

Blue Earth, Inc.
Form 10-K/A
April 12, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 2
To
Form 10-K/A

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 333-148346

BLUE EARTH, INC. f/k/a
Genesis Fluid Solutions Holdings, Inc.
(Exact Name of Registrant as specified in its charter)

| | | |
|--|---|---|
| Nevada | 8700 | 98-0531496 |
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

2298 Horizon Ridge Parkway, Suite 205
Henderson, NV 89052
Telephone: 702-263-1808
Telecopier: 866-263-1824
(Address and telephone number of principal executive offices)

Dr. Johnny R. Thomas, CEO
Blue Earth, Inc.
2298 Horizon Ridge Parkway, Suite 205
Henderson, NV 89052
Telephone: 702-263-1808
Telecopier: 702-263-1824
(Name, address and telephone number of agent for service)

Copy to:
Elliot H. Lutzker, Esq.
Davidoff Malito & Hutcher LLP

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605 Third Avenue
New York, New York 10158
Telephone: (212) 557-7200
Telecopier: (212) 286-1884

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: 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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 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 such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|--|--|
| Large accelerated filer <input type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company <input checked="" type="checkbox"/> |
|---|---|--|--|

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

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 stock was last sold as of the last business day of the registrant's most recently completed fiscal year was \$66,011,295.

As of April 15, 2010, there were 17,751,500 shares of Common Stock, par value \$0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K amends the Annual Report on Form 10-K for the year ended December 31, 2009 (the “Original Report”) and is being filed by Blue Earth, Inc. (the “Company”) f/k/a Genesis Fluid Solutions Holdings, Inc. (“Genesis”); f/k/a Cherry Tankers, Inc. (“CT”) to report certain information disclosed to the Company by the Securities and Exchange Commission concerning former auditors of the Company.

The financial statements of CT and Genesis for the fiscal year ended December 31, 2008 and included in the Company’s Forms 10-K for the fiscal years ended December 31, 2008 and 2009 and its Form 8-K/A dated October 30, 2009 and filed on November 16, 2009 were audited by Davis Accounting Group P.C.

The audit reports were issued by Davis Accounting Group, P.C. from Cedar City, Utah and were dated January 15, 2009 and November 11, 2009. The license of Mr. Edwin Reese Davis, Jr. and his firm, Davis Accounting Group, P.C., lapsed on September 30, 2008 and were formally revoked as of November 4, 2010 by the Utah Division of Occupational & Professional Licensing (“DOPL”). You can find a copy of the order at https://secure.utah.gov/llv/search/detail.html?license_id=3599263.

As Davis Accounting Group, P.C. was not licensed when it issued its audit reports on the Company’s financial statements, we may not include its audit reports in our filings with the Commission.

The Company is amending this Form 10-K for the fiscal year ended December 31, 2009 to amend and restate Item 8 to remove the audit report of Davis Accounting Group, P.C. and to label the columns of the financial statements for fiscal year ended December 31, 2008 as “Not audited.”

Unless expressly noted otherwise, the disclosures in this Form 10-K/A continue to speak as of the date of the Original Report, and do not reflect events occurring after the filing of the Original Report. For additional information on subsequent events, the reader should refer to the Forms 10-K, Forms 10-Q and Forms 8-K the Company has filed in 2010 and 2011. The filing of this Form 10-K/A shall not be deemed an admission that the Original Report, when made, included any untrue statement of a material fact or omitted to state a material fact necessary to make a statement not misleading.

Item 8. Financial Statements and Supplementary Data.

Genesis Fluid Solutions Holdings, Inc. and Subsidiary Index to Consolidated Financial Statements

| | Page |
|---|------------|
| Financial Statements | |
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>F-2</u> |
| <u>Consolidated Balance Sheets – December 31, 2009 (audited) and 2008 (not audited)</u> | <u>F-3</u> |
| <u>Consolidated Statements of Operations for the years ended December 31, 2009 (audited) and 2008 (not audited)</u> | <u>F-4</u> |
| <u>Consolidated Statements of Changes in Stockholders' Equity (Deficiency) for the years ended December 31, 2009 (audited) and 2008 (not audited)</u> | <u>F-5</u> |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2009 (audited) and 2008 (not audited)</u> | <u>F-6</u> |
| <u>Notes to Consolidated Financial Statements for the year ended December 31, 2009 (audited) and 2008 (not audited)</u> | <u>F-8</u> |

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of:
Genesis Fluid Solutions Holdings, Inc.

We have audited the accompanying consolidated balance sheet of Genesis Fluid Solutions Holdings, Inc. and Subsidiary as of December 31, 2009 and the related consolidated statements of operations, changes in stockholders' equity (deficiency), and cash flows for the year 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genesis Fluid Solutions Holdings, Inc. and Subsidiary as of December 31, 2009 and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company reported a net loss and used cash in operations of \$2,247,767 and \$1,737,841, respectively, in 2009. As of December 31, 2009, the Company had an accumulated deficit of \$6,217,899. In addition, the Company has minimal revenue generating activities in 2009 and is transitioning to a new business model. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
April 14, 2010

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

| Assets | December 31, 2009 | December 31, 2008 NOT AUDITED |
|--|----------------------|--|
| Current assets: | | |
| Cash and cash equivalents | \$ 4,873,912 | \$ 9,076 |
| Costs in excess of billings on uncompleted contracts | 59,506 | — |
| Prepaid expenses and other current assets | 185,273 | 60,468 |
| Total current assets | 5,118,691 | 69,544 |
| Property and equipment, net | 719,469 | 844,999 |
| Patents, net | — | 54,492 |
| Patents pending | — | 98,097 |
| Other assets | — | 2,334 |
| Total assets | \$ 5,838,160 | \$ 1,069,466 |
| Liabilities and Stockholders' Equity (Deficiency) | | |
| Current liabilities: | | |
| Accounts payable | \$ 82,206 | \$ 110,524 |
| Accrued expenses | 476,800 | 771,540 |
| Warrant derivative liability | 804,718 | — |
| Billings in excess of costs on uncompleted contracts | 201,219 | 215,000 |
| Equipment payable | 84,795 | 84,795 |
| Settlement due to vendor, current portion | 84,667 | 67,334 |
| Loan payable | 68,076 | 68,076 |
| Obligations under capital leases, current portion | 59,216 | 143,428 |
| Convertible notes payable | 10,000 | 723,190 |
| Secured note payable | — | 116,662 |
| Notes payable — related parties | 14,575 | 50,819 |
| Total current liabilities | 1,886,272 | 2,351,368 |
| Obligations under capital leases, net of current portion | — | 117,822 |
| Settlement due to vendor, net of current portion | — | 84,666 |
| Total liabilities | 1,886,272 | 2,553,856 |
| Commitments and contingencies — See Note 15 | | |
| Stockholders' equity (deficiency): | | |

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| | | |
|--|--------------|--------------|
| Preferred stock, \$0.001 par value; 25,000,000 shares authorized, zero shares issued and outstanding | — | — |
| Common stock, \$0.001 par value; 100,000,000 shares authorized, 17,668,500 and 10,000,000 issued and outstanding, respectively | 17,669 | 10,000 |
| Additional paid-in capital | 10,152,118 | 2,486,609 |
| Accumulated other comprehensive loss | — | (10,867) |
| Accumulated deficit | (6,217,899) | (3,970,132) |
| | | |
| Total stockholders' equity (deficiency) | 3,951,888 | (1,484,390) |
| | | |
| Total liabilities and stockholders' equity (deficiency) | \$ 5,838,160 | \$ 1,069,466 |

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Year Ended December 31, 2009 | For the Year Ended December 31, 2008 NOT AUDITED |
|---|---|---|
| Revenues | \$ — | \$ 35,097 |
| Cost of revenues | — | 393,683 |
| Gross loss | — | (358,586) |
| Operating expenses: | | |
| Selling, general and administrative | 1,941,484 | 713,424 |
| Total operating expenses | 1,941,484 | 713,424 |
| Operating loss from continuing operations | (1,941,484) | (1,072,010) |
| Other income (expense): | | |
| Change in warrant derivative liability | 21,960 | — |
| Interest income | 198 | 10,103 |
| Interest expense | (287,682) | (332,219) |
| Inducement expense on debt conversion | (40,759) | — |
| Loss on disposal of property and equipment | — | (174,125) |
| Total other income (expense), net | (306,283) | (496,241) |
| Loss from continuing operations before income taxes | (2,247,767) | (1,568,251) |
| Income tax benefit | — | — |
| Net loss | (2,247,767) | (1,568,251) |
| Other comprehensive income (loss): | | |
| Gain (loss) on foreign currency translation, net of income tax of \$0 | 10,867 | (445) |
| Total other comprehensive income (loss), net of income taxes | 10,867 | (445) |
| Comprehensive loss | \$ (2,236,900) | \$ (1,568,696) |
| Weighted average number of common shares — basic and diluted | 12,050,759 | 10,000,000 |

The accompanying notes are an integral part of these consolidated financial statements.

F-4

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
For the Years Ended December 31, 2009 and 2008
(NOT AUDITED for fiscal year ended December 31, 2008)

| | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Stockholders' Equity (Deficiency) |
|---|------------------------|------------------------|----------------------------------|---|------------------------|--|
| Balance, December 31, 2007 | 10,000,000 | \$ 10,000 | \$ 2,230,309 | \$ (10,422) | \$ (2,401,881) | \$ (171,994) |
| Principal stockholder contribution of cash derived from sale of common shares of Company stock | — | — | 68,360 | — | — | 68,360 |
| Principal stockholder issuance of shares on behalf of company for conversion of convertible notes payable and accrued interest | — | — | 187,940 | — | — | 187,940 |
| Foreign currency translation loss | — | — | — | (445) | — | (445) |
| Net loss, 2008 | — | — | — | — | (1,568,251) | (1,568,251) |
| Balance, December 31, 2008 | 10,000,000 | 10,000 | 2,486,609 | (10,867) | (3,970,132) | (1,484,390) |
| Principal stockholder contribution of cash derived from sale of common shares of Company stock | — | — | 491,374 | — | — | 491,374 |
| Principal stockholder issuance of common shares on behalf of company to settle debt and accrued | — | — | 770,063 | — | — | 770,063 |

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| | | | | | | |
|--|-------------|---------|-----------|---|---|-----------|
| interest | | | | | | |
| Principal stockholder issuance of common shares on behalf of company for loan origination fees | — | — | 265 | — | — | 265 |
| Common shares returned to treasury and canceled | (1,232,730) | (1,233) | 1,233 | — | — | — |
| Common shares returned in exchange for stock options issued | (1,972,000) | (1,972) | 1,972 | — | — | — |
| Common shares issued to settle debt and accrued interest | 101,730 | 102 | 142,312 | — | — | 142,414 |
| Common shares issued for nominal cash and services | 2,584,000 | 2,584 | 23,256 | — | — | 25,840 |
| Consideration paid by stockholders, on behalf of company, to service providers | — | — | 25,000 | — | — | 25,000 |
| Consideration paid by stockholders, on behalf of company, to settle accounts payable | — | — | 125,000 | — | — | 125,000 |
| Common shares issued pursuant to recapitalization | 1,160,000 | 1,160 | (1,160) | — | — | — |
| Common shares and warrants issued under private placement, net of offering costs | 6,150,000 | 6,150 | 5,903,600 | — | — | 5,909,750 |
| Common shares and warrants issued for conversions of bridge notes payable | 877,500 | 878 | 775,372 | — | — | 776,250 |

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| | | | | | | |
|--|------------|-----------|---------------|--------|-----------------|--------------|
| Stock option expense | — | — | 233,900 | — | — | 233,900 |
| Reclassifications of warrants from equity to a liability | — | — | (826,678) | — | — | (826,678) |
| Foreign currency translation gain | — | — | — | 10,867 | — | 10,867 |
| Net loss, 2009 | — | — | — | — | (2,247,767) | (2,247,767) |
| Balance, December 31, 2009 | 17,668,500 | \$ 17,669 | \$ 10,152,118 | \$ | —\$ (6,217,899) | \$ 3,951,888 |

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Year Ended December 31, 2009 | For the Year Ended December 31, 2008 NOT AUDITED |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | \$ (2,247,767) | \$ (1,568,251) |
| Adjustments to reconcile net loss from continuing operations to net cash used in operating activities: | | |
| Stock-based compensation | 284,714 | — |
| Impairment of patents pending | 119,896 | — |
| Depreciation of property and equipment | 112,345 | 252,609 |
| Stock-based interest expense | 101,250 | — |
| Impairment of property and equipment | 61,107 | 124,630 |
| Impairment of patents | 50,077 | — |
| Convertible debt inducement expense | 40,759 | — |
| Amortization of patents | 4,415 | 4,415 |
| Stock-based loan fees | 265 | — |
| Gain on settlement of accounts payable | (118,910) | — |
| Change in warrant derivative liability | (21,960) | — |
| Loss on disposal of property and equipment | — | 174,125 |
| Changes in operating assets and liabilities: | | |
| Decrease in accounts receivable | — | 72,728 |
| Decrease in inventories | — | 2,116 |
| Increase in costs in excess of billings on uncompleted contracts | (59,506) | — |
| Increase in prepaid expenses and other current assets | (124,805) | — |
| Decrease in other assets | 2,334 | 30,000 |
| Increase (decrease) in accounts payable | 215,592 | (144,518) |
| (Decrease) increase in accrued expenses | (76,533) | 320,687 |
| (Decrease) increase in billings in excess of costs on uncompleted contracts | (13,781) | 215,000 |
| Decrease in settlement due to vendor | (67,333) | (58,984) |
| Net cash used in operating activities | (1,737,841) | (575,443) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (47,922) | (10,712) |
| Patent costs | (21,799) | (64,290) |
| Net cash used in investing activities | (69,721) | (75,002) |
| Cash flows from financing activities: | | |
| Proceeds from common stock and warrants issued for cash, net of offering costs | 5,909,750 | — |
| Capital contributions received | 491,374 | 68,360 |
| Proceeds from issuance of convertible notes payable | 773,500 | 595,330 |

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| | | |
|---|------------------|-----------------|
| Principal payments on convertible notes payable | (158,179) | (94,007) |
| Proceeds from issuance of notes payable | — | 607,987 |
| Principal payments on secured note payable | (116,662) | (297,529) |
| Proceeds from notes payable — related parties | — | 71,975 |
| Principal payments on notes payable — related parties | (36,244) | (85,500) |
| Debt issuance costs | | (4,000) |
| Principal payments on capital leases | (202,034) | (252,018) |
| Nominal cash received for common shares issued for services | 26 | — |
| Net cash provided by financing activities | 6,661,531 | 610,598 |
| Effect of exchange rate changes on cash | 10,867 | (445) |
| Net increase (decrease) in cash and cash equivalents | 4,864,836 | (40,292) |
| Cash and cash equivalents at beginning of year | 9,076 | 49,368 |
| Cash and cash equivalents at end of year | \$ 4,873,912 | \$ 9,076 |

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Year Ended December 31, 2009 | For the Year Ended December 31, 2008 NOT AUDITED |
|--|--|--|
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 111,847 | \$ — |
| Income taxes paid | \$ — | \$ — |
| Non-cash investing and financing activities: | | |
| Issuance of common stock to settle accounts payable | \$ 125,000 | \$ — |
| Conversion of accrued interest payable to convertible notes payable | \$ 129,298 | \$ — |
| Conversion of accrued interest payable to common stock | \$ 88,909 | \$ — |
| Conversion of convertible notes payable to common stock | \$ 1,457,809 | \$ — |
| Reclassification of warrant derivative liability from additional paid-in capital | \$ 826,678 | \$ — |

The accompanying notes are an integral part of these consolidated financial statements.

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(NOT AUDITED FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008)

Note 1. Nature of Operations and Recapitalization

Overview

Genesis Fluid Solutions Holdings, Inc. (“Holdings” or the “Company”) is an environmental company that supplies a Rapid Dewatering System (“RDS”) technology for dredged material, including fine-grained sediment, for lake and waterway restoration. The Company’s subsidiary, Genesis Fluid Solutions, Ltd (“Genesis Ltd”), was incorporated on October 26, 2005 under the laws of the State of Colorado.

On October 30, 2009, Genesis Ltd. entered into and consummated an Agreement of Merger and Plan of Reorganization (the “Merger Agreement”) with Holdings, an inactive publicly-held company, and Genesis Fluid Solutions Acquisition Corp. (“Acquisition Sub”), which was Holdings’ newly formed, wholly-owned Delaware subsidiary. Upon closing of the transaction contemplated under the Merger Agreement (the “Merger”), Acquisition Sub merged with and into Genesis Ltd., and Genesis Ltd., as the surviving corporation, became a wholly-owned subsidiary of Holdings. On October 30, 2009, the Company changed its name to Genesis Fluid Solutions Holdings, Inc.

At the closing of the Merger, each share of Genesis Ltd. common stock that was issued and outstanding immediately prior to the closing of the Merger was exchanged for ten shares of Holdings’ common stock. This transaction was treated as a recapitalization of Genesis Ltd. with 1,160,000 common shares deemed issued to the pre-merger stockholders of Holdings. Subsequent to the merger, but prior to the same day closing of the first tranche of a private placement of common stock and warrants, the stockholders of Genesis Ltd. had approximately 89% voting control of the Company. The accounting effects of the recapitalization are reflected retroactively for all periods presented in the accompanying consolidated financial statements and footnotes (See Note 16).

Note 2. Significant Accounting Policies

Use of Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of our consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application. There are also areas in which management’s judgment in selecting any available alternative would not produce a materially different result. Significant estimates include the estimates of depreciable lives and valuation of property and equipment, valuation and amortization periods of intangible assets, valuation of derivatives, valuation of payroll tax contingencies, valuation of share-based payments, and the valuation allowance on deferred tax assets.

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(NOT AUDITED FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008)

Principles of Consolidation

The consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiary Genesis Ltd. All significant inter-company balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2009.

Accounts Receivable

The Company records accounts receivable related to its construction contracts based on billings or on amounts due under the contractual terms. Accounts receivable throughout the year may decrease based on payments received, credits for change orders, or back charges incurred.

Management reviews accounts receivable periodically to determine if any receivables will potentially be uncollectible. Management's evaluation includes several factors including the aging of the accounts receivable balances, a review of significant past due accounts, economic conditions, and our historical write-off experience, net of recoveries. The Company includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve, in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets per the following table. Expenditures for additions and improvements are capitalized while repairs and maintenance are expensed as incurred.

| Category | Depreciation Term |
|-------------------------------|----------------------|
| Computer and office equipment | 3–5 years |
| Equipment and tools | 5–10 years |

Intangible Assets

The Company records the purchase of intangible assets not purchased in a business combination in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification") Topic 350 "Intangibles - Goodwill and Other" and records intangible assets acquired in a business combination in accordance with ASC Topic 805 "Business Combinations".

F-9

GENESIS FLUID SOLUTIONS HOLDINGS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(NOT AUDITED FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008)

The Company capitalizes the costs associated with the application for and issuance of international patents related to its technology. Such costs are classified as patents pending in the accompanying consolidated balance sheet until such time as the patents are issued. Upon issuance, such costs are reclassified to patents and subsequently amortized over the useful life of the related patents.

Long-Lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets in accordance with ASC Topic 360, "Property Plant and Equipment," which generally requires the assessment of these assets for recoverability when events or circumstances indicate a potential impairment exists. Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, a significant decline in the Company's stock price for a sustained period of time, and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets. If