

Media Exchange Group, Inc.
Form 10-Q
March 03, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

or

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 333-49388

Media Exchange Group, Inc.
(formerly known as China Wireless Communications, Inc.)
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

91-196948
(I.R.S. Employer Identification No.)

101 Church Street, Suite 14, Los Gatos, California 95030
(Address of principal executive offices)

(408)827-3083
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss. 232.405 of this chapter) during the preceding 12 (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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

Indicated the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date, 249,460,702 shares of common stock are issued and outstanding as of March 3, 2011.

OTHER PERTINENT INFORMATION

When used in this report, the terms “Media Exchange,” the Company”, “ we”, “our”, and “us” refers to Media Exchange Group Inc., a Nevada corporation, and our subsidiary. The information which appears on our web site is not part of this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to raise sufficient capital to fund our ongoing operations and satisfy our obligations as they become due, our ability to generate any meaningful revenues, our ability to compete within our market segment, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, as well as our annual report on Form 10-K for the year ended December 31, 2008 including the risks described in Part I. Item 1A. Risk Factors of that report. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

Media Exchange Group, Inc.

INDEX

	Page
PART I – FINANCIAL INFORMATION:	
Item 1. Financial Statements	2
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosures About Market Risk	17
Item 4T. Controls and Procedures	17
PART II – OTHER INFORMATION	
Item 1. Legal Proceedings	
Item 1A. Risk Factors	18
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3. Defaults Upon Senior Securities	
Item 4. Submission of Matters to a Vote of Security Holders	
Item 5. Other Information	
Item 6. Exhibits	18
Signatures	19

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

Media Exchange Group, Inc.
BALANCE SHEETS

ASSETS	September 30, 2009 (Unaudited)	December 31, 2008 (1)
Current Assets:		
Cash	\$ 201	\$ 274
Total current assets	201	274
Total assets	\$ 201	\$ 274
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 154,092	\$ 125,293
Accrued compensation	545,942	324,901
Derivative liabilities	24,710	14,120
Convertible notes payable and accrued interest- related parties	448,489	327,070
Convertible notes payable and accrued interest	841,649	633,499
Total current liabilities	2,014,882	1,424,883
Stockholders' Deficit:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized:		
none issued and outstanding	-	-
Common stock, par value \$0.001 per share, 250,000,000 shares of common stock authorized, 234,260,702 issued and outstanding	234,261	234,261
Additional paid-in capital	15,104,403	15,104,403
Accumulated deficit	(17,353,345)	(16,763,273)
Total stockholders' deficit	(2,014,681)	(1,424,609)
Total liabilities and stockholders' deficit	\$ 201	\$ 274

(1) Derived from audited financial statements

See Notes to Unaudited Consolidated Financial Statements.

Media Exchange Group, Inc.
STATEMENTS OF OPERATIONS

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
Operating expenses:				
Selling, general and administrative	\$172,423	\$139,155	\$519,413	\$906,269
Total operating expenses	172,423	139,155	519,413	906,269
Operating loss	(172,423)	(139,155)	(519,413)	(906,269)
Other income (expense):				
Change in fair value of derivative liabilities	(10,590)	15,175	(10,590)	80,838
Interest expense-related parties	(7,309)	(3,805)	(21,419)	(8,100)
Interest expense, net	(14,377)	(9,693)	(38,650)	(75,050)
	(32,276)	1,677	(70,659)	(2,312)
Net loss before discontinued operations	(204,699)	(137,478)	(590,072)	(908,581)
Income from discontinued operations	-	-	-	43,195
Net loss	\$(204,699)	\$(137,478)	\$(590,072)	\$(865,386)
Other comprehensive (loss) income :				
Foreign exchange translation	-	-	-	(935)
Comprehensive Loss	\$(204,699)	\$(137,478)	\$(590,072)	\$(866,321)
Earnings per share:				
Continuing operations	\$-	\$-	\$-	\$-
Discontinued operations	-	-	-	-
Basic and diluted loss per common share	\$-	\$-	\$-	\$-
Basic and diluted weighted average common shares outstanding				
	234,260,702	234,260,702	234,260,702	231,883,936

See Notes to Unaudited Financial Statements.

Media Exchange Group, Inc.
STATEMENTS OF CASH FLOWS

	Nine-Month Periods Ended September 30,	
	2009	2008
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	\$(590,072)	\$(865,386)
Adjustments to reconcile net loss to net cash used in operating activities:		
Income from discontinued activities	-	(43,195)
Fair value of shares issued for services	-	125,119
Fair value of derivative liability contracts at issuance	-	89,663
Amortization of beneficial conversion feature	-	48,750
Change in fair value of derivative liabilities	10,590	(80,838)
Changes in operating assets and liabilities:		
Accrued interest	38,650	26,300
Accrued interest related parties	21,419	8,100
Accrued compensation	321,041	624,749
Accounts payable and accrued expenses	28,799	-
Net cash used in continuing operations	(169,573)	(66,738)
Net cash used in operating activities of discontinued operations	-	(79,267)
Net cash used in operating activities	(169,573)	(146,005)
Cash flows from financing activities:		
Proceeds from notes payable	169,500	65,000
Net cash provided by financing activities	169,500	65,000
Net decrease in cash	(73)	(81,005)
Effect of variation of exchange rate on cash held in foreign currency	-	(935)
Cash, beginning of period	274	82,116
Cash, end of period	\$201	\$176
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$-	\$-
Cash paid for income taxes	\$-	\$-
Non-cash investing and financing activities:		
Issuance of convertible notes payable to satisfy liabilities to related parties	\$100,000	\$410,000

See Notes to Unaudited Financial Statements.

MEDIA EXCHANGE GROUP, INC.

Notes to Unaudited Consolidated Financial Statements

Note 1. Organization, Basis of Presentation and Accounting Policies.

Media Exchange Group, Inc. formerly known as China Wireless Communications, Inc. (the “Company”) is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People’s Republic of China (“China”). In March 2008, the Company discontinued its operations in China.

The Company’s current plan of operations consists of capitalizing on its digital sport cards delivery to youth and acquiring an operating business. The Company has identified certain acquisition target(s) but has not reached any final agreements. The Company’s current plan of business is to seek merger or acquisition opportunities. The Company’s information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

The balance sheet presented as of September 30, 2009 is unaudited. The unaudited financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2008 included in our Annual Report on Form 10-K. The results of operations for the nine-month period ended September 30, 2009 are not necessarily indicative of the results for fiscal 2009.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced substantial losses since its inception (\$17.4 million) as well as negative cash flows from its current operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue in existence as a going concern is dependent upon its ability to obtain equity or debt financing and to merge with a company which will generate cash flows from operating activities. Management is unable to determine whether it will be successful in obtaining such equity or debt financing or merge with a company generating cash flows from operations.

Accounting Policies

Principles of Consolidation

The financial statements include the accounts of the Company and its wholly-owned subsidiaries CW Communications, Inc. (between July 1, 2006 and March 31, 2008) and Tianjin Create IT Company LTD (“Create Co.”) (between January 1, 2006 and March 31, 2008). All significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on the knowledge of current events and actions the Company may undertake in the future, they will differ from actual results. Included in these estimates are assumptions about recovery of assets from discontinued operations and allocation of expenses between continued and discontinued operations.

Loss from Continuing Operations

The loss from continuing operations was approximately \$590,000 and \$909,000 during the nine-month period ended September 30, 2009 and 2008, respectively. Operating expenses were approximately \$519,000 and \$906,000 during the nine-month period ended September 30, 2009 and 2008, respectively. Interest expense amounted to approximately \$60,000 and \$83,000 during the nine-month period ended September 30, 2009 and 2008, respectively. Increase and decrease in fair value of derivative liabilities amounted to approximately \$11,000 and \$81,000 during the nine-month period ended September 30, 2009 and 2008, respectively.

Income from Discontinued Operations

Income from discontinued operations amounted to approximately \$43,000 during the nine-month period ended September 30, 2008. The income from discontinued operations during the nine-month period ended September 30, 2008 consists of revenue of approximately \$168,000 costs of sales of approximately \$133,000 and operating expenses of approximately \$7,000.

Cash and Cash Equivalents

The Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2009 and December 31, 2008.

Concentration of Credit Risk

The Company's US cash and cash equivalents accounts are held at financial institutions and are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. To reduce its risk associated with the failure of such financial institutions, the Company periodically evaluates the credit quality of the financial institutions in which it holds deposits. As of September 30, 2009 and December 31, 2008, the Company had no deposits in excess of FDIC limits in the US.

Product Concentration

All of the Company's revenues were derived from fees earned from its discontinued operations which marketed information technology systems integration and internet protocol services.

Geographic Concentration

Substantially all of the Company's revenues during the nine-month ended September 30, 2008 were generated from China, which operations are currently discontinued.

Revenue Recognition

The Company's revenue recognition policy was as follows:

Product Sales

6

Revenue from the sale of systems using the Company's implantable microchip or other products was recorded at gross amounts. As we are in the initial process of commercializing these systems, the level of customer returns cannot yet be reasonably estimated. Accordingly, we do not recognize revenues until the following criteria are met:

- a purchase order has been received or a contract has been executed;
- the product is shipped;
- title has transferred;
- the price is fixed or determinable;
- there are no uncertainties regarding customer acceptance;
- collection of the sales proceeds is reasonably assured; and
- the period during which the distributor or physician has a right to return the product has elapsed.

Share-Based Compensation

Share-based compensation expenses are reflected in the Company's consolidated statement of operations under selling, general and administrative expenses.

The Company's computation of fair value of shares issued is based on the price per share as quoted on the over-the-counter bulletin or the pink sheets, as applicable, at the date of grant.

Income Taxes

The Company accounts for income taxes under the asset and liability approach for the financial accounting and reporting of income taxes. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets when the Company determines realization is not currently judged to be more likely than not.

The Company follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") No. 740, Income Taxes ("ASC 740"). ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition purposes by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Accordingly, the Company reports a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken on a tax return and recognizes interest and penalties, if any, related to uncertain tax positions as interest expense.

Loss per Common Share and Common Share Equivalent

The Company presents "basic: income (loss) per common share and, if applicable "diluted" income (loss) per share, pursuant to the provisions of ASC 260 "Earnings Per Share". Basic income (loss) per common share is based on the

weighted average number of common shares outstanding in each year and after preferred stock dividend requirements. The calculation of diluted income (loss) per common share assumes that any dilutive convertible shares outstanding at the beginning of each year or the date issued were convertible at those dates, with outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options and warrants for which average period market price exceeds exercise price, less shares that could have been purchased by the Company with related proceeds.

There were no outstanding stock option grants as of September 30, 2009 and December 31, 2008. The outstanding warrants amounted to 2,000,000 at December 31, 2008. The outstanding common share equivalents issuable pursuant to conversion of notes payable amounted to 53,930,000 and 53,990,000 as of September 30, 2009 and December 31, 2008, respectively. The conversion feature of such notes lapsed between December 2009 and January 2011. Additionally, the chief executive officer obtained rights to 7% of the authorized shares of common stock of the Company which amounted to approximately 17,500,000 shares at September 30, 2009 and December 31, 2008 and 150,000 shares of Preferred Stock, which includes, among other things voting rights equivalent to 450,000,000 shares of the Company's common stock. The outstanding warrants and common share equivalents issuable pursuant to convertible notes and other rights have been excluded from the earnings per share computation due to their anti-dilutive effect.

Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of September 30, 2009 and December 31, 2008, which consist of convertible instruments and rights to shares of the Company's common stock and to shares of the Company's Preferred Stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional (as that term is described).

The Company believes that certain conversion features embedded in certain of its convertible notes payable and rights to the Company's common stock and preferred stock are not clearly and closely related to the economic characteristics of the Company's stock price. The Company does not have a sufficient amount of authorized shares to satisfy its obligations under the convertible promissory notes and rights to the shares of common stock. Additionally, while rights to preferred stock have been granted to the Company's chief executive officer, substantially all the terms were finalized in January 2011. Accordingly, the Company has recognized derivative liabilities in connection with such instruments. The Company uses judgment in determining the fair value of derivative liabilities at the date of issuance at every balance sheet thereafter. The Company uses judgment in determining which valuation is most appropriate for the instrument (e.g., Black Scholes), the expected volatility, the implied risk free interest rate, as well as the expected dividend rate.

The conversion feature of the convertible promissory notes outstanding at September 30, 2009 have lapsed between December 2009 and January 2011 without conversion or additional consideration provided to the note holders. Accordingly, the Company did not issue additional considerations to such instruments and it believes that there is no liability associated with them. However, the rights to the shares of common stock and preferred stock have not lapsed and are still outstanding. The Company estimates its liability under such rights using its traded price per share.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of September 30, 2009 and December 31, 2008, with the exception of its convertible promissory notes. The carrying amounts of the convertible promissory notes at September 30, 2009 and December 31, 2008 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of September 30, 2009 and December 31, 2008, respectively. The derivative liabilities are based on the Company's quoted trade price per share as traded on the Pink Sheets. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

Impact of Recently Issued Accounting Standards

None

Note 2- Notes Payable and Notes Payable to Related Parties

	September 30, 2009	December 31, 2008
\$415,000 and \$315,000 Notes payable to related parties, interest rate ranging from 5% to 8% interest per annum, unsecured and maturing between March 2009 and January 2010. At the Company's option, the principal is convertible into shares of the Company's common stock for \$140,000 of such notes at a price of \$0.004 per share, including accrued interest of \$33,489 and \$12,070.	\$448,489	\$327,070
\$749,500 and \$580,000 Notes payable, interest rate ranging from 5% to 8% interest per annum, unsecured and maturing between February 2008 and July 2010. At the Company's option, the principal is convertible for \$224,500 of such notes into shares of the Company's common stock at prices ranging between \$0.004 to \$0.025 per share, including accrued interest of \$91,149 and \$53,499.	841,649 \$1,290,139	633,499 \$960,569

During the nine-month period ended September 30, 2009, the Company issued a note payable to its General Counsel amounting to \$100,000 to satisfy compensation liabilities.

During the nine-month period ended September 30, 2009, the Company generated proceeds by issuing \$169,500 notes payable.

During the nine-month period ended September 30, 2008, the Company issued notes payable aggregating \$410,000 to satisfy compensation liabilities, of which two notes aggregating \$275,000 were issued to affiliates wholly-owned by the Company's current chief executive officer.

Note 3. Derivative Liabilities

The Company estimated its derivative liabilities under its outstanding contracts at December 31, 2008. The Company is unable to ascertain that it had a sufficient amount of authorized shares to satisfy its obligations under existing convertible promissory notes and rights held by its chief executive officer pursuant to his employment contract with the Company. Additionally, the Company has granted 150,000 shares of its Preferred Stock without finalizing the terms of such preferred stock until January 2011.

The Convertible promissory notes provide that the Company issues the equivalent of 53,930,000 and 53,390,000 shares of common stock at September 30, 2009 and December 31, 2008, respectively. However, the conversion feature of such instruments has lapsed without additional consideration provided by the Company. Accordingly, the Company believes that there is no value attributable to such derivative liabilities at September 30, 2009. However, the rights held by the Company's Chief Executive Officer to 7% of the Company's shares of common stock and 150,000 shares of Preferred Stock are still outstanding. The rights to the shares of common stock consist of 17,500,000 shares. The rights associated with the common stock and preferred stock were valued at approximately \$88,000 and \$1,500 at the date of grant in March 2008 and April 2008, respectively. The fair value of such liability has declined to approximately \$25,000 and \$14,000 at September 30, 2009 and December 31, 2008. The increase and decrease in fair value of in the derivative liabilities of approximately \$11,000 and \$81,000 during the nine-month period ended September 30, 2009 and 2008, respectively has been recorded as other expense and income in the accompanying statement of operations. The fair value of the 7% rights and rights to 150,000 shares of Preferred Stock was based on the quoted traded price per share of the Company's stock at each measurement date.

Note 4. Stockholder's Deficit.

Common Stock

The Company issued 14,419,049 shares of its common stock for services performed by its directors, employees, and contractors during the nine-month period ended September 30, 2008. The fair value of the shares amounted to approximately \$125,000.

Warrants

During 2006, the Company issued 2,000,000 warrants to certain noteholders. The exercise price of the warrants amounted to \$0.06 per share and expired in January 2009.

Note 5. Commitments and Contingencies.

Legal proceedings

The Company is not a party to certain legal actions, as either plaintiff or defendant, arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company's business, financial condition or results of operations. However, litigation is inherently unpredictable, and the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings, whether civil or criminal, settlements, judgments and investigations, claims or charges in any such matters, and developments or assertions by or against us relating to the Company or to the Company's intellectual property rights and intellectual property licenses could have a material adverse effect on the Company's business, financial condition and operating results.

Compensation-Chief Executive Officer

The compensation of the Company's Chief Executive Officer is effective March 2008 through December 2009 and is as follows:

- Base annual compensation of \$400,000;
- 7% of the authorized shares of the Company;
- 7% of all capital raised by the Company;
- 7% of the disposition proceeds upon the sale of the Company;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
 - \$275,000 upon the performance of specific performances, which were accomplished during March 2008.

This agreement was modified effective January 1, 2010 as follows:

- Base annual compensation of \$450,000;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
 - Monthly stipend for office and residence of \$9,000 per month;
 - 2% of all capital raised by the Company;
 - 5% of the disposition proceeds upon the sale of the Company.

Compensation-General Counsel

The Compensation of the Company's General Counsel is effective January 1, 2009 and is as follows:

- Base annual compensation of \$204,000;
- Incentive compensation based on revenues ranging from \$10,400 if revenues range between \$0-2 million to \$102,000 if revenues are in excess of \$10 million;
 - 2% of all capital raised by the Company;
 - 5% of the disposition proceeds upon the sale of the Company;
 - Monthly stipend for office of \$3,000 per month.

Note 6. Segments.

Segment reporting

The Company operated in one segment, information technology systems integration and internet protocol services. The Company's chief operating decision-making evaluated the performance of the Company based upon revenues and expenses by functional areas, including its loss from discontinued operations, as disclosed in the Company's statements of operations.

Note 7. Subsequent Events

The Company has generated proceeds of approximately \$912,000 by issuing notes payables to certain investors after September 30, 2009. The Company satisfied its obligations under \$52,500 of notes issued during 2008 by issuing 15,200,000 shares of its common stock in 2010.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2008. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements. See “Cautionary Statement Regarding Forward Looking Information” elsewhere in this report. Because this discussion involves risk and uncertainties, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Media Exchange Group, Inc., formerly known as China Wireless Communications, Inc. (the“Company”) is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. . . (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People’s Republic of China (“China”). In March 2008, the Company discontinued its operations in China.

The Company’s current plan of operations consists of acquiring an operating business. The Company identified certain acquisition target(s) but as not reached any final agreements. The Company’s current plan of business is to seek merger or acquisition opportunities. The Company’s information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

The Company’s current plan of operations consists of acquiring an operating business. The Company identified certain acquisition target(s) but as not reached any final agreements. The Company’s current plan of business is to seek merger or acquisition opportunities. The Company’s information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

We currently license certain rights from a related party (Malibu Entertainment Group, Inc.) an affiliate by means of common ownership and management, to market a youth sports social network under the following brand:

www.myespnhighlights.com

Among other things, this website allows young sports participant to personalize, showcase and share their passion for a professional sport. We work with various national youth sports league to help build their the player database through registrations. The profile control the management and sharing of sport profiles, statistics and content. We use the Capsa platform to ensure support across significant carriers and handset.

RESULTS OF OPERATIONS

	Three-Month Periods Ended		Increase/ (Decrease)	Increase/ (Decrease)	Nine-Month Periods Ended		Increase/ (Decrease)	Increase/ (Decrease)
	September 30, 2009	September 30, 2008	in \$ 2009 vs 2008	in % 2009 vs 2008	September 30, 2009	September 30, 2008	in \$ 2009 vs 2008	in % 2009 vs 2008
Operating expenses:								
Selling, general and administrative	\$ 172,423	\$ 139,155	\$ 33,268	23.9 %	\$ 519,413	\$ 906,269	\$ (386,856)	-42.7 %
Total operating expenses	172,423	139,155	33,268	23.9 %	519,413	906,269	(386,856)	-42.7 %
Operating loss	(172,423)	(139,155)	33,268	23.9 %	(519,413)	(906,269)	386,856	-42.7 %
Other income (expense):								
Change in fair value of derivative liabilities	(10,590)	15,175	(25,765)	NM	(10,590)	80,838	(10,590)	NM
Interest expense-related parties	(7,309)	(3,805)	(3,504)	92.1 %	(21,419)	(8,100)	(13,319)	164.4 %
Interest expense, net	(14,377)	(9,693)	4,684	48.3 %	(38,650)	(75,050)	(36,400)	-48.5 %
	(32,276)	1,677	33,953	NM	(70,659)	(2,312)	25,810	NM
					-	-		
Net loss before discontinued operations	(204,699)	(137,478)	67,221	48.3 %	(590,072)	(908,581)	(318,509)	-35.1 %
	-							
Income from discontinued operations	-	-	-	NM	-	43,195	43,195	NM
					-	-		
Net loss	\$ (204,699)	\$ (137,478)	\$ 67,221	48.3 %	\$ (590,072)	\$ (865,386)	\$ (275,314)	-31.8 %

NM: Not Meaningful

Three-Month Period Ending September 30, 2009 and 2008

Selling, general and administrative expenses

Selling, general, and administrative expenses primarily consists of compensation to officers and consultants incurred in connection with researching and identifying strategic transactions and being a publicly-traded company.

The increase in selling, general, and administrative expenses during the three-month period ended September 30, 2009 when compared to the prior year period is primarily due to increased compensation of our General Counsel.

Interest expense and interest expense to related parties

Interest expense primarily consists of the amortization of debt discount resulting from beneficial conversion features of \$390,000 associated with convertible promissory notes issued during 2007, the excess of fair value of shares of our common stock issued to satisfy certain obligations resulting from our operating activities and, to a lesser extent, interest on debt.

The increase in interest expense during the three-month period ended September 30, 2009 when compared to the prior year is primarily due to by our weighted-average debt higher during the three-month period ended September 30, 2009 when compared to the comparable prior year period.

Change in fair value of derivative liabilities

The change in fair value of derivative liabilities consists of unrealized gains or losses associated with derivative liabilities at each measurement date. The change in change of fair value of derivative liabilities between the three-month period ended September 30, 2009 when compared to the prior year is attributable to a change in the quoted price per share of common stock, one of the key assumptions used in our valuation of such derivative liabilities, during the three-month period ended September 30, 2009 and 2008, respectively.

Nine-month Period Ending September 30, 2009 and 2008

Selling, general and administrative expenses

Selling, general, and administrative expenses primarily consists of compensation to officers and consultants incurred in connection with researching and identifying strategic transactions and being a publicly-traded company.

The decrease in selling, general, and administrative expenses during the nine-month period ended September 30, 2009 when compared to the prior year is primarily due to incremental compensation of its chief executive officer during the first quarter of 2008 earned pursuant to certain milestones as well as additional compensation for consultants to effectuate the change in our management team during the same period.

Interest expense and interest expense to related parties

Interest expense primarily consists of the amortization of debt discount resulting from beneficial conversion features of \$390,000 associated with convertible promissory notes issued during 2007, and, to a lesser extent, interest on debt.

The decrease in interest expense during the nine-month period ended September 30, 2009 when compared to the prior year is primarily due to the aforementioned amortization of debt discount which was recognized during the first three-month period ended March 31, 2008, offset by our weighted-average debt higher during the nine-month period ended September 30, 2009 when compared to the comparable prior year period.

Income from discontinued operations

Income from discontinued operations consists of the difference between revenues and operating expenses associated with our information technology systems integration and internet protocol services to customers discontinued in March 2008. The decrease in income from discontinued operations during the nine-month period ended September 30, 2009 is primarily due to the fact that we did not have discontinued operations during the nine-month period ended September 30, 2009.

Going Concern

The Company has experienced substantial losses since its inception as well as negative cash flows from its current operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue in existence as a going concern is dependent upon its ability to obtain equity or debt financing and to merge with a company which will generate cash flows from operating activities. Management is unable to determine whether it will be successful in obtaining such equity or debt financing and whether it will be successful in completing a merger with a company generating cash flows.

Liquidity

Our cash balance amounted to approximately \$200 at September 30, 2009. We are unable to ascertain that our cash balance will be sufficient to meet our obligations for the next twelve months.

During the nine-month period ended September 30, 2009, we used cash flows in operating activities of approximately \$170,000. This is primarily due to our net loss of approximately \$590,000, adjusted by the following non-cash transactions or changes in operating activities:

Increase of accrued compensation of approximately \$321,000, of which \$100,000 was satisfied with the issuance of a convertible promissory notes and accrued interest of \$59,000;

During the nine-month period ended September 30, 2009 we generated proceeds of approximately \$170,000 by issuing eleven notes payable.

During the nine-month period ended September 30, 2008, we used cash flows from operations of approximately \$146,000 in our operating activities. This is primarily due to our net loss from operating activities of approximately \$865,000, adjusted by the following non-cash transactions or changes in operating liabilities:

Fair value of shares issued for services of approximately \$125,000;

Amortization of debt discount of approximately \$49,000;

Net change in derivative liabilities of \$9,000;

Net cash used in discontinued operations of approximately \$80,000;

Increase of accrued compensation of approximately \$625,000, of which \$410,000 were satisfied with the issuance of convertible promissory notes;

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include, but are not limited to the realization of accounts receivables. Actual results will differ from these estimates. Present below are those accounting policies that we believe require subjective and complex judgments that could affect reported results:

Allocation of operating expenses between continuing and discontinued operations

Our operating expenses from continuing operations consists of expenses we incur based on our current activities, which are identifying strategic transactions and costs associated with being a publicly traded company. We used judgment in determining the nature of our expenses associated with our efforts similar to our current activity and those devoted to our operations in China.

Income Tax

We account for income taxes under the asset and liability approach for the financial accounting and reporting of income taxes. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets when we determine realization is not currently judged to be more likely than not.

We follow the provisions of the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) No. 740, Income Taxes (“ASC 740”). ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition purposes by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Accordingly, we report a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken on a tax return and recognizes interest and penalties, if any, related to uncertain tax positions as an as interest expense.

Impact of Recently Issued Accounting Standards

None.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) or Rule 15a-15(e) under the Exchange Act) as of September 30, 2009. This evaluation (the “disclosure controls evaluation”) was done under the supervision and with the participation of management, including our chief executive officer (“CEO”) and chief financial officer (“CFO”). Based upon the disclosure controls evaluation, our CEO and CFO have concluded that, as of September 30, 2009, our disclosure controls and procedures were not effective to provide reasonable assurance that the foregoing objectives are achieved.

Changes in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including the CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting, as of September 30, 2009, based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation under the framework in Internal Control — Integrated Framework, management concluded that our internal control over financial reporting were not effective as of September 30, 2009. We used to have sufficient staff to segregate duties but no longer have the internal resources to do so. Once we have the proper amount of working capital, we will strengthen our internal controls over financial reporting.

There were no changes in our internal controls during the three-month period ended September 30, 2009.

PART II - OTHER INFORMATION

Item Risk Factors

1A.

No significant development

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

During the three-month period ended September 30, 2009, we issued \$103,500 notes payable to three individuals. The notes bear interest at rates ranging from 5% to 7% and mature at in July 2010. The notes are convertible into shares of our common stock at a rate of \$0.025 per share, at our option.

These transactions exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 3(a)(9) of that act.

Item 6. Exhibits

Exhibit

No.	Description
31.1	Certification by Joseph R. Cellura, Chief Executive Officer, pursuant to Exchange Act Rules 13A-14(a) and 15d-14(a)
31.2	Certification by Joseph R Cellura, Chief Financial Officer, pursuant to Exchange Act Rules 13A-14(a) and 15d-14(a)
32.1	Certification by Joseph R. Cellura, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by Joseph R. Cellura, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

Media Exchange Group, Inc.

Date: March 3, 2011

By: /s/ Joseph Cellura
Joseph R Cellura
Chief Executive Officer and
Chairman of the Board