

DM Products, Inc.

Consolidated Financial Statements

June 30, 2009

DM Products, Inc.

June 30, 2009

Contents

	Page
Accountant's Compilation Report	3
Consolidated Balance Sheet	4
Consolidated Statements of Operations	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-10

## Accountant's Compilation Report

Board of Directors  
DM Products, Inc.  
Walnut Creek, California

We have compiled the accompanying consolidated balance sheet of DM Products, Inc. ( a Nevada corporation and Direct Success, Inc. its wholly owned subsidiary) as of June 30, 2009, and the related consolidated statements of operations, shareholders' equity and cash flows for the 6 months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Kenneth A. Carroll, CPA PC  
Irvine, California  
September 11, 2009

**DM Products, Inc.**  
**Consolidated Balance Sheet**  
**June 30, 2009**

Current Assets		
Cash	4,471	
Tristar Receivable	226,181	
Other Receivable	12,250	
Prepaid Expense	5,000	
Total Current Assets		247,902
Property and Equipment - Note 3		
Molds	3,000	
Office Equipment	586	
Web Site	1,300	
Total Cost	4,886	
Less: Accumulated Depreciation	(4,573)	
Property and Equipment, Net		313
Intangible Assets-Note 6		
Infomercial Productions	235,373	
Other Intangibles	4,225	
Total Cost	239,598	
Less: Accumulated Amortization	(239,598)	
Total Intangible Assets		-
<b>TOTAL ASSETS</b>		<b>248,215</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts Payable	-	
Sales Tax Payable	2,424	
Other Current Liabilities	156,138	
Total Current Liabilities		158,562
Long Term Liabilities		
Total Liabilities		-
Shareholders' Equity		
Common Stock: \$0.001 par value; 300,000,000 shares authorized; 212,107,352 issued and outstanding at Jun 30, 2009	216,433	
Additional Paid In Capital	640,236	
Buena Vista Investment	150,000	
Accumulated Deficit	(917,016)	
Total Shareholders' Equity		89,653
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>248,215</b>

DM Products, Inc.  
Consolidated Statements of Operations  
For the 6 Months ended June 30, 2009

	04/01/09- 06/30/09	01/01/09- 06/30/09	01/01/09- 03/31/09
Royalty Income	158,554	194,383	35,829
	<u>158,554</u>	<u>194,383</u>	<u>35,829</u>
Cost of Sales	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Gross Profit	158,554	194,383	35,829
Operating Expenses			
Amortization	-	7	7
Bank Service Charges	59	117	58
Depreciation	25	93	68
Interest & Penalties	-	-	-
Taxes	1,150	1,150	-
Corporate Securities Expense	3,000	3,000	-
Financing Charges	612	612	-
Health Insurance	2,600	4,214	1,615
Miscellaneous	-	52	52
Licenses & Permits	50	50	-
Outside Services	836	1,215	379
Payroll Service Fees	267	444	177
Office Supplies	526	601	75
Postage and Delivery	-	53	53
Professional Fees - Accounting	2,260	4,411	2,151
Professional Fees - Legal	7,440	14,992	7,552
Salary & Wages - Other	34,500	67,500	33,000
Salary- Employer Taxes	2,837	7,105	4,268
Telephone	806	1,523	718
Travel & Entertainment	4,532	6,942	2,410
Interest & Penalties	250	250	-
Website Host	660	1,290	630
Total Operating Expense	<u>62,408</u>	<u>115,622</u>	<u>53,213</u>
Operating Income before other income (loss)	96,145	78,761	(17,384)
Other Income (Loss)- Note 5	<u>47,277</u>	<u>47,277</u>	<u>-</u>
Income before income taxes	143,422	126,038	(17,384)
Provision for income taxes-Note 4	<u>-</u>	<u>(2,400)</u>	<u>(2,400)</u>
Net Income	<u>143,422</u>	<u>123,638</u>	<u>(19,784)</u>

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.  
Consolidated Statements of Shareholders' Equity  
For the 6 Months ended June 30, 2009

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 31, 2008	212,107,352	216,433	640,236	(1,040,654)	(183,985)
Capital Contribution	-	-			
Retained Earnings Adjustment				-	-
Net Income				123,638	123,638
Balance at June 30, 2009	<u>212,107,352</u>	<u>216,433</u>	<u>640,236</u>	<u>(917,016)</u>	<u>(60,347)</u>

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.  
Consolidated Statements of Cash Flows  
For the 6 Months ended June 30, 2009

Cash flow from operating activities		
Net Income	\$	123,638
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation		93
Amortization		7
(Increase) or decrease in current assets:		
Accounts receivables		(151,002)
Other current asset		(5,000)
Other assets		-
Increase (decrease) in liabilities:		
Other Current Liabilities		1,192
Net cash (used) by operating activities		<u>(31,072)</u>
Cash flow from investing activities		
Decrease in tangible assets		
Decrease in intangible assets		
Increase in additional paid in capital		
Net cash provided by investing activities		<u>-</u>
Cash flow from financing activities		
Advance from credit line		27,757
Issuance of stock		-
Net cash provided by financing activities		<u>27,757</u>
Net change in cash		(3,315)
Cash at beginning of period		7,786
Cash at end of period	\$	<u><u>4,471</u></u>

See accompanying notes to consolidated financial statements and accountants' compilation report

DM Products, Inc.  
Notes to Consolidated Financial Statements  
June 30, 2009

**Note 1: Summary of Significant Accounting Policies**

Nature of Operations

DM Products, Inc.(the Company) was incorporated on March 1, 2001 as Effective Sport Nutrition Corporation. Subsequently, on April 11, 2005, the Company changed its name to Midwest E.S.W.T Corp and on December 14, 2005, it changed its name again to DM Products, Inc.

On July 18, 2005, the Company acquired Direct Success, Inc. a California Corporation in exchange for 70 % of the Company's Common Stock, making Direct Success, Inc. a wholly owned subsidiary of the Company.

Direct Success, Inc operates from Walnut Creek, California and it owns a limited liability company to market products through direct response to television infomercials. The companies obtain the distribution, production, and licensing rights to a product in exchange for royalty agreements based on the sales of the products. The Company sets up the production, marketing and the distribution of the products.

Basis of consolidation

The consolidated financial statements include the accounts of DM Products, Inc., Direct Success, Inc. and the accounts of its wholly owned subsidiaries Direct Success LLC #3. (collectively referred to as Direct Success, Inc.) The Company consolidated all entities in which it has a controlling interest. All material inter-company transactions have been eliminated.

Property, Equipment and Depreciation

Property and equipment has been stated at cost. Depreciation is provided on an accelerated double declining balance method over the estimated useful lives of the assets.

Use of Estimates

Timely preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts, some of which may require revision in future period.

Income Taxes

DM Products Inc. and Direct Success, Inc. is currently being taxed as a C corporation under the IRS code. LLC #3 has elected to be taxed as partnerships under the IRS code.

**Note 2: Licensing Agreements**

Direct Success entered into a manufacturing, marketing and distribution agreement with Banjo in Oct 2002 thereafter entered into a modification of said agreement in April 2005. In March 2007, Direct Success grants back to Banjo, the right, license and privilege for internet Parts sales and small parts sale of the product.

Under the agreement, Banjo will pay Direct Success a royalty on all sales of product set forth in this Agreement, on Gross Sales in the amount of 4%.

**Note 3: Property and Equipment**

Property and Equipment consists of the following:

DM Products, Inc.		
Office Equipment		586
		<u>586</u>
LLC #3		
Molds		3,000
Website		1,300
		<u>4,300</u>
Total		4,886
Accumulated Depreciation		<u>(4,573)</u>
Property and Equipment, net		<u><u>313</u></u>

**Note 4: Income Taxes**

The tax benefit was not reflected due to a 100% valuation allowance provided as a result of losses and an uncertainty of future profitability. The minimum taxes per year is recorded.

**Note 5: Royalties waived**

Script To Screen, Inc. has entered into an agreement with Direct Success LLC 3 and Direct Success, Inc. to waive royalties for all past years to date (prior period adjustment) and current year to date as well as future royalties that may come due under the current Royalty Agreement. Total past and current year royalties waived and included in other income equals \$47,040.

**Note 6: Acquired Intangible Assets**

The company books intangibles at cost and amortizes them over their useful lives. The consolidated intangible assets consists of the following:

LLC #3		
Infomercial production costs		239,598
Accumulated amortization		<u>(239,598)</u>
Unamortized intangible assets		<u><u>-</u></u>

Total amortization expenses related to the above mentioned intangible assets were \$0 for the period ended June 30, 2009.

**Note 7: Royalty Income & Royalty Expense**

Total Royalty Income received on other company's behalf amounted \$77,728 as of 06/30/2009, of which amount \$31,263 was incorrectly booked as royalty income when received and royalty expense when paid. As a result, the royalty income and royalty expense of first quarter was both overstated by \$31, 263. The financial statement of first quarter of 2009 was not restated.

**Note 8: Arbitration**

Direct Success LLC 3 is in arbitration with Banjo Buddies over terms of the contract and the management is in uncertainty about the possible outcome. Even though first quarter 2009 and second quarter 2009 royalties for Banjo parts has been accrued as of June 30, 2009.

**Note 9: Going Concern**

Before being acquired by DM Products, Inc., Direct Success, Inc. has an accumulated loss of \$6,195,881. Notwithstanding the continued losses, these financial statements have been prepared by management on a going concern basis.

The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Certain conditions, discussed below, currently exist which raise substantial doubt upon the validity of this assumption. The consolidated financial statements do not include any adjustments thus might result from the outcome of this uncertainty. If the Company were unable to continue as a going concern, assets and liabilities would require restatement on a liquidation basis, which would differ materially from the going concern basis.

The Company's future operations are dependant upon the marketing of its products and the Company's ability to secure sufficient financing to continue operations and marketing of its products. There can be no assurance that the Company's products will be able to secure market acceptance or that successful commercialization of its products will be achieved.

The Company does not have sufficient working capital to sustain its current level of operations until December 31, 2009. Continued and significant financial support from shareholders, related parties and external sources will be required to fund operations.