RECITALS

A. Landlord and Tenant (as successor in interest to Zhi Jian Zhang, an individual, d/b/a West Coast Solar Tech) are parties to that certain lease dated May 18, 2011 (the "Lease"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately 2,193 rentable square feet (the "Premises") described as Suite A in the building located at 398 Lemon Creek Drive, Walnut, California 91789 (the "Building").

B. The Lease by its terms expired on November 30, 2011 ("Prior Termination Date"), and the parties desire to retroactively extend the Term of the Lease, all on the following terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Extension. The Term of the Lease is hereby retroactively extended for a period of twelve (12) months and shall expire on November 30, 2012 ("Extended Termination Date"), unless sooner terminated in accordance with the terms of the Lease. That portion of the Term commencing the day immediately following the Prior Termination Date ("Extension Date") and ending on the Extended Termination Date shall be referred to herein as the "Extended Term".

2. Monthly Installment of Rent and Annual Rent. Effective retroactively as of the Extension Date, the schedule of Monthly Installment of Rent and Annual Rent payable with respect to the Premises during the Extended Term is the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Rentable Square Footage</th>
<th>Annual Rate Per Square Foot</th>
<th>Annual Rent</th>
<th>Monthly Installment of Rent</th>
</tr>
</thead>
</table>

All such Monthly Installment of Rent and Annual Rent shall be payable by Tenant in accordance with the terms of the Lease, as amended hereby.

3. Additional Security Deposit. No additional Security Deposit shall be required in connection with this Amendment.

4. Additional Rent. For the period commencing on the Extension Date and ending on the Extended Termination Date, Tenant shall pay all additional rent payable under the Lease, including Tenant's Monthly Expenses and Taxes Payment in accordance with the terms of the Lease, as amended hereby.
5. Improvements to Premises.

5.1 Condition of Premises. Tenant is in possession of the Premises and accepts the same "as is" without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements, except as may be expressly provided otherwise in this Amendment.

5.2 Responsibility for Improvements to Premises. Any construction, alterations or improvements to the Premises shall be performed by Tenant at its sole cost and expense using contractors selected by Tenant and approved by Landlord and shall be governed in all respects by the provisions of Article 6 of the Lease.

6. Other Pertinent Provisions. Landlord and Tenant agree that, effective as of the date of this Amendment (unless different effective date(s) is/are specifically referenced in this Section), the Lease shall be amended in the following additional respects:

6.1 Landlord's Address. Landlord's Address set forth in the Reference Pages of the Lease is hereby deleted in its entirety and replaced with the following:

Walnut Tech Business Center, LLC
 c/o CB Richard Ellis
 398 Lemon Creek Drive, Suite Q
  Walnut, California 91789

With a copy of any notices to:

 c/o AEW Capital Management, LP
 601 South Figueroa Street, Suite 2150
  Los Angeles, California 90017
  Attention: Asset Manager

6.2 Landlord's Address for Rent Payment. Landlord's address for payment of rent as set forth in the Reference Pages of the Lease is hereby deleted in its entirety and replaced with the following:

Walnut Tech Business Center
 Bldg. ID# EAX001
 P.O. Box 82551
  Goleta, California 93118-2551

7. Miscellaneous.

7.1 This Amendment sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Under no circumstances shall Tenant be entitled to any rent abatement, improvement allowance, leasehold improvements, or other work to the Premises, or any similar economic incentives that may have been provided Tenant in connection with entering into the Lease, unless specifically set forth in this Amendment.

7.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.
7.3 Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

7.4 Tenant hereby represents to Landlord that Tenant has dealt with no broker in connection with this Amendment. Tenant agrees to indemnify and hold Landlord and the Landlord Entities harmless from all claims of any brokers claiming to have represented Tenant in connection with this Amendment.

7.5 Each signatory of this Amendment represents hereby that he or she has the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting. Tenant hereby represents and warrants that neither Tenant, nor any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("OFAC"); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons." If the foregoing representation is untrue at any time during the Extended Term, an Event of Default under the Lease will be deemed to have occurred, without the necessity of notice to Tenant. Change in Tenant Identity. The undersigned Tenant, SunValley Solar, Inc., a Nevada corporation ("New Tenant"), hereby represents and warrants to Landlord that (i) the New Tenant has, by operation of law or otherwise, through a series of corporate transfers and dissolutions, assumed all rights and obligations of the original named tenant under the Lease Zhi Jian Zhang, an individual (the "Original Tenant") retroactively effective as of 5/31/2008, (the "Transfer Effective Date") and, as of the Transfer Effective Date, the New Tenant is deemed the tenant under the Lease, subject to all the terms and provisions of the Lease; and (ii) neither the Original Tenant, nor any successors in interest to such Original Tenant's interest under the Lease (other than the undersigned New Tenant) have retained any interest under the Lease, because each such entity, whether by operation of law or otherwise, has assigned all of its right, title and interest under the Lease to its respective successor in interest, and no party, other than the undersigned New Tenant, has any right, title or interest in the Lease as a tenant thereunder. The New Tenant hereby ratifies and confirms the Lease, and agrees that, as of the Transfer Effective Date, it is the tenant under the Lease and it is bound by all terms and provisions of the Lease affecting the tenant thereunder. The undersigned Tenant hereby agrees to indemnify and hold Landlord and the Landlord Entities harmless from any costs or liability (including, without limitation, reasonable attorneys fees) arising as a result of a breach of the foregoing representations.
Redress for any claim against Landlord under the Lease and this Amendment shall be limited to and enforceable only against and to the extent of Landlord’s interest in the Building. The obligations of Landlord under the Lease are not intended to and shall not be personally binding on, nor shall any resort be had to the private properties of, any of its trustees or board of directors and officers, as the case may be, its investment manager, the general partners thereof, or any beneficiaries, stockholders, employees, or agents of Landlord or the investment manager, and in no case shall Landlord be liable to Tenant hereunder for any lost profits, damage to business, or any form of special, indirect or consequential damage.

IN WITNESS WHEREOF, Landlord and Tenant have entered into and executed this Amendment as of the date first written above.

LANDLORD:

WALNUT TECH BUSINESS CENTER, LLC,
a Delaware limited liability company

By: /s/ Matthew Tracy
Name: Matthew Tracy
Title: Authorized Signer
Dated: 2/2/2012

TENANT:

SUNVALLEY SOLAR, INC.,
a Nevada corporation

By: /s/ Zhi Jian Zhang
Name: Zhi Jian Zhang
Title: Chief Financial Officer
Dated: 1/13/2012
Date: 12/21/2011

Private Loan Agreement

Due to the rapid business development, the Company needs funds for operation and inventory purchase. The Board of Directors authorize James Zhang (CEO/Chairman) on behalf of the Company, to sign a short term loan agreement with Hangbo Yu (Shareholder/General Manager). The loan amount is $50,000. The start day will be the day that $50,000 is transferred to the Company's account. The annual interest for this short-term loan is 6.50% and the term of this loan should be less than a year.

Borrower:

/s/ James Zhang
James Zhang
CEO

Sunvalley Solar Inc.

Lender:

/s/ Hangbo Yu
Hangbo Yu
Date: 12/21/2011

Private Loan Agreement

Due to the rapid business development, the Company needs funds for operation and inventory purchase. The Board of Directors authorize Hangbo Yu (General Manager), on behalf of the Company, to sign a short term loan agreement with James Zhang (shareholder/CEO). The loan amount is $50,000. The start day will be the day that $50,000 is transferred to the Company’s account. The annual interest for this short-term loan is $6.50% and the term of this loan should be less than a year.

Borrower:

/s/ Hangbo Yu
Hangbo Yu, General Manager
Sunvalley Solar Inc.

Lender:

/s/ James Zhang
James Zhang
Private Loan Agreement

Due to the rapid business development, the Company needs funds for operation and inventory purchase. The Board of Directors authorize James Zhang (CEO/Chairman) on behalf of the Company, to sign a short term loan agreement with Hangbo Yu (Shareholder/General Manager). The loan amount is $21,307.90. The start day will be the day that $21,307.90 is transferred to the Company’s account. The annual interest for this short-term loan is 6.50% and the ten of this loan should be less than a year.

Borrower:

/s/ James Zhang  
James Zhang  
CEO  

Sunvalley Solar Inc.

Lender:

/s/ Hang Bo Yu  
Hang Bo Yu
CERTIFICATIONS

I, Zhijian James Zhang, certify that;

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2011 of SunValley Solar, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 16, 2012

/s/ Zhijian James Zhang  
By: Zhijian James Zhang  
Title: Chief Executive Officer
I, Zhijian James Zhang, certify that;

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2011 of SunValley Solar, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 16, 2012

/s/ Zhijian James Zhang
By: Zhijian James Zhang
Title: Chief Financial Officer
In connection with the annual Report of SunValley Solar, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission (the “Report”), I, Zhijian James Zhang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Zhijian James Zhang
Name: Zhijian James Zhang
Title: Principal Executive Officer, Principal Financial Officer and Director
Date: April 16, 2012