

MACH ONE CORP
Form 10-Q
May 24, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

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

For the Quarterly period ended March 31, 2010

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

For the transition period from _____ to _____

Commission file number: 333-146744

MACH ONE CORPORATION
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

88-0338837
(I.R.S. Employer Identification No.)

974 Silver Beach Road, Belgium, WI 53004
(Address of principal executive offices)

(888) 400-7179
(Issuer's telephone number)

6430 Congress Drive, West Bend, WI 53095
(Former name, former address and former fiscal year, if applicable)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
x

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

As of April 17, 2010, 375,919,689 shares of common stock were outstanding.

MACH ONE CORPORATION

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MACH ONE CORPORATION
CONSOLIDATED BALANCE SHEETS (unaudited)

| | March 31, 2010 | December 31, 2009 |
|--|---------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 25,432 | \$ 61,979 |
| Accounts receivable, net | 73,845 | 156,682 |
| Accounts receivable pledged as collateral | 105,155 | 95,309 |
| Marketable securities | - | 4,223 |
| Inventory | 38,686 | 140,828 |
| Current assets of discontinued operation | 86,806 | 428,172 |
| Other current assets | 475,096 | 480,956 |
| Total Current Assets | 805,020 | 1,368,149 |
| Property and equipment, net | 508,074 | 555,196 |
| Goodwill | 280,232 | 280,232 |
| Intangible assets, net | 1,013,533 | 1,034,533 |
| Other assets | 25,000 | 25,000 |
| TOTAL ASSETS | \$ 2,631,859 | \$ 3,263,110 |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 820,959 | \$ 991,540 |
| Accrued compensation | 611,981 | 487,508 |
| Accrued interest | 72,215 | 58,623 |
| Current liabilities of discontinued operation | 338,466 | 615,501 |
| Short-term notes payable and other debt | 1,122,618 | 969,438 |
| Deferred revenue | 23,725 | 23,725 |
| Current portion of long-term debt obligations | 156,912 | 33,183 |
| Total Current Liabilities | 3,146,876 | 3,179,518 |
| Long-term debt, net of current portion | 3,422,180 | 3,504,130 |
| STOCKHOLDERS' DEFICIT | | |
| Preferred stock, \$.05 par value, 10,500,000 shares authorized, 740,000 and 2,500,000 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively, liquidation preference of \$620,000 and \$1,500,000 at March 31, 2010 and December 31, 2009, respectively | 37,000 | 125,000 |
| Common stock, \$.001 par value, 500,000,000 shares authorized, 188,556,279 and 181,346,946 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively | 188,555 | 181,346 |
| Treasury stock | (297,175) | (327,175) |
| Additional paid-in capital | 11,682,456 | 11,248,980 |
| Accumulated deficit | (15,548,033) | (14,636,624) |

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| | | |
|--|---------------------|---------------------|
| Accumulated other comprehensive loss | - | (12,065) |
| Total Stockholders' Deficit | (3,937,197) | (3,420,538) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 2,631,859 | \$ 3,263,110 |

The accompanying notes are an integral part of these consolidated financial statements

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MACH ONE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

| | Three months ended March 31, | |
|---|------------------------------|---------------|
| | 2010 | 2009 |
| Sales, net | \$ 371,566 | \$ 327,513 |
| Cost of goods sold | 353,735 | 297,387 |
| Gross profit | 17,831 | 30,126 |
| Operating expenses | 757,994 | 719,543 |
| Loss from continuing operations | (740,163) | (689,417) |
| Other expense: | | |
| Realized loss on sale of marketable securities | (12,844) | - |
| Interest expense | (104,323) | (281,856) |
| Total other expense | (117,167) | (281,856) |
| Loss from continuing operations before provision for income taxes | (857,330) | (971,273) |
| Income tax provision | - | - |
| Net loss from continuing operations | (857,330) | (971,273) |
| Less: Net loss attributable to non-controlling interest in variable interest entity | - | 46,888 |
| Net loss from continuing operations attributable to Mach One Corporation | (857,330) | (924,385) |
| Loss from discontinued operations, net of income tax benefit of \$0 and \$0, respectively | (54,079) | (30,146) |
| Net loss attributable to Mach One Corporation | \$ (911,409) | \$ (954,531) |
| Net loss from continuing operations attributable to Mach One Corporation per common share (basic and diluted) | \$ - | \$ (0.01) |
| Net loss from discontinued operations per common share (basic and diluted) | \$ - | \$ - |
| Net loss from attributable to Mach One Corporation per common share (basic and diluted) | \$ - | \$ (0.01) |
| Weighted average shares outstanding: | | |
| Basic and diluted | 183,057,564 | 115,094,054 |

The accompanying notes are an integral part of these consolidated financial statements

MACH ONE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Three months ended March 31,
2010 2009

Cash flows from operating activities:

| | | |
|-------------------------------------|---------------|---------------|
| Net loss from continuing operations | \$ (857,330) | \$ (924,385) |
|-------------------------------------|---------------|---------------|

Adjustments to reconcile net loss to net cash used in operating activities:

| | | |
|---|---------------|-----------------|
| Net loss attributable to non-controlling interest in variable interest entity | | |
| | - | (46,888) |
| Depreciation and amortization | 54,005 | 27,915 |
| Amortization of deferred financing costs | 6,090 | 170,500 |
| Amortization of debt discount, relating to a beneficial conversion feature | 17,708 | - |
| Amortization of prepaid management fees | 26,250 | 7,500 |
| Accretion of interest on long-term debt | 46,454 | - |
| Loss on sale of marketable securities | 12,844 | - |
| Loss on disposal of equipment | 14,118 | - |
| Common stock issued for services | 100,090 | - |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 72,991 | (253,519) |
| Inventory | 102,142 | (350,245) |
| Other current assets | 29,520 | (571,038) |
| Increase in operating liabilities: | | |
| Accounts payable and accrued expenses | 147,358 | 348,949 |
| Deferred revenue | - | 60,725 |
| Total adjustments | \$ 629,570 | \$ (606,101) |
| Net cash used in operating activities | \$ (227,760) | \$ (1,530,486) |

Cash flows from investing activities:

| | | |
|---|----------|---------------|
| Proceeds from the sale of marketable securities | 3,444 | - |
| Purchases of marketable securities | - | (2,437) |
| Acquisitions, net of cash acquired | - | 26,294 |
| Purchase of property and equipment, net | - | (179,962) |
| Net cash provided by (used in) investing activities | \$ 3,444 | \$ (156,105) |

Cash flows from financing activities:

| | | |
|---|------------|--------------|
| Proceeds from short term notes payable | 108,156 | 1,883,523 |
| Payments on short term notes payable | (52,558) | - |
| Proceeds from long-term debt | - | 5,198 |
| Payments on long-term debt | (4,675) | (2,185) |
| Proceeds from the sale of common stock | 116,500 | - |
| Proceeds from the sale of treasury stock | 10,095 | - |
| Purchase of treasury stock | - | (302,123) |
| Net cash provided by financing activities | \$ 177,518 | \$ 1,584,413 |

| | | |
|--|---------------|---------------|
| Cash flows from discontinued operations: | | |
| Net cash used in operating activities | (20,749) | (3,368) |
| Net cash provided by investing activities | 31,000 | 3,687 |
| Net cash provided by financing activities | - | - |
| Net cash provided by discontinued operations | \$ 10,251 | \$ 319 |
| Net decrease in cash | \$ (36,547) | \$ (101,859) |
| Cash, beginning of period | 61,979 | 635,334 |
| Cash, end of period | \$ 25,432 | \$ 533,475 |
| Supplemental cash and non-cash flow information | | |
| Unrealized gain (loss) on marketable securities | \$ (12,065) | \$ 101,534 |
| Cash paid for interest | \$ 9,308 | \$ 630 |
| Loss on sale of treasury stock | \$ (19,905) | \$ - |
| Common stock issued for prepaid marketing fees | \$ 56,000 | \$ - |
| Conversion of preferred stock into common stock | \$ 88,000 | \$ - |
| Beneficial conversion feature related to short-term debt | \$ (100,000) | \$ - |
| Accounts payable converted to note payable | \$ 179,874 | \$ - |

The accompanying notes are an integral part of these consolidated financial statements

Note 1. Basis of Presentation and Nature of Operations

Basis of Presentation: The interim Consolidated Financial Statements of Mach One Corporation (Mach One, the Company, we, us or our) are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair statement of financial position, results of operations and cash flows for the periods presented. Except as otherwise disclosed herein, these adjustments consist of normal, recurring items. The results of operations for any interim period are not necessarily indicative of full year results. The Consolidated Financial Statements and Notes are presented in accordance with the requirements for Quarterly Reports on Form 10-Q and do not contain certain information included in our annual Consolidated Financial Statements and Notes.

The preparation of the interim Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America 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 interim Consolidated Financial Statements and the reported amounts of revenue and expenses for the reporting periods. Despite our intention to establish accurate estimates and use reasonable assumptions, actual results may differ from our estimates.

The December 31, 2009 Consolidated Balance Sheet data was derived from the audited Consolidated Financial Statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. This Form 10-Q should be read in conjunction with our Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Nature of Operations: Mach One Corporation is a global wellness solutions company with operations in Animal Wellness; Organics & Sustainables; and BioPharm Process Systems. Through its Animal Wellness Group, the Company focuses on major opportunities for positive, long-term health and longevity benefits for disease-threatened animals in the commercial livestock and poultry industries, especially the beef and dairy sectors. The Organics & Sustainables Group addresses the growing needs of food manufacturers in the organic foods market who are challenged to increase production capacity for organic raw commodities and feed stocks that go into the finished products. The BioPharm Process Systems Group provides documentation, process modules, process skids, custom tanks and vessels and custom stainless steel fabrication to the biopharmaceutical industry.

Note 2. Summary of Significant Accounting Policies

Variable Interest Entity: During the quarter ended March 31, 2009, the Company was considered the primary beneficiary of Progressive Formulations, Inc. (PFI). PFI is an importer and distributor of soy-based organic food products whose initial capitalization was provided in the form of loans and inventory by the Company. PFI is wholly-owned by a shareholder of the Company. Refer to Note 4. Consolidation of Variable Interest Entity for further information on our consolidated VIE.

Inventory: Inventory consists of finished goods only as of March 31, 2010 and December 31, 2009. The Company maintains its inventory on a perpetual basis utilizing the first-in first-out (FIFO) method. Inventories have been valued at the lower of cost or market. As of March 31, 2010 and December 31, 2009, management has not established an obsolescence reserve for inventory, as we believe that all inventory is usable and that market values of all inventories exceed cost.

Property and Equipment: Property and equipment is reported at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred. The cost of property and equipment is depreciated over the following estimated useful lives of the related assets:

| | |
|----------|-------------|
| Building | 39 years |
|----------|-------------|

| | |
|-----------------------------|------------|
| Furniture & Fixtures | 7 years |
| Machinery & Equipment | 5 years |

Long-Lived and Amortizable Intangible Assets: The Company periodically evaluates the carrying value of long-lived and amortizable intangible assets to be held and used, including but not limited to, property and equipment and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived or amortizable intangible asset is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived and amortizable intangible assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose. The Company has reviewed long-lived and amortizable intangible assets with estimable useful lives and determined that the remaining net carrying value, after impairing certain assets in 2010, is recoverable in future periods.

Revenue Recognition: The Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred, the selling price is fixed or determinable, collection is reasonably assured and delivery has occurred per the contract terms. For certain contracts of MPS, the Company recognizes revenue based on the percentage of completion method. Revenue is deferred when customer billings exceed revenue earned.

Segment Reporting: The Company operates and manages the business under one reporting segment. Currently, neither Animal Wellness nor BioPharm Process Systems has generated significant revenues or acquired significant assets. As such, the Company operates and manages the business under one reporting segment.

Goodwill: Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill is not amortized. We evaluate the carrying value of goodwill annually during the quarter ending December 31, and between such annual evaluations if events occur or circumstances change that would indicate a possible impairment. We use a discounted cash flow model based on management's judgment and assumptions to determine the estimated fair value of the Company. An impairment loss generally would be recognized when the carrying amount of the Company's net assets exceeds the estimated fair value of the reporting unit.

Fair Value of Financial Instruments: The respective carrying value of certain on-balance sheet financial instruments approximates their fair values. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and notes payable. Fair values were assumed to approximate cost or carrying values as most of the debt was incurred recently and the assets were acquired within one year. Management is of the opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

Income Taxes: The Company provides for income taxes using an asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. For all periods presented, the Company has recorded a full valuation allowance against its deferred tax assets.

The Company recognizes a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Comprehensive Income (Loss): Comprehensive income (loss) includes net loss and items defined as other comprehensive income. Items defined as other comprehensive income include unrealized gains (losses) on marketable securities. The Company had \$12,065 and \$(101,534) of other comprehensive income (loss) for the quarters ended March 31, 2010 and 2009, respectively.

Reclassifications: Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Total 2009 equity and net loss are unchanged due to these reclassifications.

Recent Accounting Developments In June 2009, the FASB issued guidance to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and require ongoing qualitative reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for fiscal years beginning after November 15, 2009. The Company's adoption of this guidance as of January 1, 2010 did not have any impact on the Company's financial statements.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements." This update requires additional disclosure within the roll forward of activity for assets and liabilities measured at fair value on a

recurring basis, including transfers of assets and liabilities within Level 3 of the fair value hierarchy. In addition, the update requires enhanced disclosures of the valuation techniques and inputs used in the fair value measurements within Levels 2 and 3. The new disclosure requirements are effective for interim and annual periods beginning after December 15, 2009, except for the disclosure of purchases, sales issuances and settlements of Level 3 measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. As ASU 2010-6 only requires enhanced disclosures, the Company does not expect that the adoption of this update will have a material effect on its financial statements.

Note 3. Going Concern Uncertainty

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business. Since inception, until the acquisition of Ceres and MPS in February 2009, the Company had primarily been engaged in product development and pre-operational activities. The Company has accumulated losses totaling \$15,548,033 from inception through March 31, 2010, and a net working capital deficit of \$2,341,856 as of March 31, 2010. The uncertainty related to these conditions raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Over the next 18 months, in order to have the capability of achieving our business plan, we believe that we will require at least \$5,000,000 in additional funding to pay down certain payables and accruals and to provide working capital. Should we be unable to obtain additional funding in the next 3 months, we would be required to further cut expenses in our Organics and Sustainables group and temporarily halt operations in our Animal Wellness group until such funding is obtained. We are currently attempting to raise these funds by means of one or more public or private offerings of debt or equity securities or both. However, at this point, we have not specifically identified the type or sources of this funding. We also are exploring commercial and joint venture financing opportunities.

Note 4. Consolidation of Variable Interest Entity

The Company identifies variable interest entities and determines when we should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statement.

In general, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

In 2009, the Company determined they were required to consolidate PFI as a VIE in our consolidated statement of operations due to us determining we were the primary beneficiary of PFI. Therefore, for the quarter ended March 31, 2009, the consolidated statements of operations have been presented on a consolidated basis to include the variable interest in PFI. More specifically, for the quarter ended March 31, 2009, PFI amounts included in the consolidated statement of operations of the Company consist of; selling, general and administrative expenses of \$46,888. PFI had no sales during this period. All significant intercompany accounts and transactions have been eliminated in consolidation. No amounts from PFI are included in the consolidated balance sheet as of December 31, 2009 as PFI had reimbursed all advances from Ceres as of December 31, 2009 and PFI was no longer considered a VIE. No amounts from PFI are included in the consolidated balance sheet as of March 31, 2010 or the consolidated statements of operations and cash flows for the quarter ended March 31, 2010 as PFI was no longer considered a VIE of the Company.

Note 5. Discontinued Operations

On March 31, 2010, Ceres adopted a plan to close the business of its wholly-owned subsidiary, Organic Grain and Milling, Inc. (OGM). As of March 31, 2010, substantially all operational activities of OGM were discontinued. As a result, effective in its first quarter of fiscal 2010, the Company classified OGM as discontinued operations separate from the continuing operations of the Company for all the periods presented in the financial statements.

The following table summarizes results of OGM classified as discontinued operations in the Company's condensed, consolidated statements of operations for the quarters ended March 31, 2010 and 2009:

| | March 31, 2010 | March 31, 2009 |
|--|-------------------|-------------------|
| Sales, net | \$ 127,224 | \$ 483,935 |
| Cost of goods sold | 121,271 | 422,225 |
| Gross profit | 5,953 | 61,710 |
| Operating expenses | 56,059 | 91,856 |
| Loss from discontinued operations | (50,106) | (30,146) |
| Other expense | (3,973) | - |
| Loss from discontinued operations before taxes | (54,079) | (30,146) |
| | - | - |

Income tax expense (benefit) from discontinued operations

| | | | | |
|-----------------------------------|----|----------|----|----------|
| Loss from discontinued operations | \$ | (54,079) | \$ | (30,146) |
|-----------------------------------|----|----------|----|----------|

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The following table summarizes the major classes of assets and liabilities in OGM's balance sheet as of March 31, 2010 and December 31, 2009:

| | March 31, 2010 | December 31, 2009 |
|---|-------------------|----------------------|
| Cash | \$ 388 | \$ 17,923 |
| Accounts receivable | 10,950 | 133,803 |
| Inventory | 17,115 | 182,230 |
| Property and equipment, net (planned to be sold within 12 months) | 58,353 | 94,216 |
| Current assets of discontinued operations | \$ 86,806 | \$ 428,172 |
| Accounts payable | \$ 276,251 | \$ 518,583 |
| Accrued liabilities | 62,215 | 2,100 |
| Short-term note payable | - | 94,818 |
| Current liabilities of discontinued operations | \$ 338,466 | \$ 615,501 |

Note 6. Product License and Asset Purchase

On August 11, 2009, the Company entered into an exclusive license and distribution agreement to acquire the formulations and worldwide marketing rights to a suite of products that promote joint and bone health in horses, dogs and humans. These formulas and related rights are being acquired from Platte Valley State Bank (Platte Valley), who currently owns all rights pertaining to these products. The products were previously developed, manufactured and distributed by Clark Biotechnology, Inc. (CBI). CBI discontinued operations in 2008 due to the death of its founder.

The agreement calls for minimum royalties totaling \$350,000 to be paid as follows:

| | |
|----------|--------------------|
| \$30,000 | September 11, 2010 |
| \$80,000 | September 11, 2011 |
| \$80,000 | September 11, 2012 |
| \$80,000 | September 11, 2013 |
| \$80,000 | September 11, 2014 |

The Company has imputed interest on these installments at a rate of 12%, which is equivalent to the Company's estimated borrowing rate as of the date of the agreement. The discounted value of the licensed asset totals \$243,700 and has been included in intangible assets on our consolidated balance sheet and a corresponding liability included in current portion of long-term debt and long-term debt (refer to Note 11. Long-term debt) as of March 31, 2010.

The Company is treating these minimum royalty payments as a purchase of the related formulations and marketing rights as once these minimum royalty payments are made, the Company will have sole title to the formulations and marketing rights.

In addition, the Company is required to pay additional royalties of 4% of net sales of the products that exceed \$2,000,000 in each year of the agreement. These royalties will be recorded as incurred. There were no sales of this product during the period from August 11, 2009 to March 31, 2010.

Note 7. Intangible Assets

Intangible assets, net at March 31, 2010 and December 31, 2009 consisted of the following:

| | March 31, 2010 | December 31, 2009 |
|---|-------------------|----------------------|
| Proprietary product license | \$ 680,000 | \$ 680,000 |
| Supplier relationship | 80,000 | 80,000 |
| Engineering methodology and customer list | 100,000 | 100,000 |
| Licensed assets (See Note 6) | 243,700 | 243,700 |
| | 1,103,700 | 1,103,700 |
| Less: accumulated amortization | (90,167) | (69,167) |
| | \$ 1,013,533 | \$ 1,034,533 |

Amortization of \$21,000 and \$0 was recorded for the quarters ended March 31, 2010 and 2009, respectively.

We periodically reassess the carrying value, useful lives and classification of identifiable intangible assets. Estimated aggregate amortization expense based on current intangibles for the next five years is expected to be as follows: \$74,400 remaining in 2010, \$156,800 in 2011, \$195,200 in 2012, 262,300 in 2013 and \$324,833 in 2014.

Note 8. Composition of Certain Financial Statement Captions

Other current assets at March 31, 2010 and December 31, 2009 consisted of the following:

| | March 31, 2010 | December 31, 2009 |
|-------------------------------|-------------------|----------------------|
| Prepaid management fee | \$ 78,750 | \$ 105,000 |
| Brand trademark held for sale | 80,000 | 80,000 |
| Inventory advance | 260,095 | 260,095 |
| Prepaid expenses and other | 56,251 | 35,861 |
| | \$ 475,096 | \$ 480,956 |

Note 9. Property and Equipment

Property and equipment at March 31, 2010 and December 31, 2009 consisted of the following:

| | March 31, 2010 | December 31, 2009 |
|--------------------------------|-------------------|----------------------|
| Machinery & equipment | \$ 607,501 | \$ 607,501 |
| Leasehold improvements | 99,507 | 99,507 |
| Computer equipment | 19,248 | 37,271 |
| Furniture & fixtures | 3,074 | 3,074 |
| | 729,330 | 747,353 |
| Less: accumulated depreciation | (221,256) | (192,157) |
| | \$ 508,074 | \$ 555,196 |

Depreciation expense related to property and equipment was \$33,005 and \$25,765 for the quarters ended March 31, 2010 and 2009, respectively.

Note 10. Short-term Notes Payable and Other Debt

Short-term notes payable and other debt at March 31, 2010 and December 31, 2009 consisted of the following:

| | March 31, 2010 | December 31, 2009 |
|--------------------------------------|-------------------|----------------------|
| Short-term convertible notes payable | \$ 812,354 | \$ 794,646 |
| Transfac Financing Agreement | 84,501 | 76,345 |
| Short-term loans and lines of credit | 225,763 | 98,447 |
| | \$ 1,122,618 | \$ 969,438 |

Short-term Convertible Notes Payable

Commonwealth One

The Commonwealth One round of financing was closed in the quarter ended December 31, 2008. Proceeds from the notes were \$550,000. Interest at 12.0% is due with the principal on various dates from April through June 2009. The notes are unsecured and are convertible into shares of the Company's common stock at \$0.045 per share at any time during the term of the notes.

During the year ended December 31, 2009, \$450,000 of the Commonwealth One notes were converted into 10,000,000 shares of the Company's common stock. Subsequent to March 31, 2010, and as of the date of this report, the remaining outstanding note totaling \$100,000 has been verbally extended until further notice by the note holder.

Plant Notes

The Company also entered into loan agreements with an unrelated individual (Plant Notes). Proceeds from the agreements totaled \$105,000 and interest at 5.0% is due with the principal on June 30, 2010. The notes are unsecured and are convertible into shares of the Company's common stock at \$0.50 per share at any time during the term of the notes.

Blake Note

In connection with the acquisition of PRF on December 31, 2008, the Company acquired a note payable for \$100,000 to an unrelated individual (Blake Note). Interest at 10.0% is payable annually. The note is unsecured and is convertible into shares of the Company's common stock at \$0.125 per share at any time during the term of the note.

Tiryaki Note

In October 2009, Ceres entered into a loan agreement with a vendor to finance the outstanding trade accounts payable with a vendor (Tiryaki Note). Upon execution of the note, the Company reclassified \$439,646 of outstanding trade accounts payable to short term loans payable. Interest at 10% is due with the principal on June 30, 2010. The note is unsecured and is convertible into shares of the Company's common stock at \$0.08 per share at any time during the term.

CMS Notes

In December 2009, the Company entered into a round of financing with Charles Morgan Securities, Inc. Proceeds from the notes (CMS Notes) was \$50,000 as of December 31, 2009. Interest at 12.0% is due with the principal on September 30, 2010. The notes are unsecured and are convertible into shares of the Company's common stock at \$0.08 per share at any time during the term of the notes. The conversion price is subject to certain weighted-average anti-dilution adjustments if the Company were to subsequently issue common stock at a price below the then-applicable conversion price.

During the quarter ended March 31, 2010, additional proceeds from the CMS notes were \$100,000. Interest at 12.0% is due with the principal on February 11, 2011. The notes are unsecured and are convertible into shares of the Company's common stock at \$0.04 per share at any time during the term of the notes. As the conversion price of the CMS notes issued during the quarter ended March 31, 2010 was below the then current market price of the Company's common stock, a beneficial conversion feature discount was recorded, in the form of a debt discount, in the amount of \$100,000. The discount recorded is being amortized to interest expense over the life of the notes. Amortization of \$17,708 was recorded for the quarter ended March 31, 2010.

Except for the CMS notes issued during the quarter ended March 31, 2010, the conversion prices of all other convertible notes were established at, or above, the then current market price of the Company's common stock and therefore, no beneficial conversion feature discount has been recorded.

A summary table of short-term convertible notes payable as of March 31, 2010 and December 31, 2009 follows:

| | March 31, 2010 | December 31, 2009 |
|---------------------------------|-------------------|----------------------|
| Commonwealth One | \$ 100,000 | \$ 100,000 |
| Plant Notes | 105,000 | 105,000 |
| Blake Note | 100,000 | 100,000 |
| Tiryaki Note | 439,646 | 439,646 |
| CMS Notes, net of debt discount | 67,708 | 50,000 |
| Total | \$ 812,354 | \$ 794,646 |

Transfac Financing Agreement

In connection with the acquisition of Ceres, the Company has an accounts receivable financing agreement (the "Agreement") with Transfac Capital, LLC ("Transfac"). The original Agreement term is one year from the effective date of June 2, 2008 and is cancelable immediately upon notice by Transfac, or within ten days of notice by the Company if the Company secures financing from an FDIC insured institution. Upon the acquisition of Ceres by the Company, the term changed to month-to-month and is cancelable within ten days of notice by Ceres. Under the terms of the Agreement, the Company may offer to sell its accounts receivable to Transfac each month during the term of the Agreement, up to a maximum amount outstanding at any time of \$1.5 million in gross receivables submitted, or \$1.2 million in net amounts funded based upon an 80.0% advance rate. The Company is obligated to offer accounts totaling a minimum of \$300,000 in each month, and Transfac has the right to decline to purchase any offered accounts (invoices).

The Agreement provides for the sale, on a revolving basis, of accounts receivable generated by specified debtors. The purchase price paid by Transfac reflects a discount that is generally 0.7% for the first twenty days, plus an aging fee of 0.034% for each day after the first twenty days. The Company continues to be responsible for the servicing and administration of the receivables purchased. Transfac fees are reported in the Company's consolidated statement of operations as interest expense and were \$7,322 and \$4,963 for the quarters ended March 31, 2010 and 2009, respectively.

The Company accounts for the sale of receivables under the Agreement as a secured borrowing with a pledge of the subject receivables as collateral. Accounts receivable pledged as collateral on the accompanying consolidated balance sheets in the amounts of \$105,155 and \$95,309 as of March 31, 2010 and December 31, 2009, respectively, represents the gross receivables that have been designated as "sold" and serve as collateral for short-term debt in the amounts of \$84,501 and \$76,345 as of March 31, 2010 and December 31, 2009, respectively.

Short Term Loans and Lines of Credit

In September 2009, the Company entered into a loan agreement with Thomsen Group, LLC. The note balance as of March 31, 2010 and December 31, 2009 is \$0 and \$50,118, respectively. Interest is at 8.0%, principal and interest payments are due upon demand, and the note is unsecured. Thomsen Group, LLC is majority-owned by a director of the Company.

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The Company acquired a bank line of credit with the acquisition of Ceres. The balance is \$48,298 and \$48,329 as of March 31, 2010 and December 31, 2009, respectively. Interest is at 7.5%, interest payments are due monthly, and principal is due upon demand, and the note is unsecured.

In January 2010, Ceres entered into a loan agreement with a vendor to finance the outstanding trade accounts payable (NDM Note). Upon execution of the note, the Company reclassified \$179,874 of outstanding trade accounts payable to short term loans payable. Interest is at 6%. Monthly payments of \$2,000 are due each month with the remaining principal and interest due on October 1, 2010. The balance outstanding as of March 31, 2010 is \$177,465. The note is secured by the potential proceeds from an unrelated litigation matter in which Ceres is the plaintiff.

The Company has recorded accrued interest on short-term notes payable and other debt of \$72,215 and \$58,623 as of March 31, 2010 and December 31, 2009, respectively.

Note 11. Long-term Debt

Long-term debt at March 31, 2010 and December 31, 2009 consisted of the following:

| | March 31, 2010 | December 31, 2009 |
|--|-------------------|----------------------|
| Zero Coupon Convertible Subordinated Notes Payable, interest at 5.0%, principal and interest due December 12, 2013, convertible into shares of common stock of the Company at \$0.125 per share at any time, unsecured (total maturity value of \$3,808,298) | \$ 3,176,845 | \$ 3,137,601 |
| Liability for license agreement (total maturity value of \$350,000) (See Note 6) | 262,288 | 255,077 |
| Unsecured note payable, related party (See Note 13) | 105,861 | 105,861 |
| U.S. Small Business Administration term loan with interest at prime plus 2.75%, 6.0% at March 31, 2010, due June 7, 2011, principal and interest payment of \$2,246 due monthly, secured by the assets of Ceres | 34,098 | 38,774 |
| | 3,579,092 | 3,537,313 |
| Less current portion: | (156,912) | (33,183) |
| Total long-term debt | \$ 3,422,180 | \$ 3,504,130 |

In December 2008, the Company issued Zero Coupon Convertible Subordinated notes payable with a maturity date of December 12, 2013 for proceeds of \$3,035,000. No payments are required on the notes until maturity at which time the principal amount of \$3,808,298 is due. Original interest discount (OID) accrues at a rate of 5% per year on the accreted value of the note. The holder may at any time during the term of the note convert the accreted value of the notes into shares of common stock of the Company. If either an event of default occurs under the note, as defined in the note agreement, or a change of control occurs with respect to the Company, the holder of the note may put the note to the Company at its accreted value.

The conversion prices of the Zero Coupon Convertible Subordinated notes (\$0.125 per share) were established at, or above, the then current market price of the Company's common stock and therefore, no beneficial conversion feature discount has been recorded. The conversion price is subject to weighted-average anti-dilution adjustments in the event we issue common stock at a price below the then-applicable conversion price other than common stock issuances or

option grants to the Company's employees, directors or officers.

The Company does not consider these anti-dilution features to be an embedded derivative and therefore subject to variable accounting due to the embedded instrument not meeting the net settlement characteristic as noted in ASC 815-10-15-83(c) and ASC 815-10-15-99. More specifically, to meet the net settlement characteristics, an embedded instrument must be able to be either (1) net settled under contract terms, (2) net settled through a market mechanism or (3) net settled by delivery of derivative instrument or asset readily convertible to cash. The Company believes the embedded instrument cannot be net settled via contract terms or a market mechanism and although settlement of the embedded instrument could be made with the delivery of the Company's common stock (i.e. an asset), due to the Company's stock being lightly traded as per ASC 815-10-15-130 and as illustrated at ASC 815-10-55-87, 88 and 89 (Cases B through D), to be considered "readily convertible to cash", the number of shares of stock to be exchanged must be small relative to the stock's daily transaction volume. Currently, the Company's daily transaction volume of their common stock is very low. However, moving forward, as required in ASC 815-10-15-139, the Company will continually evaluate whether or not the common stock is considered to be readily convertible to cash. In the event the Company's daily trading volume of their common stock were to increase significantly to the point where the shares to be exchanged in connection with the convertible notes would be relatively small in relation to the daily trading volume, the contract would then satisfy the net settlement characteristic and likely may need to be accounted for as a derivative.

Under current accounting guidance, if the terms of a contingent conversion option does not permit an issuer to compute the number of shares that the holder would receive if the contingent event occurs and the conversion price is adjusted, an issuer shall wait until the contingent event occurs and then compute the resulting number of shares that would be received pursuant to the new conversion price. The number of shares that would be received upon conversion based on the adjusted conversion price would then be compared with the number that would have been received before the occurrence of the contingent event. The excess number of shares multiplied by the commitment date stock price equals the incremental intrinsic value that results from the resolution of the contingency and the corresponding adjustment to the conversion price. That incremental amount shall be recognized when the triggering event occurs.

Future minimum payments on long-term debt at March 31, 2010 are as follows:

| Years ending December 31, | |
|------------------------------|--------------|
| 2010, remaining | \$ 45,788 |
| 2011 | 204,171 |
| 2012 | 80,000 |
| 2013 | 3,888,298 |
| 2014 | 80,000 |
| | \$ 4,298,257 |

Note 12. Basic and Diluted Earnings (Loss) Per Share

The Company computes earnings (loss) per share under two different methods, basic and diluted, and presents per share data for all periods in which statements of operations are presented. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common stock and common stock equivalents outstanding. The table below shows the calculation of basic and diluted loss per share for the quarters ended March 31, 2010 and 2009, respectively:

| | 2010 | 2009 |
|---|--------------|--------------|
| Loss: | | |
| Net loss from continuing operations attributable to Mach One Corporation | \$ (857,330) | \$ (924,385) |
| Net loss from discontinued operations per common share | (54,079) | (30,146) |
| Net loss from attributable to Mach One Corporation | \$ (911,409) | \$ (954,531) |
| Number of shares: | | |
| Weighted-average shares outstanding | 183,057,564 | 115,094,054 |
| Loss per share: | | |
| Net loss from continuing operations attributable to Mach One Corporation per common share (basic and diluted) | \$ - | \$ (0.01) |
| Net loss from discontinued operations per common share (basic and diluted) | - | - |
| Net loss attributable to Mach One Corporation per common share (basic and diluted) | \$ - | \$ (0.01) |

As of March 31, 2010, the Company had (i) 1,240,000 shares of common stock issuable under convertible preferred stock arrangements, (ii) 200,000 shares of common stock issuable upon the exercise of outstanding warrants and (iii) 39,951,039 shares of common stock issuable under convertible financing arrangements. As of March 31, 2009, the

Company had (i) 10,000,000 shares of common stock issuable under convertible preferred stock arrangements, (ii) 200,000 shares of common stock issuable upon the exercise of outstanding warrants and (iii) 22,705,493 shares of common stock issuable under convertible financing arrangements. These 41,391,039 and 32,905,493 shares as of March 31, 2010 and 2009, respectively, which would be reduced by applying the treasury stock method, were excluded from diluted weighted average outstanding shares amount for computing the net loss per common share, because the net effect would be antidilutive for each of the periods presented.

Note 13. Related Party Transactions

We lease our office and warehouse facility in Belgium, Wisconsin from Monte B. Tobin, our Chairman, and his wife, (the Tobins) under a five-year net lease. The facility consists of approximately 3,500 square feet of office space and 1,000 square feet of warehouse space, with an option to increase the warehouse space by up to 500 feet. We currently pay a base rent of approximately \$4,006 per month. The Tobins hold a note receivable from the Company representing unpaid rent and interest from 2005 and 2006 totaling \$105,861. Interest accrues at 12% per year. The note matures on January 1, 2011. Total rent included in our statements of operations related to this lease was \$12,018 and \$10,650, for the quarters ended March 31, 2010 and 2009 respectively.

Note 14. Stockholders' Equity

Common Stock

The Company is authorized to issue 500,000,000 shares of \$.001 par value common stock. The Company has 188,556,279 shares of its common stock issued and outstanding at March 31, 2010. Dividends may be paid on outstanding shares as declared by the Board of Directors. Each share of common stock is entitled to one vote.

Preferred Stock

The Company is authorized to issue 10,500,000 shares of \$0.05 par value preferred stock.

Pursuant to the acquisition of MPS, the Company issued 500,000 shares of Series B Preferred Stock. The Series B Preferred Stock shares are convertible at any time into common shares at a ratio of two common shares for each preferred share. In addition, each preferred share has one vote for each common share outstanding and has a liquidation preference of \$1.00 per share (\$500,000 at March 31, 2010 and December 31, 2009, respectively).

Pursuant to the acquisitions of Ceres, the Company issued 8,000,000 shares of Series C Preferred Stock. The Series C Preferred Stock shares are convertible at any time into common shares at a ratio of one common share for each preferred share. In addition, each Preferred share has one vote for each common share outstanding and has a liquidation preference of \$.50 per share (\$120,000 and \$1,000,000 at March 31, 2010 and December 31, 2009, respectively). In December 2009, 6,000,000 shares of the Series C Preferred Stock were converted into 6,000,000 shares of common stock. During the quarter ended March 31, 2010, an additional 1,760,000 shares of the Series C Preferred Stock were converted to 1,760,000 shares of common stock.

Stock Issuances

During the quarter ended March 31, 2010, the Company issued:

- 3,608,333 shares of common stock valued at \$116,500 (various amounts between \$0.03 and \$0.06 per share) for cash.
- 700,000 shares of common stock valued at \$56,000 (\$0.08 per share) for prepaid marketing services. This amount was recorded as other current assets in the consolidated balance sheet and is being amortized ratably over the period of the marketing contract.
- 1,141,000 shares of common stock valued at \$100,090 (approximately \$0.09 per share) for professional services. This amount is included in the Company's consolidated statements of operations for the quarter ended March 31, 2010.
- 1,760,000 shares of the Series C preferred stock were converted to 1,760,000 shares of the Company's common stock.

Stock Warrants

At March 31, 2010 and December 31, 2009, the Company had a total of 200,000 warrants outstanding to purchase the Company's common stock at an exercise price of \$0.125 per share. The warrants expire on January 3, 2014.

Treasury Stock

During the quarter ended March 31, 2010, the Company sold 120,000 shares of its common stock held in treasury stock for \$10,095 in cash, at an average price of \$0.08 per share. The shares had a cost basis of \$0.25 per share. Losses on sale of our treasury shares are recorded in additional paid in capital in the equity section of our consolidated balance sheet as of March 31, 2010.

Note 15. Commitments and Contingencies

Operating Leases

Our principal executive office is located at 974 Silver Beach Road, Belgium, Wisconsin 53004. The lease payment of \$4,006 per month on 3,500 square feet of offices and manufacturing and expired in March 2010. We also lease office space in St. Paul, MN. The lease payment is \$3,600 per month and is paid on a month-to-month basis. We also lease a manufacturing facility in Oakland, Nebraska. The lease payment is \$3,000 per month and expires in August 2010. We have not renewed the lease on the facility in Belgium, though we continue to lease on a month-to-month basis at \$4,006 per month. Total rent expense under operating leases for the quarters ended March 31, 2010 and 2009, was \$33,563 and \$24,800, respectively. Our commitment for rent due for the remainder of 2010 under these operating leases is \$15,000.

Litigation Matters

The Company periodically is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Company.

Earn-Out Agreement

In connection with the acquisition of Modular Process Constructors, LLC (MPS) in February 2009, the Company executed an earn-out agreement for the issuance of up to 35% of the Company's issued and outstanding common stock based on the percentage of MPS net income to total consolidated net income of the Company for the three-year period ending December 31, 2011. Under current accounting guidance, contingent consideration arrangements such as this are to be recorded as a liability or equity at its estimated fair value at the time of the acquisition. As of December 31, 2009 (the end of the measurement period for the acquisition), the Company determined that the contingent consideration has no discernable fair value.

Note 16. Income Taxes

Realization of our net operating loss carryforwards and other deferred tax temporary differences are contingent upon future taxable earnings. Our net deferred tax assets have been reduced fully by a valuation allowance, as realization is not considered to be likely based on an assessment of the history of losses and the likelihood of sufficient future taxable income.

We are subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. As of December 31, 2009, we are no longer subject to U.S. federal tax examinations for tax years before 2006. We are subject to state tax audits until the applicable statutes of limitations expire.

We recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2009, there were no such items accrued and we had no unrecognized tax benefits. We do not expect any material changes in our unrecognized tax positions over the next 12 months.

Note 17. Subsequent Events

Financing

On April 1, 2010, the Company entered into a note payable of \$100,000. Interest at 12.0% is due with the principal on March 31, 2011. The note is unsecured and is convertible into shares of the Company's common stock at \$0.04 per share at any time during the term of the note.

Acquisition

On April 14, 2010, the Company completed an acquisition of WhiteHat Holdings, LLC, a Delaware limited liability company (WhiteHat), through the merger of WhiteHat into White Hat Acquisition Corp., a wholly-owned subsidiary of the Company (Merger Sub), pursuant to a Plan and Agreement of Merger entered into by the parties on February 25, 2010 (the Merger Agreement). The Merger Sub will change its name to WhiteHat Holdings, Inc. and will operate as a wholly owned subsidiary of Mach One.

Pursuant to the terms of the Merger Agreement, as partial consideration (i) \$400,000 shall be deposited into a WhiteHat account not later than April 30, 2010, to be used by WhiteHat to pay its legal, accounting, marketing and debt expenses and to further the development of its business, and (ii) all of the issued and outstanding shares of common and preferred stock of WhiteHat were converted into 154,798,780 shares of Mach One common stock and distributed to the WhiteHat shareholders pro rata. In addition, \$987,000 of WhiteHat indebtedness was cancelled and converted into 15,343,750 shares of Mach One common stock. Upon the close of the acquisition, the former WhiteHat shareholders owned approximately 45% of the total issued and outstanding common stock of Mach One. In the event that less than \$400,000 is deposited into a WhiteHat account by April 30, 2010, Mach One shall issue additional shares of its common stock (Penalty Shares) to the WhiteHat shareholders, pro rata. In addition, Mach One is obligated to provide additional capital to the WhiteHat subsidiary of not less than \$1,600,000 on or before July 4, 2010. In the event Mach One fails to provide such capital within the required time period, Mach One will issue to the former WhiteHat shareholders up to 33,691,592 additional shares of its common stock (Additional Shares). However,

in no event will the total number of shares issued to the WhiteHat shareholders at the closing, together with any Penalty Shares and/or Additional Shares exceed 49.9% of Mach One's issued and outstanding common stock.

As of the date of this report, the Company has deposited all of the \$400,000 and the WhiteHat shareholders have agreed to forgo the issuance of any Penalty Shares.

Debt Conversion

On April 16, 2010, \$50,000 of the CMS notes, and \$3,000 of related accrued interest, were converted to 1,325,000 shares of the Company's common stock at \$0.04 per share. The note converted had an original conversion rate of \$0.08 per share. Since the actual conversion rate was lower, the Company will recognize and record a beneficial conversion feature charge in its Statement of Operations of \$50,000 during the quarter ending June 30, 2010.

Item 2. Management's Discussion and Analysis or Plan of Operation

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Sections of this Form 10-Q, including the Management's Discussion and Analysis or Plan of Operation, contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Forward-looking statements involve assumptions and describe our plans, strategies, and expectations. You can generally identify a forward-looking statement by words such as "may," "should," "would," "could," "plan," "goal," "potential," "expect," "anticipate," "estimate," "believe," "intend," "project," and similar words or variations thereof. This Quarterly Report on Form 10-Q contains forward-looking statements that address, among other things,

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The preparation of the financial information contained in this 10-Q requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates on an ongoing basis, including those related to allowances for doubtful accounts and returns, inventory valuation, the carrying value and any impairment of goodwill and intangible assets, and income taxes. These critical accounting policies are discussed in more detail in the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

RECENT ACCOUNTING DEVELOPMENTS

See Note 2 to the accompanying interim consolidated financial statements for a summary of recent accounting developments.

Plan of Operation

Overview

Ceres Organic Harvest Inc. (Ceres), an acquisition that closed Feb. 20, 2009, is now part of the Mach One Organics and Sustainables Group (OSG). The Ceres acquisition included Organic Grain & Milling, Inc. (OGM), its wholly-owned subsidiary. OGM sourced organic grains from Midwestern farms and supplied them to the food and feed industries through its elevator in North Dakota. On March 31, 2010, Ceres adopted a plan to close the OGM business. As of March 31, 2010, substantially all operational activities of OGM were discontinued. Ceres supplies organic grain and grain-based ingredients to the food and animal feed industries. Ceres is currently launching a new line of oat-based products using a proprietary oat cultivar with substantially higher fiber and beta-glucan content, which was developed in a cooperative breeding program between the North Dakota State University and the United States Department of Agriculture's (USDA) Agricultural Research Service. Ceres has corporate offices in St. Paul, Minnesota. The integration of organic foods and animal feeds to the Mach One package of global wellness solutions extends Mach One's reach as well as its ability to expand its success in sustainable bio-solutions. OSG is headquartered in Minneapolis, Minnesota.

Modular Process Constructors, LLC (dba MPS-BioPharm), an acquisition that closed Feb. 19, 2009, is now part of Mach One's BioPharm Process Systems Group and engages in the design and manufacture of constructed systems for

the biopharmaceutical industry. It offers process modules and skids, custom tanks and vessels, and sanitary stainless steel flow equipment, along with professional project management, design qualifications, detail design, component procurement, schedule metrics and reporting. With the addition of MPS-BioPharm, it enables Mach One to accelerate production of biopharmaceutical, Nutraceutical, and Bridge™ Iggs on a global basis. The BioPharm Process Systems Group is headquartered in Kenosha, Wisconsin.

WhiteHat Holdings, LLC (WhiteHat) was acquired on April 14, 2010. In combining with WhiteHat, the Company is creating a new, consumer-driven business unit, the Nutritional Products Division, focused on healthy food and beverages. WhiteHat is committed to promoting the health and wellness of children by providing healthy and nutritious products and related services to support healthy eating habits and regular physical activity, especially during the pre-teen years. WhiteHat produces a variety of great-tasting, fortified juice beverages for kids under the brand Dog On It!™ that are made with all-natural ingredients and loaded with calcium and vitamins A, B, C, D & E – without adding excess sugar or high fructose corn syrup. WhiteHat is headquartered in Atlanta, GA.

Today Mach One and its four Operating Groups—Nutritional Products, Animal Wellness, Organics and Sustainables, and BioPharm Process Systems—offer a broad range of solutions to global health problems, from promoting health and wellness of children, to helping calves develop immunity at birth, to carefully managing organic grain crops, to testing equipment that helps detect compromised food products long before they can cause a problem. Currently, Nutritional Products, Animal Wellness and BioPharm Process Systems generate neither significant revenues nor have acquired significant assets. As such, the Company operates and manages the business under one reporting segment.

We have not generated significant operating revenues, and as of March 31, 2010 we had incurred a cumulative consolidated net loss from inception of \$15,548,033.

For the three-month periods ended March 31, 2010 and 2009, our consolidated net losses were \$911,409 and \$954,531 respectively. Our current liabilities as of March 31, 2010 exceed current assets by \$2,341,856.

Over the next 18 months, in order to have the capability of achieving our business plan, we believe that we will require at least \$5,000,000 in additional funding to pay down certain payables and accruals and to provide working capital. Should we be unable to obtain additional funding in the next 3 months, we would be required to further cut expenses in our Organics and Sustainables group and temporarily halt operations in our Animal Wellness group until such funding is obtained. We are currently attempting to raise these funds by means of one or more public or private offerings of debt or equity securities or both. However, at this point, we have not specifically identified the type or sources of this funding. We also are exploring commercial and joint venture financing opportunities.

Results of Operations

Quarter Ended March 31, 2010 Compared to Quarter Ended March 31, 2009

Net sales for the quarter ended March 31, 2010 were \$371,566 compared to \$327,513 for the same period last year. Net sales increased as 2010 includes a full three months of operations of Ceres, while only 2009 includes operations from the February 20, 2009 acquisition date. This is offset by a slow down in Ceres operations during 2010 due to economic conditions in the organic food industry and due to a lack of funding for expansion opportunities. In addition sales at Animal Wellness decreased approximately \$32,000.

Cost of goods sold were \$353,735 for the quarter ended March 31, 2010 compared to \$297,387 for the quarter ended March 31, 2009. Cost of goods sold increased as 2010 includes a full three months of operations of Ceres, while 2009 includes operations from the acquisition date. This is offset by a slow down in Ceres operations during 2010 due to economic conditions in the organic food industry and due to a lack of funding for expansion opportunities. In addition, cost of good sold at Animal Wellness decreased approximately \$43,000.

Gross profit for the quarter ended March 31, 2010 was \$17,831 compared to gross profit of \$30,126 for the same period last year. Gross profit decreased due to economic conditions in the organic food industry and due to the sale of inventory at lower prices to raise working capital.

Operating expenses increased to \$757,994 in the quarter ended March 31, 2010 from \$719,543 in the same quarter in 2009. Operating expenses increased as 2010 includes a full three months of operations of Ceres, while 2009 includes operations from the acquisition date. The expected increase was partially offset by cost control measures that the Company has taken due to lack of current funding.

Interest expense decreased to \$104,323 in the quarter ended March 31, 2010 from \$281,856 in the same quarter in 2009. Interest expense decreased as approximately \$2.0 million of convertible notes payable outstanding during the quarter ended March 31, 2009 were subsequently converted to common stock or paid off in 2009.

Liquidity and Capital Resources

We had a cash balance of \$25,432 as of March 31, 2010 and a cash balance of \$61,979 as of December 31, 2009.

The value of our marketable securities on March 31, 2010 decreased to \$0 from \$4,223 as of market close on December 31, 2009. The decrease is due to the sale of our remaining marketable securities during the quarter ended March 31, 2010.

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Accounts receivable as of March 31, 2010 decreased to \$179,000 from \$251,991 at December 31, 2009 due to a slowdown in operations at Ceres due to economic conditions affecting the organic food industry.

Inventory as of March 31, 2010 decreased to \$38,686 from \$140,828 at December 31, 2009 due to a slowdown in operations at Ceres due to economic conditions affecting the organic food industry. Additionally, lack of funding has forced the Company to delay inventory purchases for future sales.

Total assets at March 31, 2010 are \$2,631,859 compared to \$3,263,110 at December 31, 2009. This decrease is attributable to a slowdown in operations at Ceres due to economic conditions affecting the organic food industry. This slowdown has resulted in decrease to accounts receivable and inventory.

As of March 31, 2010, we have current liabilities totaling \$3,146,876 compared to \$3,179,518 at December 31, 2009. Changes are due to normal operations and to accrual increases for both interest payable and payroll payable.

Long term debt as of March 31, 2010 is \$3,422,180 compared to \$3,504,130 at December 31, 2009.

Operating Activities

Net cash used in operations decreased to \$227,760 during the quarter ended March 31, 2010 from \$1,530,486 during the quarter ended March 31, 2009. The decrease in operating cash flows was primarily due to the slow-down of operating activities due to a lack of current funding, a decrease in net loss and significant changes in working capital levels from the prior year. More specifically, the changes in working capital in the quarter ended March 31, 2010 included decreases in accounts receivable, inventory and other assets and increases in accounts payable and accrued expenses. Accounts receivable decreased due to a decrease in monthly sales at Ceres and MPS. The decrease in inventory is primarily a result of a reduction of inventory levels to generate working capital. The increase in accounts payable and accrued expenses was driven by our current lack of capital.

Investing Activities

Net cash from (used in) investing activities increased to \$3,444 during the quarter ended March 31, 2010 from a use of \$156,105 during the quarter ended March 31, 2009. In 2009, we had available funds to purchase property and equipment (\$179,962), whereas our current lack of funds precluded our ability to invest in any property and equipment.

Financing Activities

Net cash provided by financing activities during the quarter ended March 31, 2010 was \$177,518, compared to \$1,584,413 during the quarter ended March 31, 2009. The primary reason for the decrease in cash provided by financing activities was our inability to close on current funding needs. More specifically, during the quarter ended March 31, 2009, cash provided by the issuance of debt was approximately \$1.9 million, whereas in the same period in 2010, the cash provided by issuance of debt and common stock combined was only approximately \$235,000. Partially offsetting this decrease, proceeds from the sale of treasury stock during the quarter ended March 31, 2010 was approximately \$10,000 compared to the use of approximately \$302,000 in cash to purchase treasury stock during the same period in 2009.

Our longer-term working capital and capital requirements will depend upon numerous factors, including revenue and profit generation, the cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights, competing technological and market developments, collaborative arrangements. Additional capital will be required in order to attain our goals. We cannot assure you that funds from our future operations or funds provided by our current financing activities will meet the requirements of our operations, and in that event, we will continue to seek additional sources of financing to maintain liquidity. We are actively pursuing all potential financing options as we look to secure additional funds both to stabilize and to grow our business operations. Our management will review any financing options at their disposal, and will judge each potential source of funds on its individual merits. We cannot assure you that we will be able to secure additional funds from debt or equity financing, as and when we need to, or if we can, that the terms of this financing will be favorable to us or our stockholders.

Item 3. Qualitative and Quantitative Disclosures About Market Risk.

None.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

As of March 31, 2010, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in Rules 13a-15(e) under the Securities and Exchange Act of 1934 (The "Exchange Act"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2010 in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure because of those material weaknesses relating to internal controls that are described in Item 9A(T). of the Company's Form 10-K for the year ended December 31, 2009, filed April 16, 2010.

Notwithstanding the material weaknesses that existed as of March 31, 2010, our Chief Executive Officer and Chief Financial Officer have concluded that the financial statements included in this report present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America.

Changes in Internal Controls

During the fiscal quarter ended March 31, 2010, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management has concluded that the material weaknesses in internal control, as described in Item 9A(T). of our Form 10-K for the year ended December 31, 2009, have not been fully remediated. We are committed to finalizing our remediation action plan and implementing the necessary enhancements to our policies and procedures to fully remediate the material weaknesses discussed above. Due to our lack of sufficient capital, we expect these material weaknesses to continue until our capital needs are met.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Not Applicable.

Item 1A. Risk Factors.

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

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

On various dates during quarter ended March 31, 2010, Mach One issued 3,608,333 shares of common stock valued at \$116,500 (various amounts between \$0.03 and \$0.06 per share) for cash.

On various dates during quarter ended March 31, 2010, Mach One issued 1,141,000 shares of common stock valued at \$100,090 (approximately \$0.09 per share) for professional services.

On February 4, 2010, Mach One issued 700,000 shares of common stock valued at \$56,000 (\$0.08 per share) for prepaid marketing services.

On various dates during the quarter ended March 31, 2010, 1,760,000 shares of the Series C preferred stock were converted to 1,760,000 shares of the Company's common stock.

All of the investors above are sophisticated individuals who had the opportunity to review all of the Company's SEC filings and to discuss with the officers and directors of the Company the business and financial activities of the Company. All of the investors acquired their Common Stock and/or Preferred Stock (the "Securities") for investment and not with a view toward distribution. All of the stock certificates issued, or to be issued upon conversion, to the thirty Pacific Rim shareholders and the stock certificates issued to Thomsen and to the nine Ceres shareholders have been, affixed with an appropriate legend restricting sales and transfers. Therefore, based on the foregoing, the Company issued the Securities in reliance upon the exemptions from registration provided by Section 4(2) of the Securities Act of 1933 and/or Regulation D, there under.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Submission of Matters of a Vote of Security Holders

None.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

(a) Exhibits: The following exhibits are filed with this report:

31.1 Certification pursuant to Rule 13a-14(a) or 15d-14(a) under The Securities Exchange Act of 1934 as amended. *

31.2 Certification pursuant to Rule 13a-14(a) or 15d-14(a) under The Securities Exchange Act of 1934 as amended. *

32. Certifications pursuant to 18 U.S.C section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Mach One Corporation

Date: May 24, 2010

By: /s/ Tad M. Ballantyne
Tad M. Ballantyne,
Chief Executive Officer

By:

/s/ Patrick G. Sheridan
Patrick G. Sheridan,
Chief Financial Officer

