

ePunk, Inc.  
Form 10-Q  
June 27, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

For the quarterly period ended March 31, 2012

ePunk, Inc.  
(formerly Truesport Alliances & Entertainment, Ltd.)  
(formerly Sewell Ventures, Inc.)  
(Exact name of registrant as specified in Charter)

|   |                          |                                      |
|---|--------------------------|--------------------------------------|
| Nevada  | 333-147394               | 26-1395403                           |
| (State or other jurisdiction<br>of<br>incorporation or<br>organization) | (Commission File<br>No.) | (IRS Employee Identification<br>No.) |

34105 Pacific Coast Highway  
Dana Point, CA 92629  
(Address of Principal Executive Offices)

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(949) 514-6724  
(Issuer Telephone number)

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Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes " No x

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 "

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

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|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> | 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 Exchange Act. Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. At June 26, 2012 the registrant had outstanding 31,819,917 shares of common stock, \$.0001 par value per share. The registrant's common stock is listed under the symbol "PUNK.PK".

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## Item 1. Financial Statements.

ePunk, Inc.  
Consolidated Balance Sheets

|   | March 31,<br>2012<br>(Unaudited) | September 30,<br>2011 |
|---|----------------------------------|-----------------------|
| <b>ASSETS</b>   |                                  |                       |
| Current assets:   |                                  |                       |
| Cash  | \$ 279,274                       | \$ 18,206             |
| Accounts receivable (Note B)  | 182,294                          | 1,136                 |
| Inventory   | 13,508                           | 7,317                 |
| Other current assets  | 5,540                            | -                     |
| Total current assets  | 480,616                          | 26,659                |
| Property, plant and equipment, net of \$2,495 of accumulated depreciation   | 26,660                           | 2,293                 |
| Intangible assets net of \$1,934 of amortization  | 10,566                           | 11,459                |
| Deposits  | 17,442                           | 11,050                |
| Total assets  | \$ 535,284                       | \$ 51,461             |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                                  |                       |
| Current liabilities:  |                                  |                       |
| Accounts payable and accrued liabilities (Note C)   | \$ 369,246                       | \$ 24,335             |
| Accrued interest (Note D)   | 11,997                           | 4,297                 |
| Convertible notes payable (Note D)  | 328,349                          | 395,588               |
| Promissory notes, net of \$97,105 discount (Note D)   | 182,895                          | -                     |
| Total current liabilities   | 892,487                          | 424,220               |
| Total liabilities   | 892,487                          | 424,220               |
| Commitments and contingencies   |                                  |                       |
| Stockholders' deficit (Note E):   |                                  |                       |
| Common stock, \$0.0001 par value; 100,000,000 shares authorized; issued and outstanding 30,008,585 and 30,008,585 at March 31, 2012 and September 30, 2011, respectively. | 3,001                            | 3,001                 |
| Common stock payable  | 193,199                          | -                     |
| Additional paid-in capital  | (243,799 )                       | (300,917 )            |
| Accumulated earnings  | (309,604 )                       | (74,843 )             |
| Total stockholders' deficit   | (357,203 )                       | (372,759 )            |
| Total liabilities and stockholder's deficit   | \$ 535,284                       | \$ 51,461             |

The accompanying notes are an integral part of these financial statements

ePunk, Inc.

Consolidated Statements of Operations (Unaudited)

For the Three and Six Months Ended March 31, 2012 and the Period From February 25, 2011 (Inception) through March 31, 2011

|   | Three<br>Months<br>Ended<br>March 31,<br>2012 | February<br>25, 2011<br>through<br>March 31,<br>2011 | Six Months<br>Ended<br>March 31,<br>2012 | February<br>25, 2011<br>through<br>March 31,<br>2011 |
|---|---|--|--|--|
| Net sales   | \$531,268                                     | \$25,750   | \$757,974                                | \$25,750   |
| Cost of sales   | 470,474                                       | 24,981   | 662,638                                  | 24,981   |
| Gross profit  | 60,794  | 769  | 95,336                                   | 769  |
| Operating expenses:   |   |  |  |  |
| General and administrative  | 96,671  | 2,200  | 197,088                                  | 2,200  |
| Sales and marketing   | 32,876  | -  | 50,714                                   | -  |
| Depreciation and amortization   | 2,240   | -  | 3,180                                    | -  |
| Total operating expenses  | 131,787                                       | 2,200  | 250,982                                  | 2,200  |
| Operating loss  | (70,993 )                                     | (1,431 )   | (155,646 )                               | (1,431 )   |
| Non-operating income (expense):   |   |  |  |  |
| Interest expense  | (16,067 )                                     | (67 )  | (21,997 )                                | (67 )  |
| Amortization of beneficial conversion feature   | (57,118 )                                     | -  | (57,118 )                                | -  |
| Total non-operating income (expense)  | (73,185 )                                     | (67 )  | (79,115 )                                | (67 )  |
| Loss before income taxes  | (144,178 )                                    | (1,498 )   | (234,761 )                               | (1,498 )   |
| Income tax provision (benefit)  | -   | -  | -  | -  |
| Net loss  | \$(144,178 )                                  | \$(1,498 )   | \$(234,761 )                             | \$(1,498 )   |
| Net loss per common share:  |   |  |  |  |
| Basic   | \$(0.005 )                                    | \$(0.005 )   | \$(0.008 )                               | \$(0.005 )   |
| Weighted average common shares outstanding basic  | 30,048,534                                    | 308,534  | 30,028,559                               | 308,534  |
| The average shares listed below were not included in the computation of diluted losses per share because to do so would have been antidilutive for the periods presented: |   |  |  |  |
| Convertible promissory notes  | 1,696,662                                     | -  | 1,696,662                                | -  |

The accompanying notes are an integral part of these financial statements

ePunk, Inc.

Consolidated Statement of  
Stockholder's DeficitFor Six Months Ended March 31, 2012 and the Period From February 25, 2011 (Inception) through  
September 30, 2011

|  | Shares     | Common stock<br>Amount | Payable   | Additional<br>paid-in<br>Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Deficit |
|--|------------|------------------------|-----------|----------------------------------|------------------------|-----------------------------------|
| Balance, February 25, 2011                       | -          | \$-                    | \$-       | \$-                              | \$ -                   | \$ -                              |
| Shares issued for website<br>properties          | 24,750,000 | 2,475                  |           | 10,025                           |                        | 12,500                            |
| Legal acquirer shares issued<br>in merger        | 308,585    | 31                     |           | (359,947 )                       |                        | (359,916 )                        |
| Shares issued upon the<br>conversion of debt     | 4,950,000  | 495                    |           | 49,005                           |                        | 49,500                            |
| Net loss   |            |                        |           |                                  | (74,843 )              | (74,843 )                         |
| Balance, September 30, 2011                      | 30,008,585 | \$3,001                | \$-       | \$(300,917 )                     | \$(74,843 )            | \$(372,759 )                      |
| Shares issued upon the<br>conversion of debt     |            |                        | 122,266   |                                  |                        | 122,266                           |
| Shares issued as inducement<br>to lend           |            |                        | 70,933    |                                  |                        | 70,933                            |
| Amortization of beneficial<br>conversion feature |            |                        |           | 57,118                           |                        | 57,118                            |
| Net loss   |            |                        |           |                                  | (234,761 )             | (234,761 )                        |
| Balance, March 31, 2012<br>(Unaudited)           | 30,008,585 | \$3,001                | \$193,199 | \$(243,799 )                     | \$(309,604 )           | \$(357,203 )                      |

The accompanying notes are an integral part of these financial statements

ePunk, Inc.

Consolidated Statements of Cash Flows (Unaudited)

For the Six Months Ended March 31, 2012 and the Period From February 25, 2011 (Inception) through March 31, 2011

|  | Six Months<br>Ended<br>March 31,<br>2012 | February<br>25, 2011<br>through<br>March 31,<br>2011 |
|--|--|--|
| Cash flows from operating activities:                                      |  |  |
| Net loss   | \$(234,761 )                             | \$(1,498 )   |
| Reconciliation to net cash provided by (used in)<br>continuing operations: |  |  |
| Depreciation and amortization  | 3,180                                    | -  |
| Accretion of debt discount   | 8,828                                    | -  |
| Amortization of beneficial conversion feature                              | 57,118                                   | -  |
| Changes in certain assets and liabilities:                                 |  |  |
| Accounts receivable  | (181,158 )                               | -  |
| Inventory  | (6,191 )                                 | 4,400  |
| Other current assets   | (5,540 )                                 | -  |
| Deposits   | (6,392 )                                 | -  |
| Accounts payable   | 344,911                                  | -  |
| Accrued interest   | 13,169                                   | 67   |
| Net cash (used) provided by operating activities                           | (6,836 )                                 | 2,969  |
| Cash flows from investing activities:                                      |  |  |
| Capital expenditures, net  | (26,655 )                                | -  |
| Net cash used by investing activities                                      | (26,655 )                                | -  |
| Net cash provided by financing activities:                                 |  |  |
| Proceeds from convertible promissory notes                                 | 49,559                                   | 5,000  |
| Proceeds from promissory notes   | 245,000                                  | -  |
| Net cash provided by financing activities                                  | 294,559                                  | 5,000  |
| Net increase in cash   | 261,068                                  | 7,969  |
| Cash - beginning of period   | 18,206                                   | -  |
| Cash - end of period   | \$279,274                                | \$7,969  |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION                          |  |  |
| CASH PAID DURING THE YEAR FOR:   |  |  |
| Taxes paid   | \$-                                      | \$-  |
| Interest paid  | \$-                                      | \$-  |
| NON-CASH FINANCING ACTIVITIES:   |  |  |
| Value of Common Stock issued for accrued interest                          | \$5,469                                  | \$-  |
| Value of Common Stock issued for debt                                      | \$116,797                                | \$-  |
| Value of Common Stock as inducement to lend                                | \$70,933                                 | \$-  |

The accompanying notes are an integral part of these financial statements





ePunk, Inc.

Notes to Consolidated Financial Statements (Unaudited)

For the Three and Six Months Ended March 31, 2012

and the Period From February 25, 2011 (Inception) to March 31, 2011

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#### Basis of Presentation

The unaudited financial statements of ePunk, Inc. as of March 31, 2012 and for the three and six months ended March 31, 2012 and the period from February 25, 2011 (Inception) through March 31, 2011 have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended September 30, 2011 as filed with the Securities and Exchange Commission as part of our Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the interim financial information have been included. The results of operations for any interim period are not necessarily indicative of the results of operations for the entire year.

#### Note A-Organization and Going Concern

##### Organization

ePunk, Inc. (the “Company”)(formerly Truesport Alliances & Entertainment, Ltd.) (formerly Sewell Ventures, Inc.) was incorporated under the laws of the State of Delaware on April 27, 2007.

On December 16, 2009, the Company acquired Seven Base Consulting, LLC, a privately owned Nevada limited liability company organized under the laws of the State of Nevada on October 17, 2008.

On January 15, 2010, the Company name was changed with the State of Delaware from Sewell Ventures, Inc. to Truesport Alliances, Ltd., and on January 29, 2010, the Company changed its state of incorporation to the State of Nevada.

On April 22, 2011, the Company and Seven Base Consulting, LLC entered into an Agreement and Plan of Reorganization whereby the Company divested all Seven Base Consulting, LLC business related assets, liabilities and rights to the operation of the Seven Base Consulting, LLC business to Seven Base Consulting, LLC in exchange for the return of 90,000 shares of Truesport Alliances & Entertainment, Ltd. Common stock held by Seven Base Consulting, LLC members. As a result of this transaction all the Company’s assets were transferred and the Company kept certain notes payable totaling approximately \$359,000.

On June 15, 2011, Excelsior Management, LLC, (“Seller”) as agent for the beneficial owners of a total of 202,852 shares of common stock of ePunk, Inc. (fka Truesport Alliances & Entertainment, Ltd.), entered into a stock purchase agreement with Richard Jesse Gonzales, Justin Matthew Dornan, and Frank J. Drechsler (the “Purchasers”) for the sale and purchase of the Common Shares. As a result of the execution of the Stock Purchase Agreement, Excelsior sold, 65.75% of the issued and outstanding shares of common stock of the Company to the Purchasers in exchange for \$23,451.97.

On June 20, 2011 a majority of the shareholders of the Company approved the appointment of Richard Jesse Gonzales, Justin Matthew Dornan, and Frank J. Drechsler to the Board of Directors. In addition, at such time, Richard Jesse Gonzales was appointed the Company’s President and Chief Executive Officer, Justin Matthew Dornan as

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Treasurer, and Frank J. Drechsler as Secretary. None of the appointed directors or officers entered into an employment agreement with the Company.

On June 20, 2011, the board of directors and a majority of the shareholders of the Company approved the name change of the Company from TrueSport Alliance & Entertainment, Ltd. to ePunk, Inc. On June 20, 2011, the Company amended Article 1 of its Articles of Incorporation to change the Company's name to ePunk, Inc.

On June 20, 2011, the shareholders and the board of directors of ePunk authorized a 1 for 100 reverse stock split. FINRA approved the reverse split on June 28, 2011 and declared the reverse split effective as of July 5, 2011.

ePunk, Inc.

Notes to Consolidated Financial Statements (Unaudited)

For the Three and Six Months Ended March 31, 2012

and the Period From February 25, 2011 (Inception) to March 31, 2011

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Note A-Organization and Going Concern (Continued)

On June 30, 2011, The board and majority of the shareholders of the Company approved the issuance of 24,750,000 shares of common stock in exchange for 100% of the issued and outstanding capital stock of Punk Industries, Inc. causing Punk Industries, Inc. to become a wholly owned subsidiary of the Company. Punk Industries, Inc. was formed in February 2011 to develop off-road vehicle distribution. The Merger was accounted for as a “reverse merger,” as the stockholders of Punk Industries, Inc. owned a majority of the outstanding shares of ePunk, Inc. common stock immediately following the Merger. Punk Industries, Inc. was deemed to be the acquirer in the reverse merger. Consequently, the assets and liabilities and the historical operations of Punk Industries, Inc. prior to the Merger are reflected in the financial statements at the historical cost basis of Punk Industries, Inc. The Company's consolidated financial statements include the assets and liabilities of both ePunk, Inc. and Punk Industries, Inc., the historical operations of Punk Industries, Inc. and the Company's continuing operations from the Effective Date of the Merger. The Company accounted for the merger under recapitalization accounting whereby the equity of the acquiring enterprise (Punk Industries, Inc.) is presented as the equity of the combined enterprise and the capital stock account of the acquiring enterprise is adjusted to reflect the par value of the outstanding stock of the legal acquirer (ePunk, Inc.) after giving effect to the number of shares issued in the business combination. Shares retained by the legal acquirer (ePunk, Inc.) are reflected as an issuance as of the reverse merger date (June 30, 2011) for the historical amount of the net assets of the acquired entity.

The consolidated financial statements include the accounts of ePunk, Inc. and its wholly-owned subsidiary, Punk Industries, Inc. which are 100% consolidated in the financial statements.

Going Concern

In its report with respect to the Company's financial statements for the year ended September 30, 2011, the Company's independent auditors expressed substantial doubt about the Company's ability to continue as a going concern. Because the Company has not yet generated sufficient revenues from its operations, its ability to continue as a going concern is dependent upon its ability to obtain additional financing. Currently, the Company is seeking additional financing but has no commitments to obtain any such financing, and there can be no assurance that financing will be available in amounts or on terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplate continuation of the Company as a going concern. In the course of funding development and sales and marketing activities, the Company has sustained operating losses since inception and has an accumulated deficit of \$309,604 and \$74,843 at March 31, 2012 and September 30, 2011, respectively. In addition, the Company has negative working capital of \$411,871 and \$397,561 at March 31, 2012 and September 30, 2011, respectively. The Company will continue to use capital to market its products and may not be profitable for the foreseeable future. These factors raise doubt about the ability of the Company to continue as a going concern. In this regard, management is proposing to raise any necessary additional funds not provided by operations through loans or through additional sales of their common stock. There is no assurance that the Company will be successful in raising this additional capital. If adequate funds are not available on reasonable terms or at all, it would result in a material adverse effect on the Company's business, operating results, financial condition and prospects.

In view of these conditions, the ability of the Company to continue as a going concern is in substantial doubt and dependent upon achieving a profitable level of operations and on the ability of the Company to obtain necessary financing to fund ongoing operations. These consolidated financial statements do not give effect to any adjustments which will be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

**NOTE B - ACCOUNTS RECEIVABLE**

Accounts receivable at March 31, 2012 consisted of two customers, one of which totalled 99% of the total receivable and 24% of total revenue during the six months ended March 31, 2012.

**NOTE C - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses at March 31, 2012 consisted of \$6,450 of professional services, \$31,129 of customer deposits and \$331,667 of trade payables.

ePunk, Inc.

Notes to Consolidated Financial Statements (Unaudited)

For the Three and Six Months Ended March 31, 2012

and the Period From February 25, 2011 (Inception) to March 31, 2011

## NOTE D – PROMISSORY NOTES

## Convertible Promissory Notes

As of March 31, 2012 the Company had the following convertible promissory notes payable:

|  | Principle<br>Balance | Interest<br>Rate | Date of:<br>Funding Maturity |          | Accrued<br>Interest | Total<br>Due |
|--|----------------------|------------------|------------------------------|----------|---------------------|--------------|
| Excelsior<br>Management LLC<br>note purchased by<br>Amalfi   | 7,836                | 5.00 %           | 02/26/10                     | 12/31/11 | 229                 | 8,065        |
| Coast Capital on June<br>24, 2011 and \$49,436<br>assigned to the<br>RFF Family Trust on<br>April 3, 2012.   | 59,000               | 5.00 %           | 05/27/10                     | 08/27/10 | 1,722               | 60,722       |
| Conversion into<br>common stock  | (45,400 )            |                  |                              |          | (2,768 )            | (48,168 )    |
| Total  | \$ 49,436            |                  |                              |          | \$ -                | \$ 49,436    |
|  | \$ 50,592            | 5.00 %           | 01/30/10                     | 12/31/10 | \$ 1,912            | \$ 52,504    |
| Palatine Capital<br>Investment Group<br>LLC note purchased<br>by<br>Ravello Capital Corp<br>on June 24, 2011 and<br>assigned to the<br>RFF Family Trust on<br>April 3, 2012. | 30,000               | 5.00 %           | 02/14/10                     | 12/31/11 | 1,130               | 31,130       |
|  | 25,000               | 5.00 %           | 02/26/10                     | 12/31/11 | 942                 | 25,942       |
|  | 14,500               | 5.00 %           | 09/09/10                     | 12/31/11 | 546                 | 15,046       |
|  | 25,000               | 5.00 %           | 09/17/10                     | 12/31/11 | 942                 | 25,942       |
| Total  | \$ 145,092           |                  |                              |          | \$ 5,472            | \$ 150,564   |
|  | \$ 5,000             | 8.00 %           | 01/28/11                     | 07/28/11 | \$ 468              | \$ 5,468     |
|  | 2,500                | 8.00 %           | 06/21/11                     | 01/21/12 | 156                 | 2,656        |
|  | 10,000               | 8.00 %           | 06/24/11                     | 01/24/12 | 616                 | 10,616       |
|  | 10,000               | 8.00 %           | 07/14/11                     | 02/14/12 | 572                 | 10,572       |
|  | 10,000               | 8.00 %           | 07/28/11                     | 02/28/12 | 541                 | 10,541       |
|  | 15,262               | 8.00 %           | 08/10/11                     | 02/10/12 | 783                 | 16,045       |
| Amalfi Coast Capital   | 10,000               | 8.00 %           | 08/19/11                     | 02/19/12 | 495                 | 10,495       |
|  | 21,500               | 8.00 %           | 09/21/11                     | 03/21/12 | 909                 | 22,409       |

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|       |            |      |            |          |          |            |
|-------|------------|------|------------|----------|----------|------------|
|       | 2,900      | 8.00 | % 10/12/11 | 04/12/12 | 101      | 3,001      |
|       | 7,500      | 8.00 | % 10/19/11 | 04/19/12 | 239      | 7,739      |
|       | 11,950     | 8.00 | % 11/09/11 | 05/09/12 | 293      | 12,243     |
|       | 11,817     | 8.00 | % 01/03/12 | 07/03/12 | 228      | 12,045     |
|       | 15,392     | 8.00 | % 02/27/12 | 08/27/12 | 111      | 15,503     |
| Total | \$ 133,821 |      |            |          | \$ 5,512 | \$ 139,333 |

Grand Total

|   |            |  |  |  |           |            |
|---|------------|--|--|--|-----------|------------|
| Principle and interest  | \$ 328,349 |  |  |  | \$ 10,984 | \$ 339,333 |
| Number of shares issuable upon exercise of the above debt at \$0.20 |            |  |  |  |           | 1,696,662  |

During the six months ended March 31, 2012, Amalfi Coast Capital, the owner of the Notes originally issued to Excelsior Management, LLC converted the entire balance outstanding of \$74,099, including \$71,397 of principle and \$2,702 of interest into 370,496 shares of common stock at a conversion price of \$0.20. The shares were issued on April 5, 2012 and are included in equity as "Common Stock Payable" as of March 31, 2012.

During the six months ended March 31, 2012, Seacoast Advisors, Inc, the owner of the Notes originally issued to Rico Italia Investments, Inc. converted \$48,167, including \$45,400 of principle and \$2,767 of interest into 240,836 shares of common stock at a conversion price of \$0.20. The shares were issued on April 5, 2012 and are included in equity as "Common Stock Payable" as of March 31, 2012.

ePunk, Inc.  
Notes to Consolidated Financial Statements (Unaudited)  
For the Three and Six Months Ended March 31, 2012  
and the Period From February 25, 2011 (Inception) to March 31, 2011

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NOTE D – PROMISSORY NOTES (Continued)

Convertible Promissory Notes (Continued)

During the three and six months ended March 31, 2012, Amalfi Coast Capital loaned the Company \$27,209 and \$49,559 respectively. The Notes due to Amalfi totaling \$133,821 of principle as of March 31, 2012 bear interest at 8% per annum, mature 6 months from issuance and contain a conversion feature that may only be exercised upon default at \$0.20 per share which was increased from \$0.10 per share on April 3, 2012 (See NOTE F - SUBSEQUENT EVENTS below). Accordingly, per ASC 470-20-25-20, a contingent feature will not be recorded until the triggering event occurs, or in the event of the note(s) falling into default. During the six months ended March 31, 2012, the notes above dated June 21, 2011 through September 21, 2011 and representing \$79,262 of principle matured. The Company determined that the contingent conversion feature in the Notes resulted in a beneficial conversion feature ("BCF") due to the conversion price (\$0.20) being less than the closing stock price(s) (\$0.29 to \$2.0) on the Note(s) commitment date(s), and the conversion feature being in-the-money. Thus, the BCF was determined based on the principle Note(s) amount, and recorded as a discount to reduce the carry value of the Note(s) and increase additional-paid-in-capital. The Company calculated the BCF for all the qualifying Notes as of the commitment date(s) to be \$57,118 using the intrinsic value method. The BCF discount was expensed when the notes became convertible which was on the date of maturity. As a result the company recorded a beneficial conversion feature for the three and six months ended March 31, 2012 of \$57,118.

During the year ended September 30, 2011, the Company converted \$49,500 into 4,950,000 shares of common stock, including \$28,515 of accrued principle and \$20,985 of interest.

During the three and six months ended March 31, 2012, interest expense related to the above Notes totaled \$6,227 and \$12,156, respectively.

Non-Convertible Promissory Notes

On March 19, 2012, the Company entered into a Securities Purchase Agreement, Guaranty and Note with Gemini Master Fund, Ltd under which the Company issued a promissory note with a face amount of \$280,000 and received net proceeds of \$245,000. The net proceeds include a \$30,000 original issue discount ("OID") and \$5,000 in documentary fees associated with the note and with held by the lender. The note matures six months from the date of issue, bears interest of twelve percent (12%) per annum on the face amount and is payable in full upon maturity. In the event of default, the note is subject to a penalty of 130% of the then outstanding principle and increase in the interest rate to twenty four percent (24%) per annum. In connection with the Note the Company issued 100,000 shares of restricted common stock. Pursuant to ASC 470-20-25, the Company recorded a debt discount of \$105,933 including \$70,933 attributable to the 100,000 shares of common stock and \$35,000 to the OID and documentary fees. The debt discount is being accreted over the term of the note, or 6 months on a straight line basis. During the three months ended March 31, 2012, the Company recognized \$1,013 of interest expense related to this Note and \$8,828 of accretion of the debt discount. The remaining debt discount of \$97,105 will be amortized in our third and fourth quarter.

NOTE E – STOCKHOLDERS EQUITY

Preferred Stock

The Company has authorized 25,000,000 shares of \$0.0001 par value preferred stock available for issuance. No shares of preferred stock have been issued as of March 31, 2012.

Common Stock

The Company has authorized 100,000,000 shares of \$0.0001 par value common stock available for issuance. 30,008,585 shares have been issued as of March 31, 2012.



ePunk, Inc.

Notes to Consolidated Financial Statements (Unaudited)

For the Three and Six Months Ended March 31, 2012

and the Period From February 25, 2011 (Inception) to March 31, 2011

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#### NOTE E – STOCKHOLDERS EQUITY (Continued)

##### Common Stock (Continued)

On February 3, 2012, Jesse Gonzales, Justin Dornan and Frank Drechsler, collectively holding 24,952,852 shares of restricted common stock or 83.2% of the 30,008,585 shares outstanding as of December 31, 2011, entered into separate Lock-Up and Leak-Out Agreements pursuant to which each individual agreed to a lock-up period of 24 months through February 3, 2014. Pursuant to the leak-out provisions, for any month, no dispositions individually and no dispositions in the aggregate, will be allowed in excess of the shareholder's "leak-out allowance" where such term is defined to mean, for any month, no amount on a disposition-by-disposition basis and in the aggregate (for that respective month) which is greater than 1% of the covered securities ("Monthly Maximum Sales Percentage"); however, the Monthly Maximum Sales Percentage shall be increased to 4% if averaged over any consecutive twenty trading-day period (subsequent to the 360th day after the Effective Date any of the following occurs: (i) the median of the daily low and daily high trade price of the Company's common stock shares average is above \$0.80; or (ii) the ten lowest trading volume days (by number of shares traded) averages above 300,000 shares traded per day.

##### Stock Issued for Cash

No stock was issued for cash during the period from February 25, 2011 (inception) through March 31, 2012.

##### Stock Issued in Connection With Debt Issuance

Pursuant to the Securities Purchase Agreement, Guaranty and Note with Gemini Master Fund, Ltd. as described above in NOTE C, the Company issued 100,000 shares of restricted common stock and recorded a debt discount of \$70,933 and increase to "Common Stock Payable" in the equity portion of our balance sheet. The shares were issued on April 5, 2012.

##### Stock Issued upon Conversion of Debt

During the six months ended March 31, 2012, and as described above in NOTE C, two of our convertible promissory note holders converted \$122,267, including \$116,797 of principle and \$5,470 of interest into 611,332 shares of common stock at a conversion price of \$0.20. The shares were issued on April 5, 2012 and are included in equity as "Common Stock Payable" as of March 31, 2012.

During the period from February 25, 2011 (Inception) through September 30, 2011, the Company converted \$49,500 into 4,950,000 shares of common stock, including \$28,515 of principle and \$20,985 of accrued interest.

#### NOTE F - COMMITMENTS

On March 22, 2012, the Company entered into a lease for real property located at 1060 Calle Negocio, Suite B, San Clemente, CA 92673. The space includes 6,540 square feet of office and industrial space to be used for warehousing and fulfillment activities. The term of the lease is one year from May 1, 2012 through April 30, 2013 at a monthly cost of \$5,332. Upon execution of the lease the company paid the first month's rent and deposit of the same amount or \$10,464. A copy of the lease is filed herewith as exhibit 10.1.

#### NOTE G – SUBSEQUENT EVENTS

Pursuant to FASB Accounting Standards Codification 855, Subsequent Events, Including ASC 855-10-S99-2, the Company evaluated subsequent events through June 26, 2012.

On April 3, 2012, Amalfi Coast Capital, Inc. assigned \$49,436 of notes to the RFF Family Partnership, LP under the same terms and conditions of the original notes.

On April 3, 2012, Ravello Capital Advisors Corp. assigned \$150,564 of notes to the RFF Family Partnership, LP under the same terms and conditions of the original notes.

ePunk, Inc.

Notes to Consolidated Financial Statements (Unaudited)

For the Three and Six Months Ended March 31, 2012

and the Period From February 25, 2011 (Inception) to March 31, 2011

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NOTE G – SUBSEQUENT EVENTS (Continued)

On April 3, 2012, Seacoast Advisors, Inc., Amalfi Coast Capital, Inc., and the RFF Family Partnership, LP (Assignee of Ravello notes), holders of all outstanding convertible notes as disclosed in NOTE C – PROMISSORY NOTES; Convertible Promissory Notes above, amended their notes to increase the conversion price of their debt from \$0.01 and \$0.10 per share to \$0.20 per share in order to reduce the potential number of shares issuable upon conversion and increase the attractiveness of the Company to potential outside investors.

On March 19, 2012, the Company's Board approved the issuance of 100,000 shares of restricted common stock to a Consultant. The shares were issued on April 5, 2012. On May 10, 2012, the Company and Consultant entered into a Restricted Stock Award Agreement covering such shares. Pursuant to the Agreement, Consultant is to provide substantial services through January 1, 2013 at which time the shares will be deemed vested. In the event the Company or Consultant terminate their relationship prior to January 1, 2013, the shares shall be forfeited to the Company without offset. Pursuant to ASC 505-50-31-21 and ASC 505-50-S99-1 upon the successful performance of services by Consultant on the vesting date, the Company will record expense at the then market value of shares issued.

On March 22, 2012, the Company entered into a lease for real property located at 1060 Calle Negocio, Suite B, San Clemente, CA 92673. The space includes 6,540 square feet of office and industrial space to be used for warehousing and fulfillment activities. The term of the lease is one year from May 1, 2012 through April 30, 2013 at a monthly cost of \$5,332. Upon execution of the lease the company paid the first month's rent and deposit of the same amount or \$10,464. A copy of the lease is filed herewith as exhibit 10.1.

On April 5, 2012, the Company issued 1,611,332 shares of common stock in exchange for the conversion of \$322,266 of convertible promissory notes including 611,332 shares issued to Amalfi Coast Capital and Seacoast advisors as described in NOTE C and NOTE D and 1,000,000 shares issued to the RFF Family Trust upon the April 3, 2012 conversion of the remaining \$200,000 outstanding under the notes with outstanding balances of \$150,564 and \$49,436 in the table in NOTE C.

On May 10, 2012, the Company's Board of Directors and Majority Shareholders adopted ("Effective Date") the 2012 Stock Incentive Plan. (the "Plan")(See Exhibit 10.1 to the Company's December 31, 2011 Form 10-Q filed with the SEC on May 31, 2012). The purpose of the plan is to facilitate the ability of ePunk, Inc. and its subsidiaries to attract, motivate and retain eligible employees, directors and other personnel through the use of equity-based and other incentive compensation opportunities. The Company may issue each of the following under the Plan: incentive options, nonqualified options, Director shares, stock appreciation rights, restricted stock and deferred stock rights, other types of awards and performance-based awards as approved by the Board. No Award shall be granted pursuant to the Plan ten years after the Effective Date. Stock options to purchase shares of our common stock expire no later than ten years after the date of grant. The total number of shares available under the Plan is four million (4,000,000). In any fiscal year, the total number of shares that may be covered by awards made to an employee may not exceed 1,000,000 plus the aggregate amount of such individual's unused annual share limit as of the close of the preceding fiscal year, and the maximum amount of cash that may be payable to an employee pursuant to performance-based cash awards made under Section 10 of the Plan is \$1,000,000 plus the aggregate amount of such individual's unused annual dollar limit as of the close of the preceding fiscal year.

We measure and record stock-based compensation awards to employees pursuant to guidance in ASC 718 Compensation-Stock Compensation. We measure and record stock-based compensation awards to non-employees pursuant to guidance in ASC 505-50 Equity-Based Payments to Non-Employees. For more information on stock-based compensation, see Critical Accounting Estimates in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations below.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-Q which address activities, events or developments which the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof); finding suitable merger or acquisition candidates; expansion and growth of the Company's business and operations; and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. However, whether actual results or developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties, including general economic, market and business conditions; the business opportunities (or lack thereof) that may be presented to and pursued by the Company; changes in laws or regulation; and other factors, most of which are beyond the control of the Company.

These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "will," or similar terms. These statements appear in a number of places in this Filing and include statements regarding the intent, belief or current expectations of the Company, and its directors or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations for its limited history; (ii) the Company's business and growth strategies; and, (iii) the Company's financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Such factors that could adversely affect actual results and performance include, but are not limited to, the Company's limited operating history, potential fluctuations in quarterly operating results and expenses, government regulation, technological change and competition.

Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

### Business

ePunk, Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, "ePunk," the "Company," "we," "us," or "our") is a distributor of power sports products and accessories, including scooters, motorcycles (on road and off road), all-terrain vehicles ("ATVs") utility terrain vehicles ("UTVs"), karts and buggies through its website properties CountyImports.com, CountyImportParts.com, BidPunks.com, ViperSportUSA.com, CountyCruisers.com, PCHRides.com and through our storefront, Pacific Coast House of Rides located in Dana Point, California. Marketing of our products is targeted toward value conscious consumers that find the price point of off-brand products attractive, but that still demand quality. We believe there is a consistently strong demand for the products we market and sell.

We are establishing the CountyImports.com brand in the online marketplace by offering high-quality merchandise, a unique, user-friendly shopping experience and the opportunity for buyers to achieve significant cost savings versus traditional retail channels. A key to our success has been our ability to efficiently and cost effectively source

second-tier brand products and rapidly respond to changing consumer demands. Inventory is often sold that is held by our suppliers using a just in time ordering and/or drop ship model.

## Plan of Operation

Our long-term business strategy or goal is to become the leading distributor of power sports products, accessories and services in the market place. In implementing this strategy, we intend to execute the following matters for the next 12 months:

### Continue Building the County Imports.com Customer Base

Our primary focus during 2012 is to increase consumer traffic to our CountyImports.com website, building customer loyalty and repeat business by offering superior products and the most attractive prices.

### Launch a Power Sports Penny Auction, BidPunk.com Complimentary to Our County Imports.com Consumer and Product Base

We intend to launch BidPunk.com, the first penny auction dedicated exclusively to the power sports industry. We believe that there are several advantages to adding BidPunk.com to our operations, including, but not limited to:

- Creating an additional revenue stream to our business,
- Enabling us to mitigate inventory risk through opening up a new sales channel,
- Increasing customer loyalty through providing a platform to purchase quality power sports products, accessories and services at prices not available in other retail channels,
- Creates further operating leverage enabling us to convert CountyImports.com customers to BidPunk users and vice versa, and
- High margin business enhances quality of revenue for the overall business.

### Add Additional Products and Services to our Offering

We will continue to identify and add quality and popular products, accessories and services amongst the power sports consumer market place. Quality and reputation in the industry are the primary criterion for our selection process, and we intend to negotiate increasingly favorable price points with suppliers as our sales volume increase, to attract customers that are cost conscious. In addition, we intend to commence marketing and sales of a variety of ancillary products under existing brands that we currently market.

### Expansion of Sales and Marketing Activities

We will continue to expand upon our marketing activities which are primarily focused toward supporting County Imports.com and building consumer awareness. We will engage in ongoing advertising and promotional activities to develop and enhance the visibility of our County Imports.com image.

## Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions and estimates that affect the amounts reported. Note A of Notes to Financial Statements describes the significant accounting policies used in the preparation of the financial statements. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of the Company's financial statements and requires management to make difficult, subjective or complex judgments that could have a material

effect on the Company's financial condition and results of operations. Specifically, critical accounting estimates have the following attributes:

- We are required to make assumptions about matters that are highly uncertain at the time of the estimate; and
- Different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on the Company's financial condition or results of operations.



Estimates and assumptions about future events and their effects cannot be determined with certainty. We base estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as the Company's operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. Based on a critical assessment of the Company's accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our financial statements are fairly stated in accordance with accounting principles generally accepted in the United States, and present a meaningful presentation of the Company's financial condition and results of operations.

In preparing the Company's financial statements to conform to accounting principles generally accepted in the United States, we make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. These estimates include useful lives for fixed assets for depreciation calculations and assumptions for valuing options and warrants. Actual results could differ from these estimates.

#### Revenue Recognition

The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned less estimated future doubtful accounts. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

#### Stock-Based Compensation

We measure and record stock-based compensation awards to employees pursuant to guidance in ASC 718 Compensation-Stock Compensation. We measure and record stock-based compensation awards to non-employees pursuant to guidance in ASC 505-50 Equity-Based Payments to Non-Employees. We measure fair value by application of the Black-Scholes option pricing model and recognize expense over the requisite service period or upon completion of milestones for performance-based awards depending on the relevant guidance in ASC 708 or ASC 505. The Black-Scholes option pricing model requires management to make certain assumptions as follows:

- 1) The expected life. No incentive stock options have been granted to date. In the event the Company issues employee options, we will base our determination of expected life on the guidance in ASC 718-10-55-29 to 34. The Company utilizes the contract term of each non qualified option and warrant except in the event that the option is not transferrable in which case we apply the aforementioned guidance in determining the expected term.
- 2) Risk-free interest rate. We use the treasury bill rate that most closely aligns with the expected life of the derivative.
- 3) Dividend yield. Until a dividend is offered this input will always be zero.
- 4) Volatility. Due to the short amount of time the Company's stock has traded, the Company uses the SPDR S&P (XRT) exchange traded fund ("ETF") that tracks the S&P Retail Index (RLX) from inception of the ETF to the date of grant.
- 5) Forfeiture rate. To date this rate has been zero.
- 6) Stock price. As quoted on the OTC Pink Tier.

The use of a different estimate for any one of these components could have a material impact on the amount of calculated compensation expense.



## Long-lived Assets

Long-lived assets, comprised of equipment, and identifiable intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that may cause an impairment review include significant changes in technology that make current computer-related assets obsolete or less useful and significant changes in the way we use these assets in operations. When evaluating long-lived assets for potential impairment, we first compare the carrying value of the asset to the asset's estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows are less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based on estimated future cash flows (discounted and with interest charges). We recognize an impairment loss if the amount of the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis. The new cost basis will be depreciated (amortized) over the remaining useful life of that asset. Using the impairment evaluation methodology described herein, there have been no long-lived asset impairment charges for each of the last two years.

The Company's impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

We have not made any material changes in the Company's impairment loss assessment methodology during the past two fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate long-lived asset impairment losses. However, if actual results are not consistent with estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material.

## Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled.

When accounting for Uncertainty in Income Taxes, first, the tax position is evaluated to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed "more-likely-than-not" to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company underwent a change of control for income tax purposes on October 8, 2003 according to Section 381 of the Internal Revenue Code. The Company's utilization of U.S. Federal net operating losses will be limited in accordance to Section 381 rules. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

## Accounting Changes and Recent Accounting Standards

We review new accounting standards as issued. Although some of these accounting standards issued or effective after the end of our previous fiscal year may be applicable to us, we have not identified any standards that we believe merit further discussion. We believe that none of the new standards will have a significant impact on our consolidated financial statements.

## RESULTS OF OPERATIONS

## Results of Operations

The following table sets forth certain unaudited consolidated statements of income data as a percentage of net revenue for the three most recent quarters and six month period ending March 31, 2012:

|   | September 30,<br>2011 |                        | Three Months Ended<br>December 31,<br>2011 |                        |            |                        | March 31, 2012 |                        | Six Months Ended<br>March 31, 2012 |            |                        |
|---|-----------------------|------------------------|--|------------------------|------------|------------------------|----------------|------------------------|------------------------------------|------------|------------------------|
|   | Dollars               | % of<br>Net<br>Revenue | Dollars                                    | % of<br>Net<br>Revenue | Dollars    | % of<br>Net<br>Revenue | Dollars        | % of<br>Net<br>Revenue | Change<br>From<br>Prior<br>Quarter | Dollars    | % of<br>Net<br>Revenue |
| Net sales                                     | \$148,298             | 100.0 %                | \$226,706                                  | 100.0 %                | \$531,268  | 100.0 %                | \$304,562      | 100.0 %                | \$304,562                          | \$757,974  | 142.7 %                |
| Cost of sales                                 | 128,769               | 86.8 %                 | 192,164                                    | 84.8 %                 | 470,474    | 88.6 %                 | 278,310        | 88.6 %                 | 278,310                            | 662,638    | 124.7 %                |
| Gross margin                                  | 19,529                | 13.2 %                 | 34,542                                     | 15.2 %                 | 60,794     | 11.4 %                 | 26,252         | 11.4 %                 | 26,252                             | 95,336     | 17.9 %                 |
| <b>Operating expenses:</b>                    |                       |                        |  |                        |            |                        |                |                        |                                    |            |                        |
| General and administrative                    | 84,148                | 56.7 %                 | 100,417                                    | 44.3 %                 | 96,671     | 18.2 %                 | (3,746 )       | 18.2 %                 | (3,746 )                           | 197,088    | 37.1 %                 |
| Sales and marketing                           | 5,838                 | 3.9 %                  | 17,838                                     | 7.9 %                  | 32,876     | 6.2 %                  | 15,038         | 6.2 %                  | 15,038                             | 50,714     | 9.5 %                  |
| Depreciation and amortization                 | 653                   | 0.4 %                  | 940  | 0.4 %                  | 2,240      | 0.4 %                  | 1,300          | 0.4 %                  | 1,300                              | 3,180      | 0.6 %                  |
| Total operating expenses                      | 90,639                | 61.1 %                 | 119,195                                    | 52.6 %                 | 131,787    | 24.8 %                 | 12,592         | 24.8 %                 | 12,592                             | 250,982    | 47.2 %                 |
| Operating loss                                | (71,110 )             | -48.0 %                | (84,653 )                                  | -37.3 %                | (70,993 )  | -13.4 %                | (13,660 )      | -13.4 %                | (13,660 )                          | (155,646 ) | -29.3 %                |
| <b>Non-operating income (expense):</b>        |                       |                        |  |                        |            |                        |                |                        |                                    |            |                        |
| Interest expense                              | (5,022 )              | -3.4 %                 | (5,930 )                                   | -2.6 %                 | (16,067 )  | -3.0 %                 | (10,137 )      | -3.0 %                 | (10,137 )                          | (21,997 )  | -4.1 %                 |
| Amortization of beneficial conversion feature | -                     | 0.0 %                  | -  | 0.0 %                  | (57,118 )  | -10.8 %                | (57,118 )      | -10.8 %                | (57,118 )                          | (57,118 )  | -10.8 %                |
| Total non-operating expense                   | (5,022 )              | -3.4 %                 | (5,930 )                                   | -2.6 %                 | (73,185 )  | -13.8 %                | (67,255 )      | -13.8 %                | (67,255 )                          | (79,115 )  | -14.9 %                |
| Loss before income taxes                      | (76,132 )             | -51.3 %                | (90,583 )                                  | -40.0 %                | (144,178 ) | -27.1 %                | (53,595 )      | -27.1 %                | (53,595 )                          | (234,761 ) | -44.2 %                |
| Income tax provision (benefit)                | -                     | -                      | -  | -                      | -          | -                      | -              | -                      | -                                  | -          | -                      |

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Net loss            \$(76,132 ) -51.3 %   \$(90,583 ) -40.0 %   \$(144,178 ) -27.1 %   \$(53,595 ) \$(234,761) -44.2 %

On June 30, 2011, the Company entered into a “reverse merger” with Punk Industries, Inc. As such, the assets and liabilities and the historical operations of Punk Industries, Inc. prior to the Merger are reflected in the financial statements and have been recorded at the historical cost basis of Punk Industries, Inc. Our consolidated financial statements after completion of the Merger include the assets and liabilities of both ePunk, Inc. and Punk Industries, Inc., historical operations of Punk Industries, Inc. and our ePunk, Inc. operations from the Effective Date of the Merger. Thus, the discussion that follows relates to the operations of Punk Industries, Inc. Punk Industries, Inc. was incorporated in February 2011, as a result, the prior period comparative financial results are not meaningful with respect to a year-over-year comparison and have been excluded from the following discussion. However, in the table above and discussion below, we have included the operating result of the three most recent quarters.

### Revenue and Gross Margin

During the three months ended March 31, 2012, revenues and gross profit totaled \$531,268 and \$60,794, respectively, representing an increase in revenue of \$304,562 or 134% and an increase in gross profit of \$26,252 or 76% compared to the three months ended December 31, 2011, and an increase in revenue of \$382,970 or 258% and an increase in gross profit of \$41,265 or 211% compared to the three months ended September 30, 2011. During the six months ended March 31, 2012 revenues and gross profit totaled \$757,974 and \$95,336, respectively. Our gross margin has fluctuated from 13.2% to 15.2% to 11.4% in each of the past three quarters ending September 30, 2011, December 31, 2011 and March 31, 2012, respectively. Our revenue consists of sales of scooters, ATV's, UTV's, motorcycles and parts and accessories through our website properties CountyImports.com, CountyImportParts.com, BidPunks.com, ViperSportUSA.com, CountyCruisers.com, PCHRides.com and through our storefront, Pacific Coast House of Rides located in Dana Point, California. We expect our gross margin to increase as our sales increase. However, due to our short operating history and fluctuation in our sales mix we cannot provide assurances that the gross margin will increase or be consistent from period-to-period.

## Operating Expenses

Operating expenses consist primarily of facility costs, sales and marketing costs, personnel costs, professional fees and other general operating costs. Operating expenses increased from \$90,639 to \$119,195 to \$131,787 in each of the past three quarters ending September 30, 2011, December 31, 2011 and March 31, 2012, respectively. The same operating costs as a percentage of revenue have steadily decreased from 61.1% to 52.6% to 24.8% in each of the past three quarters ending September 30, 2011, December 31, 2011 and March 31, 2012, respectively. As the Company continues to establish operating efficiencies, we expect to see cash based operating costs as a percentage of revenue continue to decline.

## Non-operating Expense

Non-operating expense during the six months ended March 31, 2012 consists of \$13,169 of interest related to our outstanding notes \$8,828 of accretion related to the debt discount of the Gemini note and the recognition of a \$57,118 beneficial conversion feature during the most recent quarter as a result of the Company's default on certain convertible promissory notes whereby upon default the notes become convertible into shares of common stock at the option of the holder.

## Net Loss

As a result of the foregoing, our net loss for the three and six months ended March 31, 2012 was \$144,178 and \$234,761, respectively.

## Liquidity and Capital Resources

The accompanying financial statements have been prepared assuming we will continue as a going concern. At March 31, 2012, The Company had current assets of \$480,616, including cash on hand of \$279,274, accounts receivable of \$182,294 and \$892,487 of current liabilities. Based on the past six months of operations, the Company currently receives approximately \$16,000 per month in gross profit. Additionally, we have raised \$378,821 from promissory notes from February 25, 2011 (inception) through March 31, 2012. As a result we have been able to fund our operations to date. Over the next twelve months, we intend to build our business which includes increasing our on-line and penny auction sales in addition to establishing over 100 additional dealerships. There can be no assurance that the Company will generate sufficient capital from operations to fund planned operations

Management is planning to raise necessary additional funds for working and growth capital through loans and additional sales of its common stock. However, there is no assurance that the Company will be successful in raising additional capital or that such additional funds will be available on acceptable terms, if at all. Should the Company be unable to raise this amount of capital its operating plans will be limited to the amount of capital that it can access.

Net cash used by operating activities was \$6,836 for the six months ended March 31, 2012.

Net cash used by investing activities was \$26,655 for the six months ended March 31, 2012.

Net cash provided by financing activities was \$294,559 for the six months ended March 31, 2012.

#### Off-Balance Sheet Arrangements

We have no off-balance sheet transactions.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

#### Item 4. Controls and Procedures.

##### Evaluation of Disclosure Controls and Procedures

We maintain certain disclosure controls and procedures as defined under the Securities Exchange Act of 1934. They are designed to help ensure that material information is: (1) gathered and communicated to our management, including our principal executive and financial officers, in a manner that allows for timely decisions regarding required disclosures; and (2) recorded, processed, summarized, reported and filed with the SEC as required under the Securities Exchange Act of 1934 and within the time periods specified by the SEC. As of December 31, 2011, the Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a — 15(e) under the Securities Exchange Act of 1934, as amended. Based on the evaluation of these controls and procedures required by paragraph (b) of Sec. 240.13a-15 or 240.15d-15 the disclosure controls and procedures have been found to be ineffective to provide reasonable assurance that information we are required to disclose in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure due to the material weakness in our internal control over financial reporting as described below.

A material weakness in the Company's internal control over financial reporting exists in that there is 1) limited segregation of duties amongst the Company's employees with respect to the Company's preparation and review of the Company's financial statements; 2) lack of an independent audit committee; and 3) insufficient number of independent directors. These material weaknesses may affect management's ability to effectively review and analyze elements of the financial statement closing process and prepare financial statements in accordance with U.S. GAAP.

Our management determined that these deficiencies constituted material weaknesses. Due to a lack of financial resources, we are not able to, and do not intend to, immediately take any action to remediate these material weaknesses. We will not be able to do so until we acquire sufficient financing to do so. We will implement further controls as circumstances, cash flow, and working capital permit. Notwithstanding the assessment that our ICFR was not effective and that there were material weaknesses as identified in this report, we believe that our consolidated financial statements contained in our annual report on form 10-Q for the three months ended March 31, 2012, fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects.

##### Internal Control over Financial Reporting

The Company's Chief Executive Officer and Principal Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can



provide only reasonable assurance of achieving their control objectives.

#### Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

#### Limitations on the Effectiveness of Controls and Other Matters

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, as amended). Internal control over financial reporting is designed 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### Risk Factor Related to Controls and Procedures

The Company lacks an independent audit committee, has an insufficient number of independent directors and has limited segregation of duties amongst its employees with respect to the Company's preparation and review of the Company's financial statements due to the limited number of employees. The above represents a material weakness in internal controls, and if the Company fails to maintain an effective system of internal controls, it may not be able to accurately report its financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in the Company's financial reporting which could harm the trading price of the Company's stock.

Management has found it necessary to limit the Company's staffing in order to conserve cash until the Company's level of business activity increases. As a result, there is limited segregation of duties amongst the employees. The Company and its independent public accounting firm have identified this as a material weakness in the Company's internal controls. The Company intends to remedy this material weakness by hiring additional employees and reallocating duties, including responsibilities for financial reporting, among the employees as soon as there are sufficient resources available. However, until such time, this material weakness will continue to exist.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

Item 1a. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

| Exhibit | Description of Exhibit  |
|---------|---|
| 10.1*   | Lease for real property located at 1060 Calle Negocio, Suite B, San Clemente, CA 92673.   |
| 31.1*   | Chairman of the Board and Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.                            |
| 31.2*   | Director, President and Chief Financial Officer Certification of Periodic Financial Report Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1*   | Chairman of the Board and Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                            |
| 32.2*   | Director, President and Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                              |

\* Filed Herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ePunk, Inc.  
(Registrant)

Dated: June 27, 2012

By: /s/ Richard Gonzales  
Richard Gonzales, Chief Executive Officer

By: /s/ Justin Dornan  
Justin Dornan, Chief Financial Officer