PERF Go-Green Holdings, Inc
Form 10-Q
February 20, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: **December 31, 2008**

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 333-141054

Perf-Go Green Holdings, Inc.

(Exact name of smaller reporting company as specified in its charter)

Delaware	20-3079717
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

12E. 52nd Street, 4th Floor, New York, New York 10022
(Address of principal executive offices and Zip code)

(212) 935 3550
(Issuer's telephone number including area code)

____

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2

of the Exchange Act). Yes ( ) No (X)

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicabledate - January 31, 2009

Common Stock, $.0001 Par Value	33,951,996
Class	Shares

PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

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All items which are not applicable or to which the answer is negative have been omitted from this report.

PART I: FINANCIAL INFORMATION

Item 1. - Financial Statements

PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31 2008 (unaudited)	**March 31 2008 (audited)**
CURRENT ASSETS:		
Cash and cash equivalents	$ 560,000	$ 270,000
Accounts receivable, net	399,000	-
Deposits with vendor – related party	1,651,000	-
Prepaid expenses	41,000	33,000
Total current assets	2,651,000	303,000
Deferred finance costs, net	1,489,000	-
Equipment, net of accumulated depreciation	174,000	2,000
Security deposits	45,000	-
Total assets	$ 4,359,000	$ 305,000

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable	$ 220,000	$ 200,000
Accrued expenses	119,000	55,000
Registration rights liability	893,000	-
Deferred revenue	30,000	-
Derivative liabilities	5,096,000	-
Total current liabilities	6,358,000	255,000
LONG TERM LIABILITIES - Senior secured convertible debentures, face amount $5,400,000, net of debt discount of $4,345,000	1,055,000	-
Total liabilities	7,413,000	255,000

COMMITMENTS	-	-
STOCKHOLDERS’ EQUITY (DEFICIT):		
Preferred stock, par value $0.0001 per share, 5,000,000 shares authorized none issued	-	-
Common stock, par value $0.0001 per share, 100,000,000 shares authorized, 33,951,996 and 21,079,466 shares issued and outstanding	3,000	2,000
Additional paid in capital	17,622,000	1,473,000
Accumulated deficit	(20,679,000)	(1,425,000)
Total stockholders’ equity (deficit)	(3,054,000)	50,000
Total liabilities and stockholders’ equity (deficit)	$ 4,359,000	$305,000

See accompanying notes to the condensed consolidated financial statements.

PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended December 31, 2008	Nine months ended December 31, 2008	Period from November 15, 2007 (inception) to December 31, 2007
REVENUES	$ 462,000	$ 888,000	$ -
COST OF GOODS SOLD	331,000	601,000	-
GROSS PROFIT	131,000	287,000	-
GENERAL AND ADMINISTRATIVE EXPENSES	3,652,000	18,681,000	-
LOSS FROM OPERATIONS	(3,521,000)	(18,394,000)	-
OTHER (EXPENSE) INCOME			
Derivative liabilities expense	-	(26,310,000)	-
Change in fair value of derivative liabilities	12,745,000	28,748,000	-
Damages accrued under registration rights agreement	-	(893,000)	-
Amortization of debt discount	(931,000)	(1,605,000)	-
Interest expense	(136,000)	(340,000)	-
Amortization of deferred finance costs	(283,000)	(500,000)	-
Interest income	6,000	40,000	-
Total other (expense) income, net	11,401,000	(860,000)	-
NET INCOME (LOSS)	$ 7,880,000	$ (19,254,000)	$ -
NET INCOME (LOSS) PER COMMON SHARE:			
Basic	$ 0.23	$ (0.65)	$ (0.00)
Diluted	$ 0.22	$ (0.65)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
Basic	33,669,000	29,664,000	21,079,000
Diluted	41,138,000	29,664,000	21,079,000

See accompanying notes to the condensed consolidated financial statements.

PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the period from March 31, 2008 (audited) to December 31, 2008 (unaudited)

	Common Stock		**Additional Paid-in Capital**	**Accumulated Deficit**	**Total**
	Shares	**Amount**			
BALANCES, March 31, 2008 (audited)	21,079,466	$2,000	$1,473,000	($1,425,000)	$ 50,000
Common stock issued in reverse acquisition and recapitalization	11,200,004	1,000	2,100,000		-2,101,000
Cash and warrants paid to placement agent in May 2008 reverse merger	-	-	(691,000)	-	(691,000)
Officer, director and employee stock compensation expense	-	-	10,953,000	-	10,953,000
Common stock issued to investor relations consultant for services	750,000	-	1,927,000	-	1,927,000
Other consultant stock option expense	-	-	623,000	-	623,000
Shares issued to consultants and employee	189,194	-	397,000	-	397,000
Convert $550,000 face amount of convertible debentures into common stock	733,332	-	550,000	-	550,000
Reclassification of derivative liability as remeasured in connection with conversion of convertible debt			290,000		290,000
Net loss	-	-	-	(19,254,000)	(19,254,000)
BALANCES, December 31, 2008 (unaudited)	33,951,996	$ 3,000	17,622,000	($ 20,679,000)	($ 3,054,000)

See accompanying notes to the condensed consolidated financial statements.

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PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine months ended December 31, 2008	Period from November 15, 2007 (inception) to December 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (19,254,000)	$ -
Adjustments to reconcile net loss to net cash used in operating activities:		
Derivative liabilities expense	26,310,000	-
Change in fair value of derivative liabilities	(28,748,000)	-
Officer, director and employee stock compensation expense	10,953,000	-
Stock compensation expense to consultants and employee	2,946,000	-
Amortization of debt discount and deferred finance costs on Convertible Debentures	2,105,000	-
Depreciation of equipment	25,000	-
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	(399,000)	-
Prepaid expenses	(8,000)	-
Deposits with vendor – related party	(1,650,000)	-
Accounts payable, accrued liabilities, deferred revenue and all other current liabilities	116,000	-
Registration rights liability	893,000	-
NET CASH USED IN OPERATING ACTIVITIES	(6,711,000)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in reverse acquisition	2,100,000	-
Placement agent fee paid in cash in connection with reverse merger	(210,000)	-
Purchase of equipment and other	(244,000)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,646,000	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of senior secured convertible notes and warrants	5,950,000	-
Payment of placement agent fees for bridge notes, convertible notes and merger	(595,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,355,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	290,000	-
CASH:		
Beginning of period	270,000	-
End of period	$ 560,000	$ -

SUPPLEMENTARY CASH FLOW INFORMATION:			
Cash paid for interest and taxes	$ 276,000		$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Derivative liabilities associated with Convertible Debentures and Warrants at inception	$ 5,950,000		$ -
Derivative liabilities associated with placement agent warrants at inception	$ 1,875,000		$ -
Conversion of $550,000 face amount of convertible debentures into 733,332 shares of common stock	$ 550,000		$ -
Reclassification of derivative liability as remeasured in connection with conversion of convertible debt		$290,000	$ -

See accompanying notes to the condensed consolidated financial statements.

PERF-GO GREEN HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - BACKGROUND, CHANGE OF CONTROL AND BASIS OF PRESENTATION:

Perf-Go Green Holdings, Inc., formerly known as ESYS Holdings, Inc. and La Solucion, Inc., (the "Company") was incorporated in Delaware in April 2005. Its business was originally intended to provide assistance to the non-English speaking Hispanic population in building and maintaining a life in North Carolina but it did not establish operations in connection with its business plan.

On May 13, 2008, the Company entered into a Share Exchange Agreement (the "Share Exchange") with Perf-Go Green, Inc. ("Perf-Go Green"), a privately-owned Delaware corporation and its stockholders pursuant to which the Company acquired all of the outstanding shares of common stock of Perf-Go Green. Perf-Go Green was originally incorporated as a limited liability company on November 15, 2007 and converted to a "C" corporation on January 7, 2008. As consideration for the Share Exchange, the Company issued an aggregate of 21,079,466 shares of common stock, $0.0001 par value, for the 20,322,767 Perf-Go Green shares outstanding (a 1.03:1 exchange ratio), to the Perf-Go Green stockholders resulting in a change in control of the Company with Perf-Go Green stockholders owning approximately 65% out of a total of 32,279,470, and the former shareholders of the accounting acquiree owning 11,200,004 shares, of the Company's outstanding common stock at the date of the Share Exchange. In addition, the directors and officers of Perf-Go Green were elected as directors and officers of the Company. As a result of the Share Exchange, the Company has succeeded to the business of Perf-Go Green as its sole business. The Company's fiscal year end is March 31.

The accounting for the Share Exchange, commonly called a reverse acquisition, calls for Perf-Go Green to be treated as the accounting acquirer. The acquired assets and assumed liabilities of the Company were carried forward at their historical values, which approximated fair value. Perf-Go Green's historical financial statements are carried forward as those of the consolidated entity. The common stock and per share amounts have been retroactively restated to the earliest period to reflect the Share Exchange.

In connection with the Share Exchange, on May 13, 2008 and June 10, 2008, the Company completed a private placement of its senior secured convertible debentures in the principal amount of $5,950,000 and warrants to purchase shares of the Company's common stock as described in Note 6.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Articles 8 and 10 of Regulation S-X for small business issuers and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America. The unaudited condensed consolidated financial statements include the accounts of Perf-Go Green Holdings, Inc. and its wholly owned subsidiary, Perf-Go Green, Inc. (collectively, the "Company") and all significant intercompany transactions and balances have been eliminated in consolidation. All adjustments which are of a normal recurring nature and, in the opinion of management, necessary for a fair presentation have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the more complete information and the Company's audited consolidated financial statements as of March 31, 2008 and for the period from November 15, 2007 (inception) to March 31, 2008 and the related notes thereto included in Form 8-K/A filed on August 15, 2008.

All amounts in the accompanying financial statements are rounded to the nearest thousand dollars.

NOTE 2 - DISCUSSION OF THE COMPANY'S ACTIVITIES/PRODUCTS AND GOING CONCERN CONSIDERATION:

Company Activities/Products - The Company is focused on the development and global marketing of eco-friendly, non-toxic, food contact compliant, biodegradable plastic products. The Company's biodegradable plastic products offer a practical and viable solution for reducing plastic waste from the environment. The Company believes that its plastic products will break down in landfill environments within twelve (12) to twenty four (24) months, leaving no visible or toxic residue. The Company's activities have included capital raising to support its business plan, recruiting board and management personnel, establishing sources of supply and customer relationships. During the three months ended December 31, 2008, the Company commenced principal operations with the initiation of significant revenues. As such, the Company is no longer considered to be in the development stage as defined in Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting

and Reporting By Development Stage Enterprises." Previously, the Company reported as a development stage company.

Going Concern Consideration – As indicated in the accompanying unaudited condensed consolidated financial statements, at December 31, 2008, the Company had approximately $560,000 in cash and approximately $3,707,000 in negative working capital and a stockholders' deficit of approximately $3,054,000. A significant portion of the Company's liabilities (approximately $5,096,000) are derivative liabilities which are further described in Notes 6 and 7. The Company would presently be unable to satisfy the cash settlement liability associated with its derivative liabilities.

For the nine months ended December 31, 2008, the Company had a loss from operations of approximately $18,394,000 (and a net loss of approximately $19,254,000) and utilized approximately $6,711,000 of cash in operating activities. Further, losses from operations are continuing subsequent to December 31, 2008 and the Company anticipates that it will continue to generate significant losses from operations for the near future. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's cash flow projections presently indicate that projected revenues will not be sufficient to fund operations over the coming twelve months. As such, the Company will need to raise additional financing or take other measures in the fourth quarter ending March 31, 2009 in order to continue its operations. To that end, the Company has entered into and is further negotiating, a non-binding term sheet for a working capital loan facility, based on accounts receivable and inventory, for up to $10,000,000 of debt financing. Further, since the Company has just recently emerged from the development stage, the Company's ability to accurately project revenues and expenses can be significantly impacted by unforeseen events, developments and contingencies that cannot be anticipated. As such, there can be no assurance that management's plans to raise additional financing or take other measures will be successful or sufficient in order to sustain our continued operations. No adjustment has been made in the accompanying financial statements to the amounts and classification of assets and liabilities which could result should the Company be unable to continue as a going concern.

NOTE 3 – NET INCOME (LOSS) PER COMMON SHARE:

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during each period. Diluted income (loss) per share is computed by dividing net income by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. For the three months ended December 31, 2008, the Company added approximately 7,469,000 shares to 33,669,000 basic shares outstanding to arrive at 41,138,000 diluted shares outstanding representing the "if converted" shares under Senior Secured Convertible Debentures and the dilutive stock options and warrants under the Treasury Stock method using an average market price during the period of $0.58. Additionally, diluted income per share reflects the add back of approximately $1,350,000 of interest expense and related amortization on the Senior Secured Convertible Debentures. For the nine months ended December 31, 2008, basic and diluted loss per share are the same because the effect of outstanding common stock equivalents would decrease the loss per share.

NOTE 4 – CASH AND CASH EQUIVILENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS:

Cash and cash equivalents at December 31, 2008 includes approximately $263,000 invested in an institutional money market fund with a brokerage firm and approximately $297,000 in deposits with a commercial bank. Such amounts are stated at its fair value as they have a quoted value in an active market. Both balances are subject to federal deposit insurance of $250,000 per institution provided by the bank or brokerage firm.

NOTE 5 – DEPOSITS WITH VENDOR - RELATED PARTY:

The manufacturing of our biodegradable plastic products is outsourced to Spectrum Bags, Incorporated, a division of IPS Industries, Inc., ("Spectrum") a manufacturer and distributor of plastic bags and plastic products. Spectrum is currently our sole supplier of product. In order to secure initial product shipments expected, we have made deposits of approximately $1,651,000 with Spectrum at December 31, 2008. In order to secure our full payment, Spectrum retains title and risk of loss to the related inventory until we make final payment which occurs shortly before shipment to the customer. As such, we do not currently carry inventory for any significant period of time and had no inventory at December 31, 2008. One member of our Board of Directors serves as the President of this vendor.

NOTE 6 – SENIOR SECURED CONVERTIBLE DEBENTURES AND WARRANTS, RELATED DERIVATIVE

LIABILITIES AND REGISTRATION RIGHTS LIABILITY:

Senior Secured Convertible Debentures and Warrants - During May and June 2008, pursuant to the terms of a Subscription Agreement, the Company issued senior secured convertible debentures to unaffiliated accredited investors (the "Investors") in the aggregate original principal amount of $5,950,000 (the "Convertible Debentures") and five-year warrants (the "Warrants") to purchase shares of the Company's common stock. The Convertible Debentures are secured by all of our assets and are due in May 2011, with respect to $2,775,000 principal amount, and in June 2011, with respect to $3,175,000 principal amount. Interest on the Convertible Debentures is computed at the rate of 10% per year and is payable quarterly in arrears in cash or, under certain circumstances, in common stock of the company. The Convertible Debentures contain various covenants which, among other things, restrict the Company's ability to incur additional debt or liens or engage in certain transactions as specified therein. Additionally the Convertible Debentures define various events of default including non-payment of interest or principal when due, failure to comply with covenants, breach of representations or warranties, failure to obtain effective registration of the common stock underlying the conversion feature or failure to deliver registered common stock, when requested, within a specified timeframe as well as other matters discussed therein. Various remedies exist for an event of default including the acceleration of the maturity of the obligation, an increase in the interest rate to 15%, accrual of certain costs of the debt holders and a reduction of the conversion rate, among other things. The Convertible Debentures also provide that in the event of a "fundamental transaction" (as defined) such as a change in control, the holder may require that such holder's Convertible Note be redeemed at an "alternative consideration" (as defined) which can be, among other things, 135% of the principal amount of the Convertible Note or 130% of the equity conversion value of the Convertible Note.

The Convertible Debentures are convertible at the option of the holder into shares of our common stock at the lower of the (a) "fixed conversion price" of $0.75 per share (7,200,001 shares after 733,332 shares that were issued on November 4, 2008 as described below), subject to adjustment for stock splits, stock dividends, or similar transactions, (b) "lowest conversion price" representing the lowest price, conversion price or exercise price offered by the Company in a subsequent equity financing, convertible security (subject to certain exceptions) or derivative instruments or (c) "mandatory default amount" representing the amount necessary to convert 110% of the face amount of the Convertible Debentures plus accrued interest and costs at the lower of the price of the common stock on the date of demand or the date of payment. The Company's common stock price at the time of issuance of both the May and June 2008 Convertible Debentures exceeded the relevant conversion price (the fixed conversion price). As a result, the Company assessed the applicability of EITF No.'s 98-5 and 00-27 to determine if this constitutes a beneficial conversion feature. However, since the conversion feature can result in a variable amount of shares being issued, the conversion feature is considered an imbedded derivative liability, not a beneficial conversion feature, that needs to be separated from the "host contract" as described further below.

The Warrants entitle the holder to purchase approximately 7,933,333 shares common stock at $1.00 per share subject to adjustment of the shares and exercise price in the event of (a) stock dividends, splits or similar recapitalizations or (b) a rights offering at less than market value to all stockholders, (c) certain dividends or distributions and (d) the offering or issuance of common stock or derivative instruments (warrants, options or conversion features), subject to certain exceptions, at a price that is less than the exercise price of the Warrants. The Company is obliged to issue registered shares of common stock upon the exercise of the Warrants and if it cannot do so within three business days, it is obliged to pay in cash the market value, plus brokerage commissions, of the common stock. Because of the "pay in cash" feature and the variability of the exercise price, the warrant is considered to be a derivative liability as discussed further below.

Related Derivative Liabilities - Under SFAS No. 133 and EITF No. 00-19, both the embedded conversion option in the Convertible Debentures and the detachable Warrants are deemed "freestanding financial instruments" that cannot be classified as equity instruments at the commitment date related to their issuance and instead are classified as "derivative liabilities subject to fair value accounting."

Because the Convertible Debentures were issued with a variable conversion feature and with detachable Warrants, the fair value of these attributes are calculated and assigned before a value is assigned to the Convertible Debentures. The Company computed the fair value by using a Black Scholes calculation assuming a risk free rate of return of 2.7 – 3.2%, expected volatility of 93% and expected life of the conversion feature (three years) and the Warrants (five years), no dividends or forfeitures and the quoted market price of the Company's stock on the day of the

measurement. The resulting fair values exceed the face amount of the Convertible Debentures and result in recognition of an expense for derivative liabilities, as follows:

Fair value of conversion feature of Convertible Debentures at issuance	$ 13,739,000

Fair value of Warrants at issuance	13,718,000
Total derivative liabilities at issuance in May and June 2008	27,457,000
Less: face amount of Convertible Debentures ("debt discount")	(5,950,000)
Expense for derivative liabilities upon issuance	$ 21,507,000
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These derivative liabilities are marked-to-market at each reporting period as discussed further in Note 7.

The fair value of the conversion feature of the Convertible Debentures and the Warrants that is assigned to debt discount (originally $5,950,000) is being amortized over the life of the Convertible Debentures at the rate of approximately $496,000 per quarter until the November 4, 2008 conversion (discussed below) and approximately $450,000 per quarter thereafter.

On November 4, 2008, holders of $550,000 face amount converted their Convertible Debentures into 733,332 shares of common stock of the Company (the "Conversion"). In connection with the Conversion, the Company recorded the face amount of these Convertible Debentures at the date of conversion ($550,000) plus the proportionate share of the related derivative liability, as remeasured on the conversion date, of approximately $290,000 (for a total recorded of approximately $840,000) to shareholders equity. The unamortized debt discount aggregating approximately $465,000 at the date of conversion, was charged to debt discount in the accompanying consolidated statements of operations in the three and nine months ended December 31, 2008.

As a result of the above, the Convertible Debentures are recorded as follows:

	At inception	Amount Converted	Amount Remaining
Face amount of Debentures	$ 5,950,000	$ 550,000	$ 5,400,000
Less:			
Value assigned to conversion feature and Warrants as debt discount			
Value assigned to Debentures at the issuance	(5,950,000)	(550,000)	(5,400,000)
Add: Amortization of debt discount	-	-	-
Carrying amount outstanding or converted	1,605,000	550,000	1,055,000
at December 31, 2008	n/s	$ -	$ 1,055,000

In connection with the issuance of the Convertible Debentures and Warrants, the company paid a placement agent (the "Placement Agent") a cash fee of $595,000 and issued them warrants, on the same terms as the Warrants, to purchase 793,333 shares (subject to adjustment) of common stock at $1.00 for five years. Because such warrants have the same variable exercise price feature, and cash settlement provisions, as the Warrants described above, these warrants are also considered derivative liabilities. As such, their fair value at inception of approximately $1,395,000 was charged to derivative liability expense and this amount is required to be marked-to-market at each reporting period. The Company recorded the aggregate of the cash and warrant compensation of approximately $1,989,000 as a deferred finance cost and is amortizing that cost over the three year term of the Convertible Debenture at the rate of approximately $166,000 per quarter until the November 4, 2008 conversion (discussed above) and approximately $158,000 thereafter. The proportionate share of the unamortized deferred finance costs associated with the November 4, 2008 Conversion (discussed above), approximately $125,000, was charged to operations as additional

amortization of deferred finance cost in the three and nine months ended December 31, 2008. At December 31, 2008, approximately $500,000 of amortization has been recorded leaving approximately $1,489,000 of unamortized deferred finance cost at December 31, 2008. See also, Note 7.

Registration Rights Liability - The Company also granted the Investors registration rights for the common stock underlying the embedded conversion feature in the Convertible Debentures and the Warrants. The Company can be assessed liquidated damages, as defined in the related agreements, for the failure to file a registration statement in a certain timeframe or for the failure to obtain or maintain effectiveness of such registration statement. Such penalties shall not exceed, in the aggregate, 15% of the aggregate Purchase Price (as defined in the Convertible Debentures). In assessing the likelihood and amount of possible liability for liquidated damages, the Company considered the guidance of EITF No.'s 00-19-2 and 05-04 as well as SFAS No. 5. Because obtaining and maintaining effectiveness of the registration statement is not within the Company's control, the Company has concluded that it is probable that a liability will be incurred and therefore

recorded a liability for approximately $893,000 representing its estimate that such liability will be 15% of the proceeds of the Convertible Debentures as registration rights liability. The Company's registration statement was declared effective on February 10, 2009 and approximately $75,000, plus interest, of liquidated damages had been incurred as of December 31, 2008 and approximately $225,000, plus interest, as of February 10, 2009. The Company continues to be exposed to further registration rights liquidated damages if it does not maintain the effectiveness of such registration statement. At such time as it becomes clear that such effectiveness can be maintained, the remaining liability would be reversed.

Other - In connection with the issuance of the Convertible Debentures and the related reverse acquisition transaction, the Company agreed to pay a total of approximately $750,000 in investor relations cost, all of which costs have been paid at December 31, 2008.

NOTE 7 – DERIVATIVE LIABILITIES

Derivative liabilities at December 31, 2008 consist of the following:

Fair value of conversion feature of Convertible Debentures (Note 6)	$ 1,540,000
Fair value of Warrants issued to Investors (Note 6)	2,118,000
subtotal	3,658,000
Fair value of warrants issued to placement agent in Convertible Debentures (Note 6)	212,000
Fair value of warrant issued in connection with reverse acquisition (below)	111,000
Fair value of warrants issued to reverse acquisition equity investors (below)	1,115,000
Total derivative liabilities at December 31, 2008	$ 5,096,000
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In connection with the Share Exchange discussed in Note 1, the Company paid the Placement Agent a cash fee of $210,000 and issued them warrants to purchase common stock on the same terms as the Warrants discussed in Note 6. As such these warrants entitle the holder to purchase approximately 420,000 shares common stock at $1.00 per share subject to adjustment of the shares and exercise price in the event of (a) stock dividends, splits or similar recapitalizations or (b) a rights offering at less than market value to all stockholders, (c) certain dividends or distributions and (d) the offering or issuance of common stock or derivative instruments (warrants, options or conversion features), subject to certain exceptions, at a price that is less than the exercise price of the warrants. The Company is obliged to issue registered shares of common stock upon the exercise of the Warrants and if it cannot do so within three business days, it is obliged to pay in cash the market value, plus brokerage commissions, of the common stock. Because of the cash settlement feature and the variability of the exercise price, the warrant is considered to be a derivative liability Under SFAS No. 133 and EITF No. 00-19. Such warrants had a fair value at inception of approximately $480,000, which amount was charged to derivative liabilities expense.

At the time of the Share Exchange, certain investors in a prior private placement of common stock and warrants were granted the right to exchange their existing warrants for new warrants on the same terms as the Warrants discussed in Note 6 and in the preceding paragraph. Because of the variability of the exercise price feature and the settlement in cash provisions, the warrant is considered to be a derivative liability Under SFAS No. 133 and EITF No. 00-19. Such warrants had a fair value at inception of approximately $4,801,000, which amount was charged to derivative liabilities expense.

Pursuant to fair value accounting, the derivative liabilities for the conversion feature, the Warrants, the placement agent warrants and the warrants issued to the December 2007 equity investors are required to be marked-to-market at each reporting period during their term, with the resulting difference reported as a component of income or expense. During the three and nine months ended December 31, 2008, the Company recorded a total change in fair value due to remeasurement of derivative liabilities of approximately $14,584,000 and $30,586,000, respectively, as income.

The Company computed the fair value of its derivative instruments by using a Black Scholes calculation assuming a risk free rate of return of 0.5 – 2.%, expected volatility of 112% and expected life of the conversion feature (three years) and the Warrants (five years) and the quoted market price of the Company’s stock on the day of the measurement.

NOTE 8 – BRIDGE NOTES AND WARRANTS

In January and February 2008 Perf-Go Green sold an aggregate $750,000 of secured convertible notes, due in January 2009 (with respect to $350,000) and February 2009 (with respect to $400,000) and bearing interest at 10% per year, together with warrants to purchase Perf-Go Green's common stock. The notes were convertible at $0.48 per share and, together with approximately $11,000 of accrued interest, were converted into 1,579,466 shares of the Company's common stock on March 27, 2008.

The detachable warrants permit the holders to purchase an aggregate of 1,500,000 shares of common stock of the Company at a price of $0.75 until January 2013 (with respect to 700,000 shares) or February 2013 (with respect to 800,000 shares). Under EITF No. 00-19, the Company concluded that these warrants met the definition of a freestanding financial instrument that could be classified as equity. The Company determined the fair value of these warrants based upon a Black Scholes valuation calculation with the following assumptions: one and one half year expected life, 150% volatility, 2.11% risk free interest rate and a market price of $0.48 for the underlying common stock. The market price was determined based on the ultimate conversion of these notes into common stock at that price shortly after issuance. The fair value, $669,000 was recorded to deferred finance costs and then, upon the conversion of the notes in March 2008, written off.

Pursuant to EITF No.'s 98-5 and 00-27 and APB No. 14, the Company determined that the exercise price of the convertible debt of $0.50 exceeded the market price of the common stock at each commitment date. As a result, no allocation of fair value was required amongst the convertible notes and warrants. The Company also determined that SFAS No. 133 and EITF 00-19 were not applicable, as the embedded conversion option did not require bifurcation.

In connection with raising these proceeds, Perf-Go Green paid $75,000 as direct offering costs to the placement agent. The Company also issued, as an additional placement agent fee, warrants to purchase 150,000 shares of the Company's common stock. The Company determined the valuation of these warrants, approximately $43,000, by applying EITF 96-18 and using the Black-Scholes option-pricing formula and a risk free interest rate of 1.9 – 2.7%, expected volatility of 150%, a five year expected term and a weighted average fair value of $0.75. These costs were initially capitalized as debt issue costs and were being amortized over the life of the related convertible debt instrument. Upon conversion of the notes on March 27, 2008, the remaining unamortized portion of debt issue costs was charged to interest expense on the statement of operations.

NOTE 9 – STOCKHOLDERS' EQUITY (DEFICIT)

Common stock - On January 15, 2008, the Company issued 19,500,000 shares of common stock (retroactively reflecting the Share Exchange) to its founders as founders stock for pre incorporation services valued at $0.0001 per share.

Stock based compensation - In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123R, "Share-Based Payment." SFAS No. 123R is a revision of SFAS No. 123, "Accounting for Stock Based Compensation." Among other items, SFAS No. 123R requires companies to recognize the cost of employee services received in exchange for awards of equity instruments in the financial statements based on the grant date fair value of those awards. Stock awards to consultants and other non-employees are accounted for based on an estimate of their fair value at the time of grant and, in the instance of options and warrants, are based upon a Black-Scholes option pricing model.

The fair value of each option grant under SFAS No. 123R is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk free interest rate of approximately 0.5 - 3.2%; no dividend yield; expected option lives based on their terms (generally five years) and expected volatility of approximately 93 - 112%. The expected volatility for the current period was developed by using historical volatility of the Company stock history since the reverse acquisition. Since the history of our stock trading has been relatively short, the baseline volatility calculation was increased by 20 - 50%. The risk-free interest rate was developed using the U.S.

Treasury yield curve for periods equal to the expected term of the options grant date.

In June 2008, the Company adopted the 2008 Share Incentive Plan (the "Plan") which permits the granting of stock options and other forms of stock based compensation to employees and consultants of the Company. Under the Plan, the Company has reserved 10,000,000 shares of common stock for issuance under the Plan. There were no stock options outstanding at March 31, 2008. The following table summarizes the stock options issued to directors, officers, employees and consultants under the Plan for the three and nine months ended December 31, 2008 (unaudited) under the Plan.

	Number of Options		Weighted Average Exercise Price
Stock Options			
Balance at March 31, 2008	-	$	-
Granted or issued	7,573,600	$	1.52
Exercised	-	$	-
Cancelled/Forfeited	-	$	-
Balance at December 31, 2008	7,573,600	$	1.52
Options exercisable at December 31, 2008	5,728,000	$	1.38
Weighted average fair value of options granted during the nine months ended December 31, 2008 (unaudited)	$15,400,000	$	2.03
Weighted average fair value of options exercisable at December 31, 2008	$9,356,000		$1.62

The grant date fair value of the options issued under the Plan was approximately $15,400,000 and approximately $2,272,000 and $11,576,000 was charged to operations for stock compensation expense under the Plan for the three and nine months ended December 31, 2008, respectively, including approximately $2,237,000 and $10,953,000, respectively, for directors, officers and employees and approximately $35,000 and $623,000, respectively, to consultants. In addition to stock compensation from options, we issued 939,194 shares to consultants resulting in approximately $19,000 and $2,324,000 in stock compensation during the three and nine months ended December 31, 2008. Stock compensation cost is included in general and administrative expenses in the unaudited condensed consolidated financial statements

The following table summarizes information about the exercise prices, exercisability and remaining life of the options granted.

Options exercisable:

Range of Exercise Price	**Number Outstanding at December 31, 2008**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value of Options Outstanding**	**Number Exercisable at December 31, 2008**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value of Options Exercisable**
$0.50 - $2.00	7,573,600	4.58 years	$1.52	$ -			