

Real Estate Referral Center Inc.
Form 10-K
May 29, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: February 28, 2009

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

For the transition period from to

Commission File No.: 00-52720

GOLD BAG, INC.

f/k/a REAL ESTATE REFERRAL CENTER, INC.

(Name of small business issuer in its Charter)

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Nevada
(State or Other Jurisdiction of

26-4205169
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

12830 Hillcrest Rd., Suite 111, Dallas, TX 75230-1547

(Address of principal executive offices)

Issuer's telephone number: (972) 364-9060

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

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, Par Value \$0.00001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 (§229.405 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K:

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed fiscal quarter: The aggregate market value of the voting and non-voting common equity held by non-affiliates as of May 26, 2009 is \$61,600,000 (computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity). There are 24,640,000 outstanding shares of common stock of the Company held by non-affiliates. On May 26, 2009, the Company was advised that 100 shares of common stock were sold in the public market for \$2.50 per share. The Company believes such price is excessive and does not represent a realistic value of the Company's common stock. For purposes of the foregoing calculation only, directors, executive officers, and holders of 10% or more of the issuer's common capital stock have been deemed affiliates. The number of shares outstanding of the Registrant's Common Stock as of May 29, 2009 was 69,640,000.

Indicate the number of shares outstanding of each of the registrant's classes of Common Stock, as of the latest practicable date: As of May 29, 2009, there were 69,640,000 shares outstanding.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY

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PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The issuer had no revenues for its fiscal year ended February 28, 2009.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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INTRODUCTORY COMMENT

Throughout this Annual Report on Form 10K (the Report), the terms we, us, our, Gold Bag, or our Company refers to Gold Bag, Inc., f/k/a Real Estate Referral Center, Inc., a Nevada corporation.

FORWARD LOOKING STATEMENTS

When used in this Report, the words may, will, expect, anticipate, continue, estimate, intend, and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) regarding events, conditions and financial trends which may affect the Company's future plans of operations, business strategy, operating results and financial position. Such statements are not guarantees of future performance and are subject to risks and uncertainties and actual results may differ materially from those included within the forward-looking statements because of various factors. Such factors include, among others: (i) our ability to attract customers who want to sell their unwanted coins or broken jewelry, (ii) the price at which we purchase the items, (iii) our ability to have the metals refined into a pure form, (iv) and our ability to sell the pure form metals to a refiner or third party for an acceptable profit. Additional factors are described in the Company's other public reports and filings with the Securities and Exchange Commission (SEC). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publicly release the result of any revision of these forward-looking statements to reflect events or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

This Report contains certain estimates and plans related to us and the industry in which we operate, which assumes certain events, trends and activities will occur and the projected information based on those assumptions. We do not know that all of our assumptions are accurate. In particular, we do not know what level of growth will exist in our industry, if any, and particularly in the foreign markets in which we operate, have devoted resources in, and in which we shall seek to expand. If our assumptions are wrong about any events, trends and activities, then our estimates for future growth for our business may also be wrong. There can be no assurances that any of our estimates as to our business growth will be achieved.

The following discussion and analysis should be read in conjunction with our financial statements and the notes associated with them contained elsewhere in this Report. This discussion should not be construed to imply that the results discussed in this Report will necessarily continue into the future or that any conclusion reached in this Report will necessarily be indicative of actual operating results in the future. The discussion represents only the best assessment of management.

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PART I

ITEM 1. BUSINESS.

Gold Bag, Inc. (the Company) was formed as a Nevada corporation on December 23, 2005 under the name Real Estate Referral Center, Inc. to cater to the inexperienced buyer or seller of residential real estate who did not have a pre-existing established relationship with a realtor. The business plan called for us to locate a realtor for the client with the realtor paying us a fee for that service. The Company was unsuccessful in developing this business plan.

On December 27, 2005, the Company sold 5,000,000 shares of its Common Stock at \$0.001 per share to its officers for proceeds of \$5,000.

On June 21, 2006, the Securities and Exchange Commission declared our Form SB-2 Registration Statement effective through which we offered up to 2,000,000 shares of our Common Stock at \$0.10 per share (the Offering). No underwriter was involved in the Offering. On July 31, 2006, we closed the Offering in which we raised \$196,400 by selling 1,964,000 shares of Common Stock to 55 individuals.

In April 2009, we moved our operations and changed our corporate address to 12830 Hillcrest Road, Suite 111, Dallas, TX 75230-1547. Simultaneously, Lance Ayers, the sole member of the Company's Board of Directors and majority shareholder, approved our new business operations and changed our name to Gold Bag, Inc. to reflect our new business to purchase unwanted gold coins or broken jewelry, or other items containing precious metals, from the general public at a scrap value price. The precious metals will then be sold to a refinery where the items will be melted down into pure form and sold at market price.

Also at the time of the name change to Gold Bag, Inc., we effected a forward stock split on a 10:1 basis in order to establish a more liquid public market for our shares to trade (the Forward Split). Based upon 6,964,000 shares of Common Stock issued and outstanding on May 22, 2009, the Record Date used to determine shareholders eligible to receive shares under the Forward Split, this action increased the outstanding shares of Common Stock by 900% bringing the total shares issued and outstanding after the Forward Split to 69,640,000. The Pay Date of the Forward Split shares is May 29, 2009. At the open of the market on June 1, 2009, the Company's Common Stock will begin trading under a new symbol.

Our principle business activities will be (i) creating our website where customers can request an informational packet to send us their unwanted items, (ii) identifying and entering into an agreement with a refinery; and (iii) promoting our Company through advertisements over the Internet, radio and television.

With the exception of the funds raised in the Offering, we are a company without revenues or operations; we have minimal assets and have incurred losses since inception. Our auditors have issued a going concern opinion. This means that there is substantial doubt that we can continue as an ongoing business operation for the next 12 months. Our ability to achieve and maintain profitability and positive cash flow is dependent upon (i) our ability to attract customers who want to sell their unwanted coins or broken jewelry, (ii) the price at which we purchase the items, (iii) our ability to have the metals refined into a pure form, and (iv) our ability to sell the pure form metals to a refinery or third party for a profit. We expect to generate revenues from the sale of the refined metals to a third party. The attached financial statements do not include any adjustments that might result from the uncertainty about our ability to continue in business. As such, we may have to cease operations and investors may lose their investment.

We have not yet developed our website, network infrastructure, or transaction processing system. We intend to (i) immediately initiate the development of our website, www.goldbag.com, (ii) seek and negotiate an agreement with a suitable refinery, and (iii) retain a third party service provider to build and maintain our network infrastructure and transaction processing system. We believe it will take up to four months to create a workable website, network infrastructure, and transaction processing system.

Business Overview

Gold Bag, Inc. is in the business of purchasing gold coins and unwanted or broken jewelry directly from the general public. Dealing with the customer directly enables a faster sale to the consumer and all parties avoid the costs of a middleman. Once the gold coins and precious metals are purchased from the customer, we will send the items to a refinery that is able to produce pure gold, silver, and other precious metals which are then sold for a profit. We are a development stage company. We intend to offer our services to customers worldwide from whom we will provide a fast and convenient solution to sell their unwanted items made of precious metals. We are a company without revenues or operations, have minimal assets, and have incurred losses since inception.

Our customers can be any individual or entity worldwide for whom we will provide a fast and convenient solution to sell their unwanted items containing precious metals. Our customers will be solicited through direct marketing through advertisements over the Internet and radio and television. Our toll-free number and website will provide easy access to customers who want to sell their unwanted items. After they initiate an order, the Company will send them everything they need in order that they may return their items for processing. Upon receipt of each item, it will be catalogued and then be appraised based on the quality and quantity of the metals. If accepted for purchase by the Company, a check will be mailed to the customer within 72-hours of the appraisal. The customer has a fifteen (15) day period from the date of the check in which they can accept the amount paid for the items and cash the check, or they may return the check to the Company. If the customer cashes the check or fails to return the check before the end of the fifteen (15) day period, the transaction will be completed and the precious metals will then be refined and sold. If the customer returns the check to the Company within the fifteen (15) day period, the Company will return the items to the customer.

We believe that we have a low-cost business plan designed to maximize revenues while minimizing costs. As demand for our services increase, our plan can be easily adapted while keeping our costs low.

The Gold Opportunity

Gold has been highly valued from the earliest time because of its beauty and resistance to corrosion and because it is easier to work than all other metals. Gold is easier to obtain in pure form than all other metals. Due to its relative rarity, gold has been used as currency and as a basis for international monetary transactions. According to public statistics, over 80% of available gold has been used to produce coins and jewelry which are purchased by consumers. Over time, some of these items become unwanted or broken. We provide a way for consumers to cash in on these unwanted and broken items while recycling the gold back into the overall gold market.

As the global economic market turns downward, we believe that more individuals will be seeking a safe and easy solution to sell their unwanted gold coins or jewelry containing precious metals. As the need for cash rises, so does the value of gold.

When someone decides they want us to help them dispose of an item for cash, they simply contact us through our website or toll-free number. We then send them an information kit which contains a self-addressed, insured envelope for their use in sending us their items. Once we receive these items, their value is determined and based on that value, we make a decision to purchase the items at a fair price or if we are not interested in the item, we return it to the customer. If we decide to purchase the item, we send the customer a check within a 72-hour period of appraisal of the items. The customer has a fifteen (15) day period from the date of the check in which they can accept the amount paid for the items and cash the check, or they may return the check to the Company. If the customer cashes the check or fails to return the check before the end of the fifteen (15) day period, the transaction will be completed and the precious metals will then be refined and sold. If the customer returns the check to the Company within the fifteen (15) day period, the Company will return the items to the customer.

Marketing Strategy

Our potential customer base is limited only by communication methods available to each customer as we can conduct business with anyone who is able to contact us by phone or the Internet. We plan to reach our customers primarily through advertisements on the Internet, television and radio. These advertisements will drive customers to our website. Once on the website, each customer is prompted to register. We use this information to provide them an information kit to send us their unwanted items. This kit contains an instruction letter, a plastic zip lock pouch, a Tyvex prepaid shipping envelope, and a submittal form to collect their contact information and establish a record of the items they are sending.

Once the item is received, it is immediately catalogued into our database and the item is weighed and evaluated to determine the value of the precious metals once refined. Within a 72-hour period from appraisal, the customer is mailed a check based on the determined value of the items. The customer is given fifteen (15) days from the date of the check in which to cash the check or return it. If the check is cashed or not returned before the end of the fifteen (15) day period, the offer is deemed accepted and the items are refined. If the check is returned, the items are returned to the customer.

We pay the customer based on the estimated value less a calculated deduction which is our gross profit. Once the customer accepts the check, we instruct the refinery to continue with the process of melting down the approved items into a solid form. This solid form is then tested for purity and payment from the refinery to the Company is based on the true value of the metal. We estimate that we will be paid 93% of the daily gold spot value. We plan to be paid from the refinery on a bi-monthly basis.

We are prepared to engage the services of an appraising and refining company in order to accomplish our plan. We currently have no formal agreement and there can be no assurance that we will be able to retain the above mentioned services on acceptable terms to the Company.

Competition

Our business is highly competitive. We are a newcomer to this industry and virtually everyone we compete with has more industry experience than us, has more financial resources than we do, and will have more financial resources than we will in the foreseeable future. Some of our primary competitors are: Cash4Gold, LLC (www.cash4gold.com), My Gold Envelope (www.mygoldenvelope.com), Money4Gold, Inc. (www.money4gold.com) and Lippincott, LLC (www.goldkit.com). We also compete against pawnshops and jewelry stores.

Government Regulation

We are subject to the unfair trade practice rules of the Federal Trade Commission. We may also be subject to various state laws designed to protect consumers. We do not foresee any material effects of federal, state, or local regulations on any aspect of our operations. However, changes in laws or regulations may adversely affect our operations.

Employees

Currently we have one employee, Lance Ayers, our sole officer and director. As our Company grows, we expect to hire more employees.

Government Approvals

No government approvals are needed for our services.

ITEM 1A. RISK FACTORS.

IF ANY OF THE FOLLOWING RISKS ARE REALIZED, OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION COULD BE HARMED AND THE VALUE OF OUR STOCK COULD GO DOWN. THIS MEANS YOU COULD LOSE ALL OR A PART OF YOUR INVESTMENT.

Risks Related to Our Business

Because of our continuing losses from operations and lack of working capital, our auditors have expressed substantial doubt as to our ability to continue as a going concern.

Because of our continuing losses from operations and lack of working capital, our auditors have expressed substantial doubt as to our ability to continue as a going concern. This means that there is substantial doubt that we can continue as an ongoing business for the next 12 months without raising additional funds. The financial statements do not include any adjustments that might result from the uncertainty about our ability to continue in business. If we continue to sustain losses and lack sufficient capital, we may have to cease operations and you could lose your investment.

We have a limited operating history and have losses which we expect to continue into the future. There is no assurance our future operations will result in profitable revenues. If we cannot generate sufficient revenues to operate profitably, we may suspend or cease operations.

We were incorporated on December 23, 2005. We have a limited operating history. To date we have not accepted any items from customers and have made no sales of refined metals. As of February 28, 2009, our net loss since inception was \$142,635. Our ability to achieve and maintain profitability and positive cash flow is dependent, among other things, upon:

Development and launching of our website,

acceptance of our commercial advertisements by the public,

our ability to attract customers who want to sell their unwanted gold coins and jewelry items, and

our ability to enter into an acceptable agreement with a refiner of precious metals.

Based upon current plans, we expect to incur operating losses in future periods because we expect to incur expenses which will exceed revenues for an unknown period of time. We cannot guarantee that we will be successful in generating sufficient revenues to support operations in the future. Failure to generate sufficient revenues will cause us to go out of business and you could lose your investment.

We are dependent on outside financing for continuation of our operations.

Because we have generated limited revenue and currently operate at a significant loss, we are completely dependent on the continued availability of financing in order to continue our business. There can be no assurance that financing sufficient to enable us to continue our operations will be available to us in the future. Our failure to obtain future financing or to produce levels of revenue to meet our financial needs could result in our inability to continue as a going concern and, as a result, investors in the Company could lose their entire investment.

We are dependent upon outside financing to continue pursuit of our business plan. We may need to obtain additional financing which may not be available on acceptable terms, if at all.

As noted above, we have limited revenues and have been unable to fully fund the pursuit of our primary business plan. We may need additional funds to complete further development of our business plan to achieve a

sustainable sales level, where ongoing operations can be funded out of current revenues. There is no assurance that any additional financing will be available, or if available, that it will be on terms that will be acceptable to us. Currently, we do not have any arrangements in place or contemplated with respect to future financings.

If we do not attract customers to our website on cost-effective terms, we will not make a profit, which ultimately will result in a cessation of operations.

Our success depends on our ability to attract customers who desire to sell their unwanted gold coins and jewelry items for cash. Our strategy to attract customers to our website, which has not been formalized or implemented, includes commercial advertising on the Internet, television and radio. If we are unsuccessful in attracting a sufficient amount of traffic to our website, our ability to get customers and our financial condition will be harmed. To date we do not have any customers. We cannot guarantee that we will ever have any customers. Even if we obtain customers, there is no guarantee that we will generate a profit. If we cannot generate a profit, we will have to suspend or cease operations.

Our operating results will depend on our website, network infrastructure, and transaction processing systems. Capacity restraints or systems failures would harm our business, results of operations and financial condition.

We have not developed our website, network infrastructure, or transaction processing systems. We will have to suspend or cease operations if we are unable to develop our website, network infrastructure, and transaction processing systems.

If we are able to develop our website, network infrastructure, and transaction processing systems, any systems interruptions that result in the unavailability of our website or reduced performance of our transaction systems would reduce our transaction volume and the attractiveness of our services and would seriously harm our business, operating results, and financial condition. Our transaction processing systems and network infrastructure may be unable to accommodate increases in traffic to our website. We may be unable to project accurately the rate or timing of traffic increases or successfully upgrade our systems and infrastructure to accommodate future traffic levels on our website. In addition, we may be unable to upgrade or expand our transaction processing systems in an effective and timely manner or to integrate any newly developed or purchased functionality with our then existing systems. Any inability to do so may cause unanticipated system disruptions, slower response times, and degradation in levels of customer service, impaired quality and speed of order fulfillment or delays in reporting accurate financial information.

Because our sole officer and director does not have prior experience in online marketing, we may have to hire individuals or suspend or cease operations.

Because our sole officer and director does not have prior experience in online marketing, we may have to hire additional experienced personnel to assist us with our operations. If we need the additional experienced personnel and we do not hire them, we could fail in our plan of operations and have to suspend operations or cease operations.

Because our sole officer and director does not have prior experience in financial accounting and the preparation of reports under the Securities Exchange Act of 1934, we may have to hire individuals which could result in an expense we are unable to pay.

Because our sole officer and director does not have prior experience in financial accounting and the preparation of reports under the Securities Act of 1934, we may have to hire additional experienced personnel to assist us with the preparation thereof. If we need the additional experienced personnel and we do not hire them, we could fail in our plan of operations and have to suspend operations or cease operations entirely and you could lose your investment.

Because we have only one officer and director who is responsible for our managerial and organizational structure, in the future there may not be effective disclosure and accounting controls to comply with applicable laws and regulations which could result in fines, penalties and assessments against us.

We have only one officer and director. He is responsible for our managerial and organizational structure which will include preparation of disclosure and accounting controls under the Sarbanes Oxley Act of 2002. When these controls are implemented, he will be responsible for the administration of the controls. Should he not have sufficient experience, he may be incapable of creating and implementing the controls which may cause us to be subject to sanctions and fines by the Securities and Exchange Commission.

We are completely dependent on our sole officer and director to guide our initial operations and initiate our plan of operations. If we lose his services we will have to cease operations.

Our success will depend entirely on the ability of Mr. Ayers, our sole officer and director. If we lose the services of Mr. Ayers, we will cease operations. Presently, Mr. Ayers is committed to providing his time to us, however, Mr. Ayers does engage in other activities and only devotes and will devote a limited amount of time to our operations.

Because we are a small company, have minimal overall capitalization, no working capital and continue to incur operating losses, we must keep our marketing activities to a minimum once they start. As a result, we may not be able to attract enough customers to operate profitably at this time. If we do not make a profit, we may have to suspend or cease operations.

Because we are a small company, have minimal overall capitalization, no working capital and continue to incur operating losses, we must keep our marketing activities to a minimum once they start. Currently, our website is not complete and we have not created any advertisements for radio or television. As a result, we may not be able to attract enough customers quickly enough to operate at a profit. If we cannot operate profitably, we may have to suspend or cease operations.

Because Lance Ayers, our sole officer, director and employee, will maintain ownership of up to 64.62% of the outstanding shares of the Company, he will control our operations.

Lance Ayers, our sole officer, director and employee, controls the Company through his ownership of 45,000,000 shares (or 64.62%) of the 69,640,000 total outstanding shares. As a result of his ownership, Mr. Ayers will be able to elect all of our directors and entirely control our operations. If his decisions are incorrect or if the Company cannot sustain itself on the remaining revenues, we could go out of business and you would lose your investment.

In light of our limited financial resources, we may be unable to obtain agreements for services of a refinery as identified herein, which could impair our ability to pursue our business plans.

We intend to seek and enter into a services agreement with a metal refinery in connection with our business plan. In light of the fact that we are a small company and have limited financial resources, we may be unable to obtain formal agreements for the services of a refinery. In the event that we are unable to obtain these services, we may be forced to seek alternative sources for such services and the costs may be higher than anticipated.

Additional capital, if needed, may not be available on acceptable terms, if at all, and any additional financing may be on terms adverse to your interests.

We may need additional cash to fund our operations. Our capital needs will depend on numerous factors, including market conditions and our profitability. We cannot be certain that we will be able to obtain additional financing on favorable terms, if at all. If additional financing is not available when required or is not available on acceptable terms, we may be unable to fund expansion, successfully promote our brand name, develop or enhance our services, take advantage of business opportunities, or respond to competitive pressures or unanticipated requirements, any of which could seriously harm our business and reduce the value of your investment.

If we are able to raise additional funds, if and when needed, by issuing additional equity securities, you may experience significant dilution of your ownership interest and holders of these new securities may have rights senior to yours as a holder of our Common Stock. If we obtain additional financing by issuing debt securities, the terms of those securities could restrict or prevent us from declaring dividends and could limit our flexibility in making business decisions. In this case, the value of your investment could be reduced.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ National Market rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

If we fail to attract and retain qualified senior executive and key technical personnel, our business will not be able to expand.

We are dependent on the continued availability of the services of our sole employee, Lance Ayers, who is key to our future success. If we lose the services of Mr. Ayers, or fail to replace his services if he departs, we could experience a severe negative effect on our business, and operating and financial results.

If we fail to comply with the new rules under the Sarbanes-Oxley Act related to accounting controls and procedures, or if material weaknesses or other deficiencies are discovered in our internal accounting procedures, our stock price could decline significantly.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments. We are in the process of documenting and testing our internal control procedures, and we may identify material weaknesses in our internal control over financial reporting and other deficiencies. If material weaknesses and deficiencies are detected, it could cause investors to lose confidence in our Company and result in a decline in our stock price and consequently affect our financial condition. In addition, if we fail to achieve and maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition,

are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our Common Stock could drop significantly. In addition, we cannot be certain that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future.

The following risks relate principally to our Common Stock and its market value:

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority (FINRA) has adopted rules that relate to the application of the SEC's penny stock rules in trading our securities and require that a broker/dealer have reasonable grounds for believing that the investment is suitable for that customer, prior to recommending the investment. Prior to recommending speculative, low priced securities to their non-institutional customers, broker/dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative, low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker/dealers to recommend that their customers buy our Common Stock which may have the effect of reducing the level of trading activity and liquidity of our Common Stock. Further, many brokers charge higher transactional fees for penny stock transactions. As a result, fewer broker/dealers may be willing to make a market in our Common Stock thereby reducing a shareholder's ability to resell shares of our Common Stock.

Because there is a limited public trading market for our Common Stock, you may not be able to resell your stock.

There is currently a limited public trading market for our Common Stock and there is no assurance that a more active trading market will ever develop. As such, you may have to hold your shares for an extended period of time before you are able to sell them, if at all.

Our Board of Directors may issue and fix the terms of shares of our Preferred Stock without stockholder approval, which could adversely affect the voting power of holders of our Common Stock or any change in control of our company.

Our certificate of incorporation authorizes the issuance of up to 100,000,000 shares of blank check preferred stock, par value \$0.00001 per share (the Preferred Stock), with such designation rights and preferences as may be determined from time to time by the Board of Directors. Our Board of Directors is empowered, without shareholder approval, to issue additional shares of Preferred Stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of our Common Stock. In the event of such issuances, the Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company.

Our shares are considered penny stocks which imposes additional sales practice requirements on broker/dealers; as such many broker/dealers may not want to make a market in our shares which could affect your ability to sell your shares in the future.

Our shares are considered penny stocks covered by section 15(g) of the Exchange Act, and Rules 15g-1 through 15g-6 promulgated thereunder, which imposes additional sales practice requirements on broker/dealers who sell our securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouses). Since our shares are covered by section 15(g) of the Securities Exchange Act of 1934, many broker/dealers may not want to make a market in our shares or conduct any transactions in our shares. As such, your ability to dispose of your shares may be adversely affected.

Future sales by our stockholders may negatively affect our stock price and our ability to raise funds in new stock offerings.

Sales of our Common Stock in the public market could lower the market price of our Common Stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 69,640,000 shares of Common Stock outstanding as of May 29, 2009, 19,640,000 shares are freely tradable without restriction by stockholders who are not our affiliates. Of the remaining 50,000,000 shares of Common Stock, 45,000,000 shares are held by our sole officer, director and majority shareholder, Lance Ayers, and 5,000,000 shares are held by Noel, Noel, Ltd., a United Kingdom company,, all of which shares are restricted securities and may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144 if the applicable requirements of Rule 144 are met.

We do not expect to pay dividends and investors should not buy our Common Stock expecting to receive dividends.

We have not paid any dividends on our Common Stock in the past and do not anticipate that we will declare or pay any dividends in the foreseeable future. Consequently, you will only realize an economic gain on your investment in our Common Stock if the price appreciates. You should not purchase our Common Stock expecting to receive cash dividends. Since we do not pay dividends, and if we are not successful in establishing an orderly trading market for our shares, then you may not have any manner to liquidate or receive any payment on your investment. Therefore our failure to pay dividends may cause you to not see any return on your investment even if we are successful in our business operations. In addition, because we do not pay dividends we may have trouble raising additional funds which could affect our ability to expand our business operations.

The following risks relate to the Internet industry:

Our success is tied to the continued use of the Internet and the adequacy of the Internet infrastructure.

Our future revenues and profits, if any, substantially depend upon the continued widespread use of the Internet as an effective medium of business and communication. Factors which could reduce the widespread use of the Internet include:

actual or perceived lack of security of information or privacy protection;

possible disruptions, computer viruses or other damage to the Internet servers or to users' computers; and

excessive governmental regulation.

Customers may be unwilling to use the Internet.

Our future depends heavily upon the general public's willingness to use the Internet as a means to sell their unwanted gold coins and jewelry. The demand for and acceptance of our services over the Internet are highly uncertain, and our e-commerce business may have a short track record. If consumers are unwilling to use the Internet to conduct business, our business may not develop profitably.

Our relationships with our customers may be adversely affected if the security measures that we use to protect their personal information are ineffective.

Any breach in our website security could expose us to a risk of loss or litigation and possible liability. We anticipate that we will rely on encryption and authentication technology licensed from third parties to provide secure transmission of confidential information. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of our security precautions may occur. A compromise in our proposed security could severely harm our business. A party who is able to circumvent our proposed security measures could misappropriate proprietary information or cause interruptions in the operation of our website. We may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price or at all. Concerns regarding the security of e-commerce and the privacy of users may also inhibit the growth of the Internet as a means of conducting commercial transactions.

Existing or future government regulation could harm our business.

We are subject to the same federal, state and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards conducting business on the Internet. However, due to the increasing popularity and use of the Internet, many laws and regulations relating to the Internet are being debated at the state and federal levels. These laws and regulations could cover issues such as user privacy, freedom of expression, pricing, fraud, quality of products and services, taxation, advertising, intellectual property rights and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity and personal privacy could also harm our business. Current and future laws and regulations could harm our business, results of operations, and financial condition.

Laws or regulations relating to privacy and data protection may adversely affect the growth of our Internet business or our marketing efforts.

We are subject to increasing regulation at the federal, state, and international levels relating to privacy and the use of personal user information. These data protection regulations and enforcement efforts may restrict our ability to collect demographic and personal information from users which could be costly or harm our marketing efforts.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The Company entered into to lease on February 8, 2009 for office space located at 12830 Hillcrest Rd., Suite 111, Dallas, Texas 75230-1547 for \$525 per month. The initial term of the lease is for a six-month period expiring on August 31, 2009. The lease contains provisions to extend or terminate with a written 30-day notice. This office space is adequate for our immediate and near-term needs. We do not intend to acquire any properties in the immediate future.

ITEM 3. LEGAL PROCEEDINGS.

There are no material pending legal or governmental proceedings relating to our Company or properties to which we are a party, and to our knowledge, there are no material proceedings to which our sole officer and director is a party adverse to us or which have a material interest adverse to us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

A written action in lieu of a special meeting of shareholders was signed on April 22, 2009 to approve (i)

the new business of the Company, (ii) the Company's name change from Real Estate Referral Center, Inc. to Gold Bag, Inc., and (iii) a forward stock split on a 10:1 basis while maintaining the existing par value of \$0.00001 and the existing number of common authorized shares of 100,000,000. Proxies were not requested. The majority shareholder, Lance Ayers, who is also our sole officer and director, voted his 4,500,000 shares (or 64.62%) of the 6,964,000 shares (pre-Forward Split) issued and outstanding at the time of the action in favor of these actions.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our Common Stock is currently traded on the Over-the-Counter Bulletin Board under the trading symbol RRFC. We expect to receive a new trading symbol for our common stock on June 1, 2009. None of our Common Stock is subject to outstanding options or rights to purchase, nor do we have any securities that are convertible into our Common Stock. We have not agreed to register any of our stock for anyone, nor do we presently have in effect employee stock options or benefits plans that would involve the issuing of additional shares of our Common Stock.

The market for the Company's Common Stock is limited, volatile and sporadic and could be subject to wide fluctuations in response to quarter to quarter variations in operating results, news announcements, trading volume, sales of Common Stock by officers, directors and principal shareholders of the Company, general market trends, changes in the supply and demand for the Company's shares, and other factors. The following table sets forth the high and low sales prices relating to the Company's Common Stock for fiscal years 2009 and 2008. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commissions, and may not reflect actual transactions.

Period	High	Low
2009 Fiscal Year:		
Fourth Quarter (02/28/09)	\$ 1.40	\$ 1.01
Third Quarter (11/30/08)	\$ 1.40	\$ 1.40
Second Quarter (08/31/08)	\$ 1.40	\$ 1.40
First Quarter (05/31/08)	\$ 1.40	\$ 1.24
2008 Fiscal Year:		
Fourth Quarter (02/28/08)	\$ 2.80	\$ 0.84
Third Quarter (11/30/07)	\$ 2.80	\$ 2.00
Second Quarter (08/31/07)	\$ 2.50	\$ 1.75
First Quarter (05/31/07)	\$ 0.00	\$ 0.00

Holders

There were 49 registered holders or persons otherwise entitled to hold our shares of Common Stock as of February 28, 2009 pursuant to a shareholders' list provided by our transfer agent as of that date and our records relating to issuable shares. The number of registered shareholders excludes any estimate by us of the number of beneficial owners of shares of Common Stock held in street name.

As of May 29, 2009, there are 69,640,000 shares issued and outstanding. A total of 50,000,000 (giving effect to the Forward Split) of these shares were issued in a private transaction without registration and are therefore restricted securities. Of these 50,000,000 shares, Mr. Ayers, our sole officer, director and employee, owns 45,000,000 shares. Additionally, on July 31, 2006, we closed the Offering described herein through which we raised \$196,400 by selling 19,640,000 (giving effect to the Forward Split) registered shares of Common Stock to 55 individuals.

Under Rule 144 promulgated under the Securities Act, Mr. Ayers, our sole officer, director and employee, may sell up to one percent (1%) of the total outstanding shares (or an amount of shares equal to the average weekly reported volume of trading during the four calendar weeks preceding the sale) every three months provided that (1) current public information is available about the Company, (2) the shares have been fully paid for at least one year, (3) the shares are sold in a broker's transaction or through a market-maker, and (4) the seller files a Form 144 with the SEC. Based on the 69,640,000 shares issued and outstanding, Mr. Ayers could sell up to 696,400 shares every three months if all of the above conditions are met. For a discussion of Mr. Ayers' acquisition of his 45,000,000 shares, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Recent Events below.

Securities Authorized for Issuance under Equity Compensation Plans

The Company does not have any equity compensation plans and there are no outstanding options.

DESCRIPTION OF SECURITIES

Common Stock

The Company is authorized to issue 200,000,000 shares of common stock, par value \$0.00001 per share (Common Stock). Holders of Common Stock are entitled to one vote per share and to receive dividends or other distributions when and if declared by the Board of Directors. As of this filing, there are 69,640,000 shares of Common Stock outstanding held by 49 shareholders of record.

Our Common Stock trades on the OTCBB under the symbol RRFC . We expect to receive a new trading symbol for our common stock on June 1, 2009. None of our Common Stock is subject to outstanding options or rights to purchase, nor do we have any securities that are convertible into shares of our Common Stock. We have not agreed to register any of our stock for anyone nor do we presently have in effect employee stock options or benefit plans that would involve the issuing of additional shares of our Common Stock.

Our Common Stock does not have preemptive rights, meaning that our common shareholders' ownership interest would be diluted if additional shares of our Common Stock are subsequently issued, and the existing shareholders are not granted the right, in the discretion of the Director, to maintain their percentage ownership interest in the Company. This lack of protection from dilution to minority shareholders could allow our Director to issue additional shares of our Common Stock to persons friendly with our existing management, thus preventing any change in control of the Company.

Upon any liquidation, dissolution or winding-up of Gold Bag, our assets, after the payment of debts and liabilities and any liquidation preferences of, and unpaid dividends on, any class of Preferred Stock then outstanding, will be distributed pro-rata to the holders of the Common Stock. The holders of the Common Stock have no right to require us to redeem or purchase their shares.

The holders of Common Stock are entitled to share equally in dividends, if and when declared by our Director, out of funds legally available therefore, subject to the priorities given to any class of Preferred Stock which may be issued.

No Cumulative Voting

Holders of shares of our Common Stock do not have cumulative voting rights, which means that the holders of more than 50% of the outstanding shares, voting for the election of directors, can elect all of the directors to be elected, if they so choose, and, in that event, the holders of the remaining shares will not be able to elect any of our directors. Lance Ayers, our sole officer, director and employee, owns approximately 64.62% of our outstanding shares and will be able to elect all of our directors.

Preferred Stock

Gold Bag is authorized to issue 100,000,000 shares of preferred stock, \$0.00001 par value per share (the Preferred Stock). We have no shares of Preferred Stock issued and outstanding, however, the Director may later determine to issue shares of our Preferred Stock. The Preferred Stock may be created and issued in one or more series and with such designations, rights, preferences and restrictions as shall be stated and expressed in the resolution(s) providing for the creation and issuance of such preferred stock. If Preferred Stock is issued and we are subsequently liquidated or dissolved, the preferred shareholders would have preferential rights to receive a liquidating distribution for their shares prior to any distribution to common shareholders.

Although we have no present intent to do so, we could issue shares of Preferred Stock with such terms and privileges that a third party acquisition of Gold Bag could be difficult or impossible, thus indefinitely entrenching our existing management in control of the Company.

Dividend Policy

To date, we have not paid any dividends. The payment of dividends, if any, on our Common Stock in the future is within the sole discretion of our Director and will depend upon our earnings, capital requirements, financial condition, and other relevant factors. Our sole officer, director and employee, Mr. Ayers, does not intend to declare any dividends on the Common Stock in the foreseeable future, but instead intends to retain all earnings, if any, for use in our business operations.

Transfer Agent

The Company uses Securities Transfer Corporation located at 2591 Dallas Parkway, Suite102, Frisco, Texas 75034 as its transfer agent.

RECENT SALES OF UNREGISTERED SECURITIES.

None.

(Remainder of this page intentionally left blank.)

ITEM 6. SELECTED FINANCIAL DATA.

	February 28, 2009	February 29, 2008	
TOTAL ASSETS	\$ 114,331	\$ 156,547	
TOTAL LIABILITIES	\$ 40,366	\$ 21,890	
TOTAL STOCKHOLDERS EQUITY	73,965	134,657	
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	\$ 114,331	\$ 156,547	
	Year Ended		From Inception through February 28, 2009
	February 28, 2009	February 29, 2008	February 28, 2009
REVENUE, NET	\$ -0-	\$ -0-	\$ -0-
TOTAL EXPENSES	65,492	24,965	142,635
NET LOSS FOR PERIOD	\$ (65,492)	\$ (24,965)	\$ (142,635)
NET LOSS PER SHARE-BASIC AND DILUTED	\$ -0-	\$ -0-	
WEIGHTED AVERAGE SHARES OUTSTANDING	69,640,000*	69,640,000*	

* Post-Forward Split

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.
Cautionary Notice Regarding Forward Looking Statements**

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This Report contains a number of forward-looking statements that reflect management's current views and expectations with respect to our business, strategies, products, future results and events and financial performance. All statements made in this Report other than statements of historical fact, including statements that address operating performance, events or developments that management expects or anticipates will or may occur in the future, statement related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results and non-historical information, are forward looking statements. In particular, the words believe, expect, intend, anticipate, estimate, may, will, variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management's current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below) and apply only as of the date of this Report. Our actual results, performance or achievements could differ materially from

the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in **Risk Factors** herein as well as those discussed elsewhere in this Report and in the press releases and other communications to shareholders issued by us from time to time which attempt to advise interested parties of the risks and factors that may affect our business. We undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

Overview

Gold Bag, Inc. (the **Company**) was formed as a Nevada corporation on December 23, 2005 under the name Real Estate Referral Center, Inc. to cater to the inexperienced buyer or seller of residential real estate who did not have a pre-existing established relationship with a realtor. The business plan called for us to locate a realtor for the client with the realtor paying us a fee for that service. The Company was unsuccessful in developing this business plan.

On December 27, 2005, we sold 5,000,000 shares of our Common Stock at \$0.001 per share to its officers for proceeds of \$5,000.

On June 21, 2006, the Securities and Exchange Commission declared our Form SB-2 Registration Statement effective through which we offered up to 2,000,000 shares of our Common Stock at \$0.10 per share (the **Offering**). No underwriter was involved in the Offering. On July 31, 2006, we closed the Offering in which we raised \$196,400 by selling 1,964,000 shares of Common Stock to 55 individuals.

In April 2009, we moved our operations and changed our corporate address to 12830 Hillcrest Road, Suite 111, Dallas, TX 75230-1547. Simultaneously, Lance Ayers, the sole member of the **Company's** Board of Directors and majority shareholder, approved our new business operations and changed our name to Gold Bag, Inc. to reflect our new business to purchase unwanted gold coins or broken jewelry, or other items containing precious metals, from the general public at a scrap value price. The precious metals will then be sold to a refinery where the items will be melted down into pure form and sold at market price.

Also at the time of the name change to Gold Bag, Inc., we effected a forward stock split on a 10:1 basis in order to establish a more liquid public market for our shares to trade (the **Forward Split**). Based upon 6,964,000 shares of Common Stock issued and outstanding on May 22, 2009, the Record Date used to determine shareholders eligible to receive shares under the Forward Split, this action increased the outstanding shares of Common Stock by 900% bringing the total shares issued and outstanding after the Forward Split to 69,640,000. The Pay Date of the Forward Split shares was May 29, 2009. Our Common Stock trades on the OTCBB under the symbol **RRFC**. We expect to receive a new trading symbol for our common stock on June 1, 2009.

Gold Bag, Inc. is in the business of purchasing gold coins and other precious metals in the form of jewelry directly from the general public. Dealing with the customer directly enables a faster sale to the consumer and all parties avoid the costs of a middleman. Once the gold coins and precious metals are purchased from the customer, we will send the items to a refinery that is able to produce pure gold, silver, and other precious metals which are then sold for a profit. We are a development stage company. We intend to offer our services to customers worldwide from whom we will provide a fast and convenient solution to sell their unwanted items made of precious metals. We are a company without revenues or operations, have minimal assets, and have incurred losses since inception.

Our customers can be any individual or entity worldwide for whom we will provide a fast and convenient solution to sell their unwanted items containing precious metals. Our customers will be solicited through direct marketing through advertisements over the Internet and radio and television. Our toll-free number and website will provide easy access to customers who want to sell their unwanted items. After they initiate an order, the Company will send them everything they need in order that they may return their items for processing. Upon receipt of each item, it will be catalogued and then be appraised based on the quality and

quantity of the metals. If accepted for purchase by the Company, a check will be mailed to the customer within 72-hours of the appraisal. The customer has a fifteen (15) day period from the date of the check in which they can accept the amount paid for the items and cash the check, or they may return the check to the Company. If the customer cashes the check or fails to return the check before the end of the fifteen (15) day period, the transaction will be completed and the precious metals will then be refined and sold. If the customer returns the check to the Company within the fifteen (15) day period, the Company will return the items to the customer.

With the exception of the funds raised in the Offering, we are a company without revenues or operations; we have minimal assets and have incurred losses since inception. Our auditors have issued a going concern opinion. This means that there is substantial doubt that we can continue as an ongoing business operation for the next 12 months. Our ability to achieve and maintain profitability and positive cash flow is dependent upon (i) our ability to attract customers who want to sell their unwanted coins or broken jewelry, (ii) the price at which we purchase the items, (iii) our ability to have the metals refined into a pure form, (iv) and our ability to sell the pure form metals to a refinery or third party for a profit. We expect to generate revenues from the sale of the refined metals to a third party. The attached financial statements do not include any adjustments that might result from the uncertainty about our ability to continue in business. As such, we may have to cease operations and investors may lose their investment.

Our principle business activities will be (i) creating our website where customers can request an informational packet to send us their unwanted items, (ii) identifying and entering into an agreement with a refinery; and (iii) promoting our Company through advertisements over the Internet and on radio and television. We have not yet developed our website, network infrastructure, or transaction processing system. We intend to (i) immediately initiate the development of our website, www.goldbag.com, (ii) seek and negotiate an agreement with a suitable refinery, and (iii) retain a third party service provider to build and maintain our network infrastructure and transaction processing system. We believe it will take up to four months to create a workable website, network infrastructure, and transaction processing system.

We believe that we have a low-cost business plan designed to maximize revenues while minimizing costs. As demand for our services increase, our plan can be easily adapted while keeping our costs low.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to contingencies, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policy among others involve the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue is recognized when the coins and unwanted jewelry has been shipped to the refiner and collectability is reasonably assured. Revenue recognized from these sales is net of applicable provisions for refunds, discounts and allowances.

The Company accounts for compensation associated with stock options warrants issued to non-employees using the fair and -value based method prescribed by Financial Accounting Standard 123 Accounting for Stock-Based Compensation. The Company uses the Black-Scholes options-pricing model to determine the fair value of these instruments.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123R

(SFAS 123R) Share based Payment a revision of Statement No. 123, Accounting for Stock Based Compensation. This standard requires the Company to measure the cost of employee services received in exchange for equity awards based on grant date fair value of the awards. The Company adopted 123R. The standard provides for a prospective application. Under this method, the Company will begin recognizing compensation costs for equity based compensation of or all new or modified grants after the date of adoption.

Recently Issued Accounting Pronouncements

During the year ended December 31, 2008, there wer