SaVi Media Group, Inc. Form 10QSB November 19, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 10QSB

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x Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2007
o Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
For the Period Ended September 30, 2007
Commission file number 000-27727
SAVI MEDIA GROUP, INC.
(Name of Small Business Issuer in Its Charter)
Nevada 91-1766174 (State of (IRS Employer Incorporation) Identification No.)
12707 High Bluff Drive, Suite 200 San Diego, CA 92130
(Address of Principal Executive Offices)
(858) 350-4321
Issuer's Telephone Number
Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Ac 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
As of November 13, 2007, the Company had 1,045,456,564 shares of its par value \$0.001 common stock issued and outstanding.
Transitional Small Business Disclosure Format (check one): Yes No

SAVI MEDIA GROUP, INC. (A Development Stage Company)

Quarterly Report on Form 10-QSB for the Quarterly Period Ending September 30, 2007

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PART I. FINANCIAL INFORMATION

	SAVI MEDIA GROUP, INC. A Corporation in the Developmen Stage UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEET September 30, 2007 and December 31, 2006					
	Contombou 20	Dogombou 21				
	September 30, 2007	December 31, 2006				
ASSETS	2007	2000				
Current assets:						
Cash and cash equivalents	\$ -	- \$ 1,088				
Total current assets	-	1,088				
Eminus at mat		202 401				
Equipment, net	44,421	202,401				
Deferred Financing Costs	44,421	86,371				
Total assets	\$ 44,421	\$ 289,860				
LIABILITIES AND STOCKHOLDERS' DEFICIT						
Current liabilities:						
Bank Overdraft	\$	- \$ 3,631				
Convertible debt	1,264,606	705,864				
Accounts payable and accrued liabilities	2,483,996	882,215				
Accounts payable assumed in	,,-					
recapitalization	159,295	159,295				
Accrued Registration Rights						
Penalties Payable	444,600	-				
Contingent Registration Rights	227.240	\				
Penalties Payable Derivative Liabilities - Embedded	227,240	-				
Derivatives Derivatives	399,100	3,459,980				
Derivative Liabilities – Warrants	1,378,490					
Total current liabilities	6,357,327	21,312,780				
Commitments and contingencies						
Stockholders' deficit:						
Series A convertible preferred						
preferred						

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	10,000	10,000
	-	-
	4,915	4,915
	1,045,457	602,107
	250,615,590	249,630,380
(2	257,988,868)	(271,270,324)
	(6,312,906)	(21,022,922)
\$	44,421 \$	289,858
	\$	1,045,457 250,615,590 (257,988,868) (6,312,906)

	A Corporation i	n the Developme	ent Stage				
	UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS						
	For the Three and Nine Months Ended September 30, 2007 and 2006 and For the						
	Period from Inception,						
	August 13, 2002 to September 30, 2007						
	For the Three months Ended For the Six months Ended						
	September 30, September 30, September 30, Inception to						
	2007	September 30, 2006	2007	2006	Inception to Sept. 30, 2007		
	2007	2000	2007	2000	Sept. 30, 2007		
Operating costs							
and expenses:							
General and							
administrative							
expenses,							
except stock							
based							
compensation	\$ 263,841	\$ 558,156	\$ 995,601	\$ 1,489,190	\$ 4,285,302		
Depreciation		10.022	(25	46 100	50.010		
expense Research and	-	19,833	625	46,190	50,819		
development	2,809	125,689	420,923	750,564	1,874,686		
Stock-based	2,009	125,009	420,923	750,504	1,074,000		
compensation	_	_	1,416,060	587,638	247,430,637		
Compensation			1,110,000	207,020	217,100,007		
Loss from							
operations	(266,650)	(703,678)	(2,833,209)	(2,873,582)	(253,641,444)		
Other income							
and (expenses)		120					
Interest Income	-	130	-	141	175		
Gain on					107.022		
settlement Cost of	-	-	-	-	197,033		
rescission	_	_	_	_	(43,074)		
Cost of		_	_	_	(43,074)		
recapitalization	_	_	_	_	(273,987)		
Goodwill					(=10,501)		
impairment	-	-	-	-	(541,101)		
Change in fair							
value of							
financial							
instruments	2,758,583	25,987,432	17,092,641	26,377,167	44,861,560		
Loss on debt		(100.161)		(400 464)	(100 151)		
extinguishment	-	(132,464)	-	(492,464)	(492,464)		
Impairment of							
property and equipment			(185,657)		(420,956)		
Impairment of	_	<u>-</u>	(103,037)	_	(38,500)		
impairment of		-	_	-	(30,300)		

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patent rights					
Registration					
rights penalties	(31,985)	- (45, 620, 000)	(671,840)	- (45,645,520)	(671,840)
Interest expense	(306,808)	(45,630,008)	(778,607)	(45,647,530)	(47,582,398)
Total other					
income and					
(expenses), net	2,419,790	(19,774,910)	15,456,537	(19,762,6860	(5,005,552)
Net income (loss) before cumulative effect of					
change in					
accounting principle	\$ 2,153,140 \$	(20,478,588) \$	12,623,328	\$ (22,636,268)	\$(258,646,996)
Cumulative effect of change in accounting					
principle	-	-	658,129	-	658,129
Net income (loss)	\$ 2,153,140 \$	(20,478,588) \$	13,281,457	\$ (22,636,268)	\$ (257,988,867)
Weighted average shares outstanding	1,015,565,260	440,497,868	940,074,027	351,263,928	
Fully diluted weighted average shares	2 (07 002 7(0		2.521.601.525		
Outstanding	2,607,092,760		2,531,601,527		
Net income (loss) per common share - basic	\$ 0.00 \$	(0.05)	\$ 0.01	\$ (0.06)	
Net income (loss) per common share - diluted	0.00	(0.05)	0.01	(0.06)	

SAVI MEDIA GROUP, INC. A Corporation in the Development Stage UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLERS' DEFICIT

For the Nine Months Ended September 30, 2007

	Series A Preferred Stock			eferred Stock
	Shares	Amount	Shares	Amount
Balance at				
December 31, 2006	10,000,000 \$	10,000	- \$	-
Cumulative effect				
of change in				
accounting				
principle	-	-	-	-
C1				
Common and				
preferred stock				
issued				
in exchange for				
consulting services				
and employee				
compensation	-	-	-	-
Change issued upon				
Shares issued upon exercise of				
warrants	-	-	-	-
Net income (loss)				
before cumulative				
effect				
of change in				
accounting				
_				
principle	-	-	-	-
Balance at				
September 30,				
2007	10,000,000 \$	10,000	- \$	_
2007	10,000,000 ψ	10,000	Ψ	

SAVI MEDIA GROUP, INC.

A Corporation in the Development Stage UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLERS' DEFICIT For the Nine Months Ended September 30, 2007

		eferred Stock	Common Stock		
	Shares	Amount	Shares	Amount	
Balance at December 31, 2006	4,915,275 \$	4,915	602,106,564\$	602,107	
Cumulative effect of					
change in					
accounting principle	-	-	-	-	
Common and preferred stock issued					
in exchange for consulting services					
and employee compensation	-	-	393,350,000	393,350	
Shares issued upon exercise of					
Warrants			50,000,000	50,000	
Net income (loss) before cumulative effect					
of change in accounting principle	-	-	-	-	
Balance at September 30, 2007	4,915,275 \$	4,915	1,045,456,564 \$	1,045,457	

SAVI MEDIA GROUP, INC.

A Corporation in the Development Stage

UNAUDITED CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLERS' DEFICIT

For the Nine Months Ended September 30, 2007

	Additional Paid-In Capital	Deferred Compensation		Losses Accumulated During the Development Stage	Total
Balance at December 31, 2006	\$ 249,630,380\$	8	-\$	(271,270,324)\$	(21,022,922)
Cumulative effect of change in accounting					
principle	-		-	658,129	658,129
Common and preferred stock issued in exchange for consulting services					
and employee compensation	1,022,710		-	-	1,416,060
Shares issued upon exercise of					
Warrants	(37,500)		-	-	12,500
Net income (loss) before cumulative effect					
of change in accounting principle	-		_	12,623,328	12,623,328
Balance at September 30, 2007	\$ 250,615,590	\$	-\$	(257,988,868)\$	(6,312,906)

SAVI MEDIA GROUP, INC.

A Corporation in the Development Stage

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30, 2007 and 2006, and for the Period

From Inception, August 13, 2002, to September 30, 2007

				Inception to		
	2007		2006	Sept. 30, 2007		
Cash						
flows						
from						
operating						
activities:						
Net						
income (loss) \$	12,623,328	\$	(22,656,319) \$	(257 000 067)		
Adjustments	12,023,326	Ф	(22,030,319) \$	(257,988,867)		
to						
reconcile						
net						
income						
(loss) to						
net						
cash						
used by						
operating activities:						
Depreciation				-		
expense	625		46,190	50,819		
Gain on	023		10,170	30,019		
settlement	_		-	(197,033)		
Impairment				, ,		
of						
property						
and						
equipment	185,657		-	420,956		
Impairment of						
patent rights	_		_	38,500		
Impairment				30,300		
of						
goodwill	-		-	541,101		
Loss on						
extinguishment						
of debt	-		492,464	492,464		
Cost of				072.007		
recapitalization	-		-	273,987		

Amortization of			
deferred			
compensation	_	_	2,233,150
Compensatory			2,233,130
common			
and			
preferred			
stock			
issuances	1,416,060	611,768	213,971,617
	1,410,000	011,700	213,971,017
Compensatory			
option			21 250 000
issuances	-	-	31,250,000
Interest			
imputed			
on			
non-interest			
bearing			
note			
from a			
stockholder	-	-	7,254
Interest			
expense			
recognized			
on			
issuance			
and			
through			
accretion			
of			
discount			
on			
long-term			
debt	567,275	45,623,400	47,270,081
Cumulative			
effect if			
change			
in			
accounting			
principle			(658,129)
Change			(000,125)
in fair			
value of			
derivatives	(17,092,641)	(26,377,167)	(44,861,560)
Common	(17,072,041)	(20,377,107)	(44,001,500)
stock			
issued			
for			
rescission			
agreement			43,074
Common	-	-	50,000
COMMINION	-	-	20.000
etoek			,
stock			
stock issued to pay			

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accounts payable			
Changes in			
accounts			
payable			
and accrued			
liabilities	2,286,121	68,768	3,214,055
Net	(13,575)	(2,190,896)	(3,848,531)
cash			
used by operating			
activities			
Cash flows			
from			
investing			
activities: Acquisition			
of			
equipment	-	(690,681)	(487,894)
Sale of			
furniture to			
vendor	16,119	_	16,119
Acquisition			
of			(20.500)
patents	-	-	(38,500)
Net			
cash			
provided by			
(used			
in)			
investing activities	16,119	(690,681)	(510,275)
activities	10,119	(090,081)	(310,273)
Cash			
flows from			
financing			
activities:			
Bank	(2.621)		
overdraft Proceeds	(3,631)	-	-
from			
stockholder			
advances	-	3,526	49,672
Net proceeds	-	2,104,040	2,154,040
proceeds			

from			
convertible			
debt Proceeds			
from			
note			142 500
payable	-	-	142,500
Proceeds			
from			
warrant			
exercise			
and			
deposit			
for			
warrant		100 161	60 0 5 50
exercise	-	402,161	692,558
Payments			
on notes			
payable	-	-	(63,000)
Proceeds			
from			
sale of			
preferred/common			
stock		394,617	1,382,937
Net			
cash			
provided			
by			
(used			
in)			
financing			
activities	(3,631)	2,904,344	4,358,707
Net			
increase			
(decrease)			
in cash			
and			
equivalents	(1,088)	22,767	-
•	, , ,		
Cash			
and			
cash			
equivalents			
at			
beginning			
of year	1,088	336	_
J	_,,,,,		
Cash \$	-	\$ 23,103	\$ -
and		- ,	
cash			
equivalents			
at end			

of year

SAVI MEDIA GROUP, INC. A Corporation in the Development Stage NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

SaVi Media Group, Inc. (the "Company") is a Nevada Corporation that had acquired rights to "blow-by gas and crankcase engine emission reduction technology" which it intended to develop and market on a commercial basis. The technology is a relatively simple gasoline and diesel engine emission reduction device that the Company intends to sell to its customers for effective and efficient emission reduction and engine efficiency for implementation in both new and presently operating automobiles. The Company is considered a development stage enterprise because it currently has no significant operations, has not yet generated revenue from new business activities and is devoting substantially all of its efforts to business planning and the search for sources of capital to fund its efforts.

The Company was originally incorporated as Energy Resource Management, Inc. on August 13, 2002 and subsequently adopted name changes to Redwood Energy Group, Inc. and SaVi Media Group, Inc., upon completion of a recapitalization on August 26, 2002. The re-capitalization occurred when the Company acquired the non-operating public shell of Gene-Cell, Inc. Gene-Cell Inc. had no significant assets or operations at the date of acquisition and the Company assumed all liabilities that remained from its prior discontinued operation as a biopharmaceutical research company. The historical financial statements presented herein are those of SaVi Media Group, Inc. and its predecessors, Redwood Energy Group, Inc. and Energy Resource Management, Inc.

The non-operating public shell used to recapitalize the Company was originally incorporated as Becniel and subsequently adopted name changes to Tzaar Corporation, Gene-Cell, Inc., Redwood Energy Group, Inc., Redwood Entertainment Group, Inc. and finally its current name, SaVi Media Group, Inc.

Significant Estimates

The preparation of 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 dates of the consolidated condensed financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from estimates making it reasonably possible that a change in the estimates could occur in the near term.

Principles of Consolidation

The consolidated condensed financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of all significant intercompany accounts and transactions.

Interim Financial Statements

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine-month periods ended September 30, 2007 and 2006 are not

necessarily indicative of the results that may be expected for the respective full years.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with an original maturity of three months or less when purchased, to be cash equivalents.

Concentration of Credit Risk

Cash and cash equivalents are the primary financial instruments that subject the Company to concentrations of credit risk. The Company maintains its cash deposits with major financial institutions selected based upon management's assessment of the financial stability. Balances periodically exceed the \$100,000 federal depository insurance limit; however, the Company has not experienced any losses on deposits.

Furniture and Equipment

Furniture and equipment is recorded at cost. The cost and related accumulated depreciation of assets sold, retired or otherwise disposed of are removed from the respective accounts, and any resulting gains or losses are included in the results of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Repairs and maintenance costs are expensed as incurred.

Impairment Of Long-Lived Assets

The Company evaluates the recoverability of long-lived assets when events and circumstances indicate that such assets might be impaired and determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Impairments are charged to operations in the period to which events and circumstances indicate that such assets might be impaired. During 2006 we evaluated furniture and equipment and patent rights and recorded impairment allowances totaling \$235,299. During the 1st quarter of 2007 we evaluated furniture and equipment and recorded impairment allowances totaling \$185,657.

Intangible Assets

Intangible assets are amortized using the straight-line method over their estimated period of benefit. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial amounts at year-end. The Company provides a valuation allowance to reduce deferred tax assets to their net realizable value.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), and began expensing at fair value on a straight-line basis the costs resulting from share-based payment transactions.

Prior to 2006, the Company elected to follow Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and related interpretations in accounting for stock options granted to employees as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), as amended by SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*. Under

APB 25, the Company did not recognize share-based payment expense in its financial statements because the stock option awards qualified as fixed awards and the exercise price of the Company's employee stock options equaled the market price of the underlying stock on the date of grant.

Valuation of Derivatives

Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") established financial accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The convertible debentures issued to Golden Gate Investors on May 5, 2005 are subject to derivative accounting under SFAS 133 and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.". A model was developed that values the compound embedded derivatives within the convertible notes and associated freestanding warrants. The embedded derivatives are valued using a lattice model which incorporates a probability weighted discounted cash flow methodology. This model is based on future projections of the various potential outcomes. The model analyzed the underlying economic factors that influenced which likely events would occur, when they were likely to occur, and the specific terms that would be in effect at the time (i.e. interest rates, stock price, conversion price, etc.). The primary factors driving the economic value of the embedded derivatives are stock price, stock volatility, whether the company has obtained a timely registration, an event of default, and the likelihood of obtaining alternative financing. The warrants issued with the convertible debt are a freestanding derivative financial instrument. Using the Black-Scholes Method with a probability weighted exercise price, the fair value of the derivative was computed warrants at inception and are recorded as a derivative liability.

The derivative liabilities result in a reduction of the initial carrying amount (as unamortized discount) of the Convertible Note. This derivative liability is marked-to-market each quarter with the change in fair value recorded in the income statement. Unamortized discount is amortized to interest expense using the effective interest method over the life of the Convertible Note. If the Note is converted or the warrants are exercised, the derivative liability is released and recorded as additional paid in capital.

Profit/(Loss) Per Share

Basic and diluted net loss per share is computed on the basis of the weighted average number of shares of common stock outstanding during each period. Potentially dilutive options, warrants and convertible debt and preferred stock that were outstanding during each period in which there was a loss were not considered in the calculation of diluted earnings per share because the Company's net loss rendered their impact anti-dilutive. Accordingly, basic and diluted loss per share is identical for the period ended September 30, 2006. The number of dilutive options, warrants, convertible debt and preferred stock that were outstanding as of September 30, 2007 is summarized below:

Dilutive Common						
Security	Shares					
Common	1					
Shares	1,045,456,564					
Options	100,000,000					
Preferred	d					
A	1,000,000,000					
Preferred	i					
C	491,527,500					
Total						
Diluted						
Shares	2,636,984,064					

Fair Value of Financial Instruments

The Company includes fair value information in the notes to consolidated financial statements when the fair value of its financial instruments is different from the book value. When the book value approximates fair value, no additional disclosure is made.

New Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statements No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities.

SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. In addition, SFAS 159 does not establish requirements for recognizing and measuring dividend income, interest income or interest expense, nor does it eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in SFAS No. 157, Fair Value Measurements (SFAS 157), and SFAS No. 107, Disclosures about Fair Value of Financial Instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The Company currently is evaluating the impact of adopting SFAS 159.

Change in Accounting Principle for Registration Payment Arrangements. In December 2006, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position on No. EITF 00-19-2, Accounting for Registration Payment Arrangements ("FSP EITF 00-19-2"). FSP EITF 00-19-2 provides that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement should be separately recognized and measured in accordance with Statement of Financial Accounting Standards ("FAS") No. 5, Accounting for Contingencies , which provides that loss contingencies should be recognized as liabilities if they are probable and reasonably estimable. Subsequent to the adoption of FSP EITF 00-19-2, any changes in the carrying amount of the contingent liability will result in a gain or loss that will be recognized in the consolidated statement of operations in the period the changes occur. The guidance in FSP EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of FSP EITF 00-19-2. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of FSP EITF 00-19-2, this guidance is effective for our consolidated financial statements issued for the year beginning January 1, 2007, and interim periods within that year.

On January 1, 2007, we adopted the provisions of FSP EITF 00-19-2 to account for the registration payment arrangement associated with our July 2006 financing (the "July 2006 Registration Payment Arrangement"). As of January 1, 2007 and September 30, 2007, management determined that it was probable that we would have payment obligation under the July 2006 Registration Payment Arrangement; therefore, the company accrued a contingent obligation of \$227,240 as required under the provisions of FSP EITF 00-19-2. In addition, the compound embedded derivative liability associated with the July 2006 Financing was adjusted to eliminate the registration payment arrangement and the comparative condensed consolidated financial statements of prior periods and as of December 31, 2006 have been adjusted to apply the new method retrospectively. The cumulative effect of this change in accounting principle adjusted retained earnings as of December 31, 2006 by \$658,129. The following financial statement line items for the nine months ended September 30, 2007 were affected by the change in accounting principle. In addition, under EITF 00-19, the company would not book the contingent registration rights payment payable.

			As of	As of September	
			December	30,	
Under EITF 00-19			31, 2006	2007	
Income Statement Impacts					
Change in value of CED			2,871,934	(241,320)	
Amortization of Discount			117,504		
Balance Sheet Impacts			,	,	
Discount on Note			1,764,136	1,221,432	
Derivative Liability			3,459,979		
Under EITF 00-19-02					
Income Statement Impacts					
Change in value of CED			2,302,219	10,632	
Amortization of Discount			112,211	219,816	
Balance Sheet Impacts					
Discount on Note			1,730,720	1,205,394	
Derivative Liability			2,768,435	399,099	
	As of	As of			
		September	•		
	December 31, 2006	30, 2007			
Under EITF 00-19	31, 2000	2007			
Income Statement Impacts					
Change in value of CED	2,871,934	(241,320)	1		
Amortization of Discount	117,504	225,847			
Balance Sheet Impacts	117,001	225,017			
Discount on Note	1,764,136	1,221,432			
Derivative Liability	3,459,979	444,002			
Under EITF 00-19-02					
Income Statement Impacts					
Change in value of CED	2,302,219	10,632			
Amortization of Discount	112,211	219,816			
Balance Sheet Impacts					
Discount on Note	1,730,720	1,205,394			
Derivative Liability	2,768,435	399,099			

2. <u>Going Concern Considerations</u>

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is presently a shell company and has limited operations and resources. The Company has accumulated net losses in the development stage of \$257,988,868 for the period from inception, August 13, 2002, to September 30, 2007. At September 30, 2007, the Company is in a negative working capital position of \$6,357,327 and has a stockholders' deficit of \$6,312,906. Additionally the Company faces substantial challenges to future success as follows:

- The Company is delinquent on critical liabilities including payments to key consultants
- The Company failed to comply with the terms of the agreement under which it obtained the rights to certain technology that was expected to become the basis for the Company's future success and is subject to losing those rights to such technology

• The Company is in default of its registration rights agreement with the investor in its long-term debt. Such default and the Company's inability to fund its ongoing operations increase the likelihood that the investor could seize its assets to partially satisfy the debt or find another operator of those assets.

Such matters raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustment that might result from the outcome of this uncertainty.

The goals of the Company will require a significant amount of capital and there can be no assurances that the Company will be able to raise adequate short-term capital to sustain its current operations in the development stage, or that the Company can raise adequate long-term capital from private placement of its common stock or private debt to emerge from the development stage. There can also be no assurances that the Company will ever attain operational profitability. The Company's long-term viability as a going concern is dependent upon certain key factors, including:

- The Company's ability to obtain a revised and extended licensing agreement with Serge Monros.
- The Company's ability to obtain adequate sources of funding to sustain it during the development stage.
- The ability of the Company to successfully produce and market its gasoline and diesel engine devices in a manner that will allow it to ultimately achieve adequate profitability and positive cash flows to sustain its operations.

In order to address its ability to continue as a going concern, implement its business plan, the Company hopes to raise additional capital from sale of its common stock. Sources of funding may not be available on terms that are acceptable to the Company and its stockholders, or may include terms that will result in substantial dilution to existing stockholders.

3. Agreement for Acquisition of Technology Rights

On March 31, 2003, the Company entered into a letter of intent to acquire 20% of SaVi Group, the name under which Serge Monros was conducting business in the ownership of numerous patents he had developed. The acquisition of 20% of SaVi Group was completed in the second quarter of 2004 upon the Company's payment of \$38,500 in cash and the issuance of 4,000 shares of the Company's common stock to Serge Monros.

Subsequent to the acquisition, the Company changed its name from Redwood Entertainment Group, Inc. to SaVi Media Group, Inc. Serge Monros changed the name of the entity in which he holds the technology to His Devine Vehicle, Inc. ("HDVI"). Further discussions between the Company and Serge Monros led to a September 1, 2004 agreement (the "Agreement") under which the Company acquired 100% of the rights to the various technologies owned by Serge Monros. The Agreement was amended and modified on December 30, 2004, April 6, 2005 and again on June 17, 2005. The most important technology, for which the Company acquired rights, was technology to produce a relatively simple gasoline and diesel engine emission reduction device that the Company intends to sell to manufacturers of new vehicles and owners of presently operating automobiles.

The Company does not have the records of the amounts spent in the development of the technology and is unaware of the amounts expended.

Under the terms of the Agreement as amended, the Company acquired the rights for the following consideration:

• 5,000,000 shares of Series A preferred stock to both Serge Monros, who owned the technology, and Mario Procopio, the Company's founder and Chief Executive Officer. The Series A preferred stock is convertible to and holds voting rights of 100 to 1 of those attributable to common stock. These shares are to remain in

escrow for three years, and, accordingly, they will not be converted to common stock during that period.

- 5,000,000 shares of common stock to both Serge Monros and Mario Procopio.
- Three-year stock options to acquire 125,000,000 shares of the Company's common stock at \$0.00025 per share to both Serge Monros and Mario Procopio. This provision of the agreement was reached in April 2005. The options to Serge Monros are considered part of the cost of the patent rights under the Agreement. The Options to Mario Procopio will be recognized as compensation expense of \$31,250,000 in the second quarter of 2005.

The Agreement represents a three year relationship that may be renegotiated or rescinded at the end of that term if the use of the technology does not produce revenue equal to costs associated with the Agreement or modified annual cost, whichever is less. The Agreement does not define the terms "Costs associated with the Agreement" or "Modified Annual Costs". Regardless of performance, the Agreement is eligible for renewal and/or modification on September 1, 2007. The agreement has not been rescinded and the Company is currently in negotiation with Serge Monros to revise and extend the agreement.

In the event the Agreement is rescinded, the technology will be returned to Serge Monros. Further, under the terms of the Agreement, the Company was required to build a \$5,000,000 research and development lab and a manufacturing plant and Serge Monros will also own those assets, free and clear, in the event the Agreement is rescinded or the Company dissolved. The Company spent approximately \$1.8M on research and development of which approximately \$650,000 was equipment for the research and development lab.

The Agreement contains two commitments by the Company as follows:

- Serge Monros and Mario Procopio each are to receive monthly compensation of \$10,000 per month, depending on revenues and the raising of capital, but not less than \$3,000 per month.
- Contingent consideration to Serge Monros of \$75,000,000 in cash or in the form of stock options the exercise of which will provide net proceeds to Serge Monros of \$75,000,000 over the next ten years. If options are issued, they will bear an exercise price of \$0.00025 per share. This provision of the agreement is specifically tied to the performance of the Company and its ability to pay either in cash or stock options.

The Company recorded Patents at cost to Serge Monros because the Agreement resulted in the control of the Company by Serge Monros and Mario Procopio. Further, due to the fact that most costs incurred by Serge Monros in developing the patents represented research and development costs that were immediately expensed, the basis of the Patents has been limited to \$38,500, the actual cash paid to Serge Monros under the initial agreement to acquire 20% of SaVi Group. In 2006, The Company recorded a \$38,500 impairment allowance that reduced the Patents to a zero carrying value since it was clear the Company would not meet the requirements of the Agreement, and would likely lose any rights it had to such patents and technology.

The Series A convertible preferred stock and the stock options issued under the Agreement could have a very significant future dilutive effect on stockholders.

4. Stockholders' Equity

During the nine months ended September 30, 2007, he Company issued 393,350,000 shares of common stock to various individuals that provided consulting and other services to the Company and recognized compensation expense of \$1,416,060 related to those issuances. In addition, Serge Monros exercised 50,000,000 options at an exercise price of \$0.00025.

<u>ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto set forth in Item 1 of this Quarterly Report. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from Management's expectations. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for products that may be distributed by the Company and services offered by competitors, as well as general conditions of the marketplace.

Overview

We are considered a development stage enterprise because we currently have no significant operations, have not yet generated revenue from new business activities and are devoting substantially all of our efforts to business planning and the search for sources of capital to fund our efforts. We previously acquired all rights to certain technology for the production of a gasoline and diesel engine emission reduction device which we believe delivers superior emission reduction technology and operating performance. This technology is also an emission reduction device believed to reduce, harmful exhaust emissions in gasoline and diesel engines, and increase fuel efficiency. Currently, we are currently negotiating with Serge Monros to revise and extend the technology agreement. In addition to completing an agreement, and there is no assurance that we will reach an agreement, we will also require additional funding before we will be able to begin production or sale of our products and there is no guarantee that we will be able to obtain such additional funding.

Business History

We were originally incorporated as Energy Resource Management, Inc. on August 13, 2002 and subsequently adopted name changes to Redwood Energy Group, Inc. and Redwood Entertainment Group, Inc., upon completion of a recapitalization on August 26, 2002. The re-capitalization occurred when we acquired the non-operating entity of Gene-Cell, Inc. Gene-Cell had no significant assets or operations at the date of acquisition and we assumed all liabilities that remained from its prior discontinued operation as a biopharmaceutical research company. The historical financial statements presented herein are those of SaVi Media Group, Inc. and its predecessors, Redwood Entertainment Group, Inc., Redwood Energy Group, Inc. and Energy Resource Management, Inc.

The non-operating public shell we used to recapitalize was originally incorporated as Becniel and subsequently adopted name changes to Tzaar Corporation, Gene-Cell, Inc., Redwood Energy Group, Inc., Redwood Entertainment Group, Inc., and finally its current name, SaVi Media Group, Inc.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which 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 estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions provide a basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our estimates under different assumptions or conditions, and these differences may be material.

We believe that the following critical accounting policies affect our more significant judgments and estimates

used in the preparation of our consolidated financial statements:

Income Taxes

We use the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial amounts at year-end. We provide a valuation allowance to reduce deferred tax assets to their net realizable value.

Results of Operations

During the period from inception, August 13, 2002, to September 30, 2007, we have not generated any revenue from operations. As of September 30, 2007, we have accumulated net losses in the development stage of \$257,988,868 for the period from inception, August 13, 2002, to September 30, 2007. Additionally, at September 30, 2007, we are in a negative working capital position of \$6,357,327 and a stockholders' deficit position \$6,312,906. Our auditors have opined that such matters raise substantial doubt about our ability to continue as a going concern. We financed our operations mainly through the sale of common stock and have been entirely dependent on outside sources of financing for continuation of operations. For the remainder of fiscal 2007, we will continue to pursue funding for our business. There is no assurance that we will continue to be successful in obtaining additional funding on attractive terms or at all, nor that the projects towards which additional paid-in capital is assigned will generate revenues at all.

Plan of Operations

We believe that there are six critical elements for the building of a successful research & development company that has the capacity to manufacture technology for the implementation of immediate and long-term solutions to the global challenges of air, water, and land pollution.

- 1. People this includes a qualified board of directors, advisory board members, management, employees, and consultants, etc.;
- 2. Projects a credible portfolio of projects that have the appropriate risk-return ratio in order to generate potentially significant shareholder value:
- 3. Capital based upon the reputation of the people and the quality of the projects, there must be sufficient capital in order to launch the company and to provide for additional fundings;
- 4. Technology the most advanced interpretation methods, techniques and methods should be utilized in order to maximize the potential for finding and developing immediate and long term solutions to the global challenges of air, water, and land pollution;
- 5. Favorable positioning the international influence of the oil and gas companies along with the automotive & diesel industries requires a combination of secured relationships with their appointed leadership in these various industries as well as with all the various local and international governmental entities; and
- 6. Manufacturing capability and equipment- the competitive nature of the automotive & diesel industry requires a unique approach and a significant capital commitment in order to secure the latest in hi-tech equipment, technology, research, and the creation of numerous patents as well as to expedite mass production.

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In August 2004, Savi Media Group was founded by Serge Monros and Mario Procopio. Serge Monros licensed the Crankcase Ventilation technologies to Savi Media that he personally developed over the last 17 years. Mario Procopio was hired as the President, Chief Executive Officer and a director with a mandate to

acquire the initial funding for the planned projects and to assist in aggressively transforming the Company into an emerging research and development company in the field of automotive and diesel retrofitting and pollution control. In August 2004, enough capital was obtained to acquire a bulletin board company, pay off many of its existing debts, and begin to launch the varied projects of which the DynoValve is one of several projects.

We have established a Strategic Advisory Board and recruited qualified individuals to develop marketing strategies, feasibility studies, and update our business plan. Among those are Retired U.S. General Alexander M. Haig, Jr., Alexander P. Haig, John Hewitt, Marketing Specialist, and John Dunlap, former Executive Director of CalTrans.

At this point, it is of critical importance that we are able to revise and extend our licensing agreement with Serge Monros. At the point that a licensing agreement is completed, we can continue our testing phases and attempt to raise additional capital.

During the quarter ended September 30, 2007, we had limited operations and we expect to require additional cash of a minimum of approximately \$3,000,000 over the next twelve months. Those funds, if available, will be used for continued operation in the development stage and to pay down debt. Additional financing will also need to be obtained. Due to our still being in a development stage, sources of funding may not be available on terms that are acceptable to management and existing stockholders, or may include terms that will result in substantial dilution to existing stockholders.

Liquidity and Capital Resources

As of September 30, 2007, we had no current assets. Total current liabilities were \$6,357,327 as of September 30, 2007, consisting of convertible debt (net of discount) of \$1,264,606, accounts payable and accrued liabilities of \$2,483,996, accounts payable assumed in recapitalization of \$159,295, accrued registration rights penalties of \$444,600, contingent registration rights penalties payable of \$227,240 and derivative financial instrument liabilities of \$1,777,590.

We incurred net losses of \$257,988,867 during the period from inception, August 13, 2002, to September 30, 2007 and loss from operations for the three months ended September 30, 2007 of \$266,650. In addition, at September 30, 2007, we were in a negative working capital deficit of \$6,357,327 and had a stockholders' deficit of \$6,312,906. As a result, our independent registered public accounting firm, in its report dated April 13, 2006, has expressed substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon several factors. These factors include our ability to:

revise and extend our licensing agreement; obtain additional financing or refinancing as may be required; and continue testing and generate revenues.

We believe it is imperative that we raise a minimum of an additional \$3,000,000 of capital in order to implement our business plan. We are attempting to raise additional funds through debt and/or equity offerings. We intend to use any funds raised to pay down debt and to provide us with working capital. There can be no assurance that any new capital would be available to us or that adequate funds for our operations, whether from our revenues, financial markets, or other arrangements will be available when needed or on terms satisfactory to us. Any additional financing may involve dilution to our then-existing shareholders. At this time, no additional financing has been secured or identified. We have no commitments from officers, directors or affiliates to provide funding. If we are unable to obtain debt and/or equity financing upon terms that we deem sufficiently favorable, or at all, it would have a materially adverse impact upon our ability to pursue our business strategy and maintain our current operations. As a result, it may require us to delay, curtail or close some or all of our operations. We do not currently have commitments for capital at this time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

There were no recent accounting pronouncements that have had or are likely to have a material effect on our financial position or results of operations. However, FASB accounting pronouncement EITF 00-19-02 was adopted by the company as of January 1, 2007 and the company recorded a change in accounting principle to retained earnings of \$658,129.

ITEM 3 - CONTROLS AND PROCEDURES

- a) Evaluation of Disclosure Controls and Procedures. As of September 30, 2007, the Company's management carried out an evaluation, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's system of disclosure controls and procedures pursuant to the Securities and Exchange Act, Rule 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were ineffective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by the Company under the Securities Exchange Act of 1934. This assessment was made based on the need to amend prior filings due to embedded derivatives within various convertible securities and the lack of sufficient personnel to process transactions. When we obtain additional financing we will hire additional personnel and implement procedures to properly account for and disclose all transactions.
- **b)** Changes in internal controls. There were no changes in internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is likely to materially effect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business.

On January 16, 2007, Serge Monros, the Company's current chief technology officer, filed a derivative suit on behalf of the Company naming the Company, Mario Procopio, and Kathy Procopio as defendants in the Superior Court of the State of California for the County of San Diego. Mr. Monros' derivative suit alleged the following causes of action: (i) breach of fiduciary duty of loyalty; (ii) breach of fiduciary duty of care; (iii) unjust enrichment; (iv) conversion; (v) waste of corporate assets; and (vi) trade libel. This case has advanced to mandatory settlement conferences, and negotiations are in place to settle this lawsuit.

On January 25, 2007, Mario Procopio filed a derivative suit behalf of the Company against the Company and Serge Monros in the Superior Court of the State of California for the County of Orange. Mr. Procopio's derivative suit alleged the following causes of action: (i) breach of contract; (ii) promise without intent to perform; (iii) breach of fiduciary duty; (iv)rescission; (v) intentional misrepresentation; (vi) negligent misrepresentation; and (vii) conversion. This case has been combined with the previous case, has advanced to mandatory settlement conferences, and negotiations are in place to settle this lawsuit.

In January 2007, Herrera Partners filed an arbitration claim against the Company in Harris County, Texas. Herrera Partners claim is for \$63,700. The Company did not have the resources available to defend its rights in this matter. On May 29, 2007, an arbitrator awarded Herrera Partners \$63,700 plus attorney's fees of \$6,500 and administrative expenses of \$2,250 with interest thereon at the rate 8.25%.

On March 14, 2007, United Rentals filed a suit against the Company, Greg Sweeney, and Mario Procopio in Orange County Superior Court. United Rentals claim is for non-payment for services rendered. The Company executed a stipulated judgment in this case for \$10,000 plus court costs and attorney's fees of \$1,633.50 with payment due by September 28, 2007. The Company was unable to make payment on September 28, 2007 and is negotiating an alternative payment arrangement.

On August 11, 2007, Santa Fe Industrial Machinery Movers, Inc filed a suit against the Company in Orange County Superior Court. Santa Fe Industrial's claim is for non-payment for services rendered. The Company reached a settlement in this case on November 13, 2007.

We may become involved in material legal proceedings in the future.

ITEM 2 - UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2007, we issued 50,000,000 shares of common stock upon the exercise of stock options granted to an officer and director.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

The Company is in default of its registration rights agreement with the investor in its long-term debt. Such default and the Company's inability to fund its ongoing operations increase the likelihood that the investor could seize its assets to partially satisfy the debt or find another operator of those assets.

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

None.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

SIGNATURES

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

SAVI MEDIA GROUP, INC.

Date: November 19, 2007 By: /s/ GREG SWEENEY

Greg Sweeney

President, Chief Executive Officer

(Principal Executive Officer) and Director

Date: November 19, 2007 By: /s/ PHILLIP C. SCOTT

Phillip C. Scott

Chief Financial Officer (Principal Financial Officer and Principal

Accounting Officer)