

Alto Group Holdings Inc.  
Form 10-Q  
April 19, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 28, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-53592

ALTO GROUP HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

27-0686507  
(I.R.S. Employer Identification No.)

245 Park Avenue, Suite 2431, New York, NY 10167  
(Address of principal executive offices) (Zip Code)

(801) 816-2520  
(Registrant's telephone number, including area code)

(Former Address if Changed Since Last Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a 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 [X]

As of April 8, 2011 there were 329,013,332 shares of our common stock issued and outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements of the Company are prepared as of February 28, 2011.

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ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED BALANCE SHEETS

	ASSETS	
	February 28, 2011 (Unaudited)	November 30, 2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 28,423	\$ 2,142
Loans receivable	7,500	-
<b>Total Current Assets</b>	<b>35,923</b>	<b>2,142</b>
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$2,796 and \$-0-, respectively</b>		
	95,056	-
<b>OTHER ASSETS</b>		
Mining assets	45,500	45,500
Other assets	12,000	-
Mineral property acquisition costs, less reserve for impairment of \$6,500	-	-
<b>Total Other Assets</b>	<b>57,500</b>	<b>45,500</b>
<b>TOTAL ASSETS</b>	<b>\$ 188,479</b>	<b>\$ 47,642</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 277,498	\$ 87,265
Due to related parties	188,500	148,500
Notes and loans payable	1,149,746	267,500
<b>Total Current Liabilities</b>	<b>1,615,744</b>	<b>503,265</b>
<b>TOTAL LIABILITIES</b>	<b>1,615,744</b>	<b>503,265</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, \$0.00001 par value; 100,000,000 shares authorized:		

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Series A Preferred Stock, 20,000,000 shares designated, 14,000,000 and 14,000,000 shares issued and outstanding, respectively	140	140
Series B Preferred Stock, 100,000 and 100,000 shares issued and outstanding, respectively	1	1
Common stock, \$0.00001 par value; 350,000,000 shares authorized, 253,013,332 and 120,013,332 shares issued and outstanding and to be issued, respectively	2,530	1,200
Additional paid-in capital	6,562,371	4,015,101
Deficit accumulated during the exploration stage	(7,992,307 )	(4,472,065 )
Total Stockholders' Deficit	(1,427,265 )	(455,623 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 188,479</b>	<b>\$ 47,642</b>

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

ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Three Months Ended		From Inception
	February 28,	2010	on September
	2011		21,
			2007 Through
			February 28,
			2011
NET REVENUES	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>			
Exploration and carrying costs	211,480	-	238,455
Officers' and directors' compensation (including stock-based compensation of \$-0-, \$-0-, and \$860,000, respectively)	48,000	-	1,060,000
Consulting fees (including stock-based compensation of \$-0-, \$2,200,000, and \$2,300,000, respectively)	159,650	2,212,000	2,513,950
Professional fees (including stock-based compensation of \$2,372,017, \$-0-, and \$3,052,017, respectively)	2,468,878	5,797	3,315,696
General and administrative	183,077	-	348,445
Donated services	-	-	18,400
Impairment of mineral property acquisition costs	-	-	6,500
Total Operating Expenses	3,071,085	2,217,797	7,501,446
LOSS FROM OPERATIONS	(3,071,085 )	(2,217,797 )	(7,501,446 )
<b>OTHER INCOME (EXPENSES)</b>			
Gain from forgiveness of amounts due to former related parties	-	-	28,539
Write off of Goodwill	(431,713 )	-	(431,713 )
Interest expense	(17,444 )	-	(87,687 )
Total Other Income (Expenses)	(449,157 )	-	(490,861 )
LOSS BEFORE INCOME TAXES	(3,520,242 )	(2,217,797 )	(7,992,307 )

INCOME TAX EXPENSE	-	-	-
NET LOSS	\$ (3,520,242 )	\$ (2,217,797 )	\$ (7,992,307 )
<b>BASIC AND FULLY DILUTED:</b>			
Net loss per common share	\$ (0.03 )	\$ (0.03 )	\$ (0.10 )
Weighted average shares outstanding	136,372,236	81,013,333	77,694,746

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



ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)  
For the period from Inception (September 21, 2007) to February 28, 2011

	Series A		Series B		Common Stock		Additional	Subscriptions	Deficit	
	Preferred	Stock	Preferred	Stock	Shares	Par	Paid-in	Receivable	Accumulated	Total
	Shares	Par	Shares	Par	Shares	Par	Capital		During the	
									Exploration	
									Stage	
Balance at inception on September 21, 2007	-	\$-	-	\$-	-	\$-	\$-	\$-	\$-	\$-
Common shares sold for cash at \$0.000125 per share	-	-	-	-	48,000,000	480	5,520	-	-	6,000
Common shares sold for cash at \$0.00125 per share	-	-	-	-	31,680,000	317	39,283	(4,500)	-	35,100
Donated services and expenses	-	-	-	-	-	-	2,400	-	-	2,400
Net loss for the year ended November 30, 2007	-	-	-	-	-	-	-	-	(5,772)	(5,772)
Balance, November 30, 2007	-	-	-	-	79,680,000	797	47,203	(4,500)	(5,772)	37,728
Common stock subscriptions collected	-	-	-	-	-	-	-	4,500	-	4,500
	-	-	-	-	-	-	9,600	-	-	9,600

Donated services and expenses										
Net loss for the year ended										
November 30, 2008	-	-	-	-	-	-	-	-	(64,689 )	(64,689 )
Balance, November 30, 2008	-	-	-	-	79,680,000	797	56,803	-	(70,461 )	(12,861 )
Donated services and expenses	-	-	-	-	-	-	6,400	-	-	6,400
Forgiveness of due to related party by then majority stockholder in										
September 15, 2009	-	-	-	-	-	-	28,006	-	-	28,006
Net loss for the year ended										
November 30, 2009	-	-	-	-	-	-	-	-	(58,395 )	(58,395 )
Balance, November 30, 2009	-	-	-	-	79,680,000	797	91,209	-	(128,856 )	(36,850 )
Conversion of common stock to Series A preferred stock on March 3, 2010	14,000,000	140	-	-	(48,000,000 )	(480 )	360,340	-	-	360,000
Common stock issued for										

Acquisition of mining assets on March 2, 2010	-	-	-	-	10,000,000	100	45,400	-	-	45,500
Common stock issued for services	-	-	-	-	33,333,332	333	2,599,667	-	-	2,600,000
Intrinsic value of beneficial conversion feature relating to issuance of 50,000 promissory note on July 4, 2010	-	-	-	-	-	-	38,936	-	-	38,936
Series B preferred stock issued to chief executive officer for services on October 5, 2010	-	-	100,000	1	-	-	199,999	-	-	200,000
Conversion of notes payable and accrued interest into common stock, including 664,155 excess of fair value of common stock issued over amount of debt and accrued interest settled										

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(charged to professional fees in the statement of operations)	-	-	-	-	45,000,000	450	679,550	-	-	680,000
Net loss for the year ended November 30, 2010	-	-	-	-	-	-	-	-	(4,343,209)	(4,343,209)
Balance, November 30, 2010	14,000,000	140	100,000	1	120,013,332	1,200	4,015,101	-	(4,472,065)	(455,623 )
Unaudited:										
Common stock issued for acquisition of Liberty American, LLC on January 4, 2011	-	-	-	-	10,000,000	100	144,900	-	-	145,000
Conversion of notes payable and accrued interest into common stock, including 2,372,017 excess of fair value of common stock issued over amount of debt and accrued interest settled charged to professional fees in the statement of	-	-	-	-	123,000,000	1,230	2,402,370	-	-	2,403,600

operations)

Net loss for											
the three											
months ended											
February 28,											
2011	-	-	-	-	-	-	-	-	(3,520,242)	(3,520,242)	
Balance,											
February 28,											
2011	14,000,000	\$140	100,000	\$1	253,013,332	\$2,530	\$6,562,371	\$-	\$(7,992,307)	\$(1,427,265)	

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

ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Three Months Ended February 28,		From Inception on September 21, 2007 Through February 28, 2011
	2011	2010	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (3,520,242)	\$ (2,217,797)	\$ (7,992,307)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	2,796	-	2,796
Write off of goodwill	431,713	-	431,713
Stock issued for services, including \$2,372,017, \$-0-, and \$3,036,172, respectively, of excess of fair value of common stock issued over amount of debt and accrued interest settled (charged to professional fees in the statement of operations)	2,372,017	2,200,000	6,196,172
Amortization of debt discount	-	-	38,936
Gain from forgiveness of amounts due to related parties	-	-	(28,539 )
Donated services and expenses	-	-	18,400
Impairment of mineral property acquisition costs	-	-	6,500
Changes in operating assets and liabilities:			
Other assets	(12,000 )		(12,000 )
Accounts payable and accrued liabilities	124,203	5,797	307,314
Accrued consulting fees and expenses due to related parties	40,000	12,000	217,038
<b>Net Cash Used by Operating Activities</b>	<b>(561,513 )</b>	<b>-</b>	<b>(813,977 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received in connection with acquisition of Liberty American, LLC	65	-	65
Purchases of property and equipment	(97,852 )	-	(97,852 )
Mineral property acquisition costs	-	-	(6,500 )

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Net Cash Used by Investing Activities	(97,787 )	-	(104,287 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Increase in due to related party	-	-	28,006
Proceeds from notes payable	747,000	-	984,500
Repayment of note payable	-	-	(50,000 )
Repayment of loan payable of Liberty American, LLC to the Company's corporate counsel	(61,419 )	-	(61,419 )
Proceeds from sale of common stock	-	-	45,600
Net Cash Provided by Financing Activities	685,581	-	946,687
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,281	-	28,423
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,142	575	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 28,423	\$ 575	\$ 28,423
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Cash Payments For:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -
Non-cash investing and financing activities:			
Forgiveness of due to related party by then majority stockholder on September 15, 2009	\$ -	\$ -	\$ 28,006
Stock issued for services	\$ -	\$ 2,200,000	\$ 2,200,000
Conversion of notes payable and accrued interest into common stock:			
Notes payable (\$30,000) and accrued interest (\$1,356) settled	\$ 31,356	\$ -	\$ 47,201
Excess of fair value of common stock issued over amount of debt and accrued interest settled (charged to professional fees in the statement of operations)	2,372,017	-	3,036,172
Fair value of 123,000,000 shares of common stock issued	\$ 2,403,373	\$ -	\$ 3,083,373
Conversion of common stock to Series A preferred stock on March 3, 2010	\$ -	\$ -	\$ 360,000

Common stock issued for acquisition of mining assets on March 12, 2010	\$ -	\$ -	\$ 45,500
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The accompanying notes are an integral part of these financial statements.



ALTO GROUP HOLDINGS, INC.  
(an exploration stage company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
February 28, 2011  
(Unaudited)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Alto Group Holdings Inc. (the "Company") was incorporated in the State of Nevada on September 21, 2007. The Company is an Exploration Stage Company, as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915, Development Stage Entities. The Company's principal business is the acquisition and exploration of mineral resources. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. As at February 28, 2011, the Company has a total stockholders' deficit of \$1,427,265 and has accumulated losses of \$7,992,307 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim consolidated financial statements be read in conjunction with the Company's audited financial statements and notes thereto included in its Form 10-K/A filed on April 7, 2011. Operating results for the three months ended February 28, 2011 are not necessarily indicative of the results to be expected for the year ending November 30, 2011.

NOTE 3 - ACQUISITION OF LIBERTY AMERICAN, LLC

On January 24, 2011, the Company acquired from the wife of the Company's corporate counsel all of the membership units of Liberty American, LLC ("Liberty"), a Utah limited liability company that holds certain development rights with respect to the La Cienega gold mining concession in Northern Sonora, Mexico, in exchange for 10,000,000 restricted shares of the Company common stock to be issued within 30 days (issued March 5, 2011). The agreement embodying the Acquisition contains standard warranties and representations by the Company and the previous owner of Liberty.



ALTO GROUP HOLDINGS, INC.  
(an exploration stage company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
February 28, 2011  
(Unaudited)

## NOTE 3 - ACQUISITION OF LIBERTY AMERICAN, LLC (continued)

The estimated fair values of the identifiable net assets of Liberty at January 24, 2011 (date of acquisition) consisted of:

Cash and cash equivalents	\$65
Loan receivable	7,500
Total assets	7,565
Account payable	61,951
Accrued interest payable	35,662
Notes payable	196,665
Total liabilities	294,278
Identifiable net assets	\$(286,713)

Goodwill of \$431,713 (excess of the \$145,000 fair value of the 10,000,000 common shares over the \$286,713 negative identifiable net assets of Liberty) was recorded at the January 24, 2011 acquisition date. As the Company believed that the fair value of the goodwill recorded by the Company was \$-0-, the entire \$431,713 goodwill was written off on the January 24, 2011 acquisition date.

The following pro forma information summarized the results of operations for the periods indicated as if the acquisition occurred at November 30, 2009. The pro forma information is not necessarily indicative of the results that would have been reported had the transaction actually occurred on November 30, 2009.

	Three Months Ended February	
	2011	2010
Net revenues	\$ -0-	\$ 2,598
Exploration and carrying costs	211,480	-
Officers and directors' compensation	48,000	-
Consulting fees	159,650	2,218,000
Professional fees	2,468,878	5,797
General and administrative	183,085	31,043
Total operating expenses	3,071,093	2,254,840
Loss from operations	(3,071,093)	(2,252,242)
Interest expense	(40,426 )	(12,127 )
Net loss	\$ (3,111,519)	\$ (2,264,369)

Diluted loss per common share	\$ (0.02 )	\$ (0.03 )
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ALTO GROUP HOLDINGS, INC.  
 (an exploration stage company)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 February 28, 2011  
 (Unaudited)

NOTE 4- RELATED PARTY BALANCES / TRANSACTIONS

Due to related parties consist of:

	February 28, 2011	November 30, 2010
Accrued consulting fees and expenses due to current officers and directors	188,500	148,500
Total	\$ 188,500	\$ 148,500

The above debt is unsecured, non-interest bearing, and has no specific terms of repayment.

On September 15, 2009, the former (from inception to February 10, 2010) majority stockholder forgave the then \$28,006 balance due him. This forgiveness has been recorded as a capital contribution in the accompanying statements of stockholders' equity (deficit).

During the three months ended February 28, 2010, the Company recognized a total of \$2,400 for donated management services at \$800 per month provided by the former (from inception to February 10, 2010) majority stockholder and former (from inception to July 31, 2009) sole director of the Company.

During the three months ended February 28, 2011, the Company accrued \$48,000 in consulting fees due to three directors of the Company to consulting agreements (Note 6).

ALTO GROUP HOLDINGS, INC.  
(an exploration stage company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
February 28, 2011  
(Unaudited)

## NOTE 5 - NOTES AND LOANS PAYABLE

	February 28, 2011	November 30, 2010
Notes and loans payable consisted of the following:		
Note payable dated June 7, 2010 to an unsolicited accredited investor, interest at 12% per annum, due on December 7, 2010, unsecured, now past due and in default	\$ 22,000	\$ 22,000
Notes payable to an unsolicited accredited investor, interest at 9% per annum, due in varying amounts from October 27, 2011 to February 28, 2012, unsecured	852,000	140,000
Notes payable dated December 1, 2010 to an unsolicited accredited investor, interest at 12% per annum, due May 31, 2011, convertible into common stock at a conversion price equal to 60% of the then current market price	35,000	-
Notes payable to the Company's corporate counsel dated from July 31, 2010 to February 28, 2011 (arising from services rendered), interest at 9% per annum, due monthly from July 31, 2011 to February 28, 2012 in eight \$10,000 amounts, unsecured	80,000	80,000
Note payable to the Company's corporate counsel dated November 1, 2010, interest at 9% per annum, due November 1, 2011, unsecured	20,000	20,000
Note payable to the Company's corporate counsel dated July 14, 2010, interest at 8% per annum, due April 16, 2011, unsecured	5,500	5,500
Note payable of Liberty American, LLC to the Company's corporate counsel, interest at 12% per annum, due on demand, unsecured	135,246	-
Total Notes and Loans Payable	1,149,746	267,500
Less: Current Portion	(1,149,746)	(267,500)
Long-Term Notes and Loans Payable	\$-	\$-

ALTO GROUP HOLDINGS, INC.  
(an exploration stage company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
February 28, 2011  
(Unaudited)

NOTE 5 - NOTES AND LOANS PAYABLE (Continued)

As more fully described in Note 6, a total of \$15,000 notes payable (arising from professional services rendered) and \$845 accrued interest was satisfied through the delivery of a total of 45,000,000 shares of the Company common stock in October and November of 2010. In the three months ended February 28, 2011, a total of \$30,000 notes payable (arising from professional services rendered) and \$1,356 accrued interest was satisfied through the delivery of a total of 123,000,000 shares of Company common stock.

At February 28, 2011 and November 30, 2010 accounts payable and accrued liabilities include \$17,121 and \$32,121, respectively, due the Company's corporate counsel.

Accrued interest payable on the notes payable at February 28, 2011 and November 30, 2010 was \$16,173 and \$4,246, respectively, which is included within "accounts payable and accrued liabilities" in the Balance Sheet.

NOTE 6 - PREFERRED STOCK AND COMMON STOCK

Effective December 23, 2009, the Company effected an 8:1 forward stock split of the issued and outstanding common stock. As a result, the issued and outstanding common stock increased from 9,960,000 shares of common stock to 79,680,000 shares of common stock. All share and per share amounts have been retroactively adjusted for all periods presented.

On September 21, 2007, the Company issued 48,000,000 shares of common stock at \$0.000125 per share to the then sole Director of the Company for cash proceeds of \$6,000.

During the period ended November 30, 2007, the Company accepted stock subscriptions for 31,680,000 shares of common stock at \$0.00125 per share or \$39,600 total. \$35,100 was collected by November 30, 2007 and \$4,500 was collected in December 2007.

On February 22, 2010 the Company entered into consulting agreements with five individuals (the "S-8 Consultants") which provided for the S-8 Consultants to provide certain consulting services to the Company through March 31, 2010 and issued each of the S-8 Consultants, 4,000,000 shares of Company common stock (20,000,000 shares total). The \$2,200,000 estimated fair value of the 20,000,000 shares was charged to operations in the three months ended February 28, 2010.

On March 3, 2010, the Company approved the designation of 20,000,000 shares of Preferred Stock as Series A Preferred Stock and the conversion of 48,000,000 shares of Company common stock owned by Opiuchus Holdings, Inc. ("Opiuchus"), a company controlled by Mark Daniel Klok (chief executive officer of the Company since November 9, 2009), into 14,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 4 shares of common stock and has voting rights, dividend rights, and liquidation rights on an "as converted basis". The \$360,000 estimated fair value of the 8,000,000 shares of common stock increase in common stock equivalents from the conversion transaction was charged to "officers and directors compensation" in the Statement of

Operations in the three months ended May 31, 2010.

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ALTO GROUP HOLDINGS, INC.  
(an exploration stage company)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
February 28, 2011  
(Unaudited)

NOTE 6 - PREFERRED STOCK AND COMMON STOCK (Continued)

On March 12, 2010, the Company executed an Asset Purchase Agreement with Mexican Hunter Explorations S.A. de C.V., a corporation organized under the laws of Mexico (“MHE”), to acquire two gold and silver mining concessions known as “Los Tres Machos” and “Zuna” in Jalisco, in the state of Guadalajara, Mexico in exchange for 10,000,000 newly to be issued restricted shares of Company common stock. MHE is owned and controlled by Mark Daniel Klok and Robert Howie, each of whom are executive officers and directors of the Company. Accordingly, the mining assets and related addition to stockholders’ equity has been reflected at the \$45,500 transferor’s historical cost of the mining assets.

On May 19, 2010, the Company issued a total of 13,333,332 shares of common stock (9,999,999 shares to three officers and directors; 3,333,333 shares to a consultant) for services rendered to the Company. The \$400,000 estimated fair value of the 13,333,332 shares was charged \$300,000 to “officers and directors compensation” and \$100,000 to “consulting fees” in the Statement of Operations in the three months ended May 31, 2010.

On October 14, 2010, the Company entered into a Note Conversion Agreement with two entities. Pursuant to the agreement, the Company satisfied a \$5,000 note payable to its corporate counsel dated March 15, 2010 (which arose from professional services rendered and was assigned to the two entities) through the delivery of a total of 15,000,000 shares of Company common stock from October 22, 2010 to December 6, 2010 to the two entities. The Company reported the \$294,736 excess of the fair value of the common stock at October 14, 2010 (\$300,000) over the amount of the debt (\$5,000) and accrued interest (\$264) settled (\$5,264 total) as “professional fees” in the Statement of Operations for the year ended November 30, 2010.

On October 15, 2010, the Company issued 100,000 shares of Series B Preferred Stock to Opiuchus for past services rendered to the Company. Each share of Series B Preferred Stock has 2,000 votes on all matters upon which the common shareholders vote (or a total equivalent of 200,000,000 voting shares for the 100,000 shares of Series B Preferred Stock); the Series B Preferred Stock has no dividend, distribution, or liquidation rights and is not convertible into shares of common stock. The \$200,000 estimated fair value of the 100,000 shares of Series B Preferred Stock was charged to “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2010.

Pursuant to Note Conversion Agreements with an entity dated November 8, 2010, November 15, 2010, and November 22, 2010, the Company satisfied a \$10,000 note payable to its corporate counsel dated March 31, 2010 (which arose from professional services rendered and was assigned to the entity) through the delivery of a total of 30,000,000 shares of Company common stock (10,000,000 shares each on November 9, 2010, November 15, 2010, and November 23, 2010) to the entity. The Company reported the \$369,419 excess of the fair value of the common stock at the dates of the respective Note Conversion Agreements (\$380,000 total) over the amount of debt (\$10,000) and accrued interest (\$581) settled (\$10,581 total) as “professional fees” in the Statement of Operations for the year ended November 30, 2010.

From December 6, 2010 to February 28, 2011, the Company entered into Note Conversion Agreements with two entities whereby the Company satisfied a total of \$30,000 notes payable to its corporate counsel (which arose from

professional services rendered and were assigned to the

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NOTE 6 - PREFERRED STOCK AND COMMON STOCK (Continued)

two entities) through the delivery of a total of 123,000,000 shares of Company common stock to the two entities. The Company reported the \$2,372,017 excess of the fair value of the common stock at the dates of the respective Note Conversion Agreements (\$2,403,600 total) over the amount of debt (\$30,000) and accrued interest (\$1,356) settled (\$31,356 total) as "professional fees" in the Statement of Operations for the three months ended February 28, 2011.

On January 14, 2011, a majority of the Company's disinterested directors approved an increase in the voting rights of the Series B Preferred Stock from 2,000 to 20,000 votes per share (or a total equivalent of 2,000,000,000 voting shares for the 100,000 shares of Series B Preferred Stock held by Opiuchus Holdings, Inc., a company controlled by the Company's chief executive officer).

On January 14, 2011, we amended and restated our Articles of Incorporation ("Restatement") by increasing the number of authorized shares of our common stock from 200,000,000 to 350,000,000. On January 18, 2011, we filed a definitive Information Statement on Schedule 14C describing the Restatement, and wherein we informed our shareholders that holders of a majority of our voting shares had approved the Restatement by written consent in lieu of a shareholder meeting.

On January 24, 2011, the Company acquired from the wife of the Company's corporate counsel all of the membership units of Liberty American, LLC ("Liberty"), a Utah limited liability company that holds certain development rights with respect to the La Cienega gold mining concession in Northern Sonora, Mexico in exchange for 10,000,000 restricted shares of the Company common stock to be issued within 30 days (issued March 5, 2011). The agreement embodying the Acquisition contains standard warranties and representations by the Company and the previous owner of Liberty.

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## NOTE 7 - INCOME TAXES

A reconciliation of the expected income tax recovery computed by applying the statutory United States federal income tax rate of 34% to income (loss) before income taxes follows:

	For the three months ended February 28, 2011	For the three months ended February 28, 2010	September 21, 2007 (Date of Inception) to February 28, 2011
Income tax recovery at statutory rate	\$ 1,196,882	\$ 754,051	\$ 2,717,384
Non-deductible stock-based compensation	(806,486)	(748,000)	(2,106,698)
Non-deductible donated services	-	-	(6,256)
Non-deductible amortization of debt discount	-	-	(13,238)
Non-deductible writeoff of goodwill	(146,782)	-	(146,782)
Valuation allowance change	(243,614)	(6,051)	(444,410)
Provision for income taxes	\$ -	\$ -	\$ -

The components of the net deferred tax asset consist of:

	February 28, 2011	November 30, 2010
Net operating loss carry-forward	\$ 444,410	\$ 200,795
Valuation allowance	(444,410)	(200,795)
Net deferred income tax asset	\$ -	\$ -

Potential benefits of income taxes are not recognized in the accounts until realization is more likely than not. At February 28, 2011, the Company has a net operating loss carry-forward of \$1,307,086 which expires \$3,372 in 2027, \$55,089 in 2028, \$51,995 in 2029, \$480,118 in 2030, and \$716,512 in 2031. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be

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NOTE 7 - INCOME TAXES (continued)

assured it is more likely than not it will utilize the net operating losses carried forward in future years.

Current United States income tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

On February 1, 2010, the Company entered into agreements with three directors of the Company for consulting services to the Company at \$4,000 per month each for a period of one year (\$144,000 total). The agreement continues on a month to month basis.

On February 1, 2010, the Company entered into consulting agreements with two individuals for consulting services to the Castle Peak joint venture which provided for payments totaling \$156,000 over the one year term of the agreements. As the Castle Peak joint venture did not materialize, the agreements are void and the Company is no longer liable to pay for the consulting services.

On March 15, 2010, we received notice that our joint venture agreement with Castle Peak Mining Ltd. ("Castle Peak") had been terminated. The agreement with Castle Peak concerned certain mining concessions in Ghana, West Africa and contained various obligations of the Company to provide phased financing for exploration and development of these concessions. The joint venture agreement also provided for the issuance of 322,000 restricted shares of common stock (which were not issued). The joint venture agreement was to be approved by the Ghana Government Minerals Commission, which did not occur.

On November 28, 2010, the Company executed a Joint Venture Agreement with St. Watson Mining Company Mali SARL (a Mali corporation) ("SWMCM") and St. Watson Mining Company Ltd. (a Sierra Leone limited company) ("SWMC"). The agreement provides for SWMCM to contribute a certain gold mining dredge and a mining concession located in Mali, West Africa to the Joint Venture and for SWMC to contribute two mining concessions located in Sierra Leone, West Africa to the Joint Venture. The Company is to contribute a total of \$400,000 cash to the Joint Venture within 120 days of the agreement and to issue a total of 10,000,000 shares of the Company common stock to the two SWMCM stockholders (For the three months ended February 28, 2011, the Company paid a total of \$129,000 relating to this commitment. On March 5, 2011 the Company issued the 10,000,000 shares of common stock to the two SWMCM stockholders). The Company is to have a 50% equity interest in the Joint Venture.

On February 11, 2010, the Company executed a Joint Venture Agreement with American Enviro-Medial LLC ("AEM"). The agreement provides for AEM to contribute a mining lease called the Horse Shoe Bar Lease located in Placer, California to the Joint Venture. The Company is to contribute a total of \$150,000 cash to the Joint Venture during the first year (no cash has been contributed yet). The Company is to have a 50% equity interest in the Joint Venture.



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NOTE 9 - SUBSEQUENT EVENTS

On March 5, 2011, the Company issued a total of 10,000,000 restricted shares of common stock to the two SWMCM stockholders pursuant to a Joint Venture Agreement dated November 28, 2010. See Note 8.

Also on March 5, 2011, the Company issued a total of 6,000,000 shares of common stock to three consultants for services rendered.

From March 9, 2011 to April 5, 2011, the Company issued a total of 60,000,000 shares of common stock to a corporation in satisfaction of notes payable to the Company's corporate counsel (which arose from professional services rendered and was assigned to said corporation).

At April 14, 2011, the Company had 329,013,332 shares of common stock issued and outstanding.



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

Forward-Looking Statements

This report contains forward-looking statements that involve risks and uncertainties. We use words such as anticipate, believe, plan, expect, future, intend and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements. Our actual results are likely to differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in the Risk Factors section included in this Annual Report on Form 10-K.

Plan of Operation

We were incorporated in the State of Nevada on September 21, 2007. We are an exploration stage corporation. An exploration stage corporation is one engaged in the search of mineral deposits or reserves which are not in either the development or production stage. We maintain our statutory registered agent's office at National Registered Agents, Inc. of NV, 1000 East William Street, Suite 204, Carson City, Nevada 89701 and our business office and mailing address is 10757 South River Front Parkway, Suite 125, South Jordan, Utah 84095. Our telephone number is (801) 816-2520.

We hold rights to certain mineral interests in Mexico and Africa, and seek to acquire additional interests in mineral holdings in these regions as well as in South America. If we are able to successfully develop the interests we acquire, we may engage in (or contract with third parties for the) extraction and production of the minerals involved, may sell these interests, or pursue a combination of the foregoing.

Importantly, although we believe that the mineral concessions in which we hold rights may contain valuable deposits that would inure to the benefit of the Company and its shareholders, we cannot assure you that commercially viable deposits exist on any of our properties until further exploration and development has been undertaken and a thorough economic feasibility analysis has been prepared. We are actively seeking to raise working capital sufficient to begin exploration and development of these concessions, as well as for other development opportunities.

We have not generated any revenues since the inception of the Company and we have been issued a "going concern" opinion from our auditors. We have no plans to change our business activities from the exploration and development of mining interests with the objective of including extraction and production operations as a core component of the business of the Company.

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## Liquidity and Capital Resources

As of February 28, 2011, our working capital deficit of \$1,579,821 was comprised of total current assets of \$35,923 consisting of cash and cash equivalents, and total current liabilities of \$1,615,744. While we continued to consume working capital in the pursuit of our business plan, the consumption was more than offset by the sale of equity securities and the conversion of certain indebtedness into equity.

We do not believe that the Company's current capital resources will be sufficient to fund its operating activity and other capital resource demands during the next fiscal year. Our ability to continue as a going concern is contingent upon our ability to obtain capital through the sale of equity or issuance of debt, joint venture or sale of assets, and ultimately attaining profitable operations. We cannot provide that we will be able to successfully complete any one of these activities.

The independent registered public accounting firm's report on our financial statements as of November 30, 2010, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern.

We are presently seeking additional debt and equity financing to provide sufficient funds for payment of obligations incurred and to fund our ongoing business plan.

Although we are actively seeking to acquire and develop mineral interests throughout the world, we have not yet generated any revenue from our operations. We have historically relied on equity and debt financings to fund our capital resource requirements. We have experienced net losses since inception. We will be dependent on additional debt and equity financing to develop our new business.

All of our investment in research and development activities has been expensed, and does not appear as an asset on our balance sheet.

Our ability to pay accounts payable and accrued expenses and repay borrowings is dependent upon receipt of new funding from related parties, private placements or debt financing. Certain related parties have periodically advanced funds to us to meet our working capital needs. The related parties are under no obligation to continue these advances.

Net cash used in operating activities was \$561,613 during the quarter ended February 28, 2011, compared to \$-0- during the quarter ended February 28, 2010. During the quarter ended February 28, 2011, we incurred a net loss of \$3,520,242. Included in this loss is stock issued for services valued at \$2,372,017. Accounts payable and accrued expenses increased by \$164,203 during the quarter ended February 28, 2011. By comparison, during the quarter ended February 28, 2010, we incurred a net loss of \$2,217,797 and reported an increase in accounts payable and accrued expenses of \$17,797. During the quarter ended February 28, 2010, the company issued 20,000,000 shares of Company common stock for consulting services with five individuals. The Company recorded consulting expenses of \$2,212,000 based on the market value of the stock at the time of stock issuance. Historically, we have



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reported significant fluctuations in cash usage, as the timing of our cash payments is typically dependent upon cash provided by financing activities.

During the quarters ended February 28, 2011 and 2010, the Company used \$97,787, and \$-0-, respectively, in investing activities. During the quarter ended February 28, 2011, the Company purchased property and equipment in the amount of \$97,852. The Company also made \$7,500 in loans during the same period.

Net cash provided by financing activities during the quarter ended February 28, 2011, was \$585,581, consisting of proceeds of \$747,000 in the form of loans from accredited investors. The Company also used \$61,419 to repay loans of Liberty American LLC to Corporate Counsel. During the quarter ended February 28, 2010 net cash provided by financing activities was \$-0-.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

#### Critical Accounting Policies

We believe the following more critical accounting policies are used in the preparation of our financial statements:

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On a periodic basis, management reviews those estimates, including those related to valuation allowances, loss contingencies, income taxes, and projection of future cash flows.

**Mineral Property Costs.** The Company has been in the exploration stage since its formation on April 25, 2007 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition, exploration and development of mineral properties. Mineral property acquisition costs are capitalized when management has determined that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available as required to meet the terms of property acquisition and budgeted exploration and development expenditures. Mineral property acquisition costs are expensed as incurred if the criteria for capitalization are not met. In the event that a mineral property is acquired through the issuance of the Company's shares, the mineral property will be recorded at the fair value of the respective property or the fair value of common shares, whichever is more readily determinable.

When mineral properties are acquired under option agreements with future acquisition payments to be made at the sole discretion of the Company, those future payments, whether in cash or shares, are recorded only when the Company has made or is obliged to make the payment or issue the shares. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves and pre feasibility, the costs incurred to develop such property will be capitalized.



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### Recent Accounting Pronouncements

In August 2009, the FASB issued an update to ASC 820. This Accounting Standards Update (“ASU”) No. 2009-5, Measuring Liabilities at Fair Value (“ASU 2009-5”) amends the provisions in ASC 820 related to the fair value measurement of liabilities and clarifies for circumstances in which a quoted price in an active market for the identical liability is not available. ASU 2009-5 is intended to reduce potential ambiguity in financial reporting when measuring the fair value of liabilities. ASU 2009-5 was effective for the Company in the first quarter of fiscal year 2010. ASU 2009-5 concerns disclosure only. The adoption of ASU 2009-5 did not have a material effect on the Company’s consolidated financial statements.

In December 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-17, which codifies SFAS No. 167, Amendments to FASB Interpretation No. 46(R) issued in June 2009. ASU 2009-17 requires a qualitative approach to identifying a controlling financial interest in a variable interest entity (“VIE”), and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. ASU 2009-17 is effective for annual reporting periods beginning after November 15, 2009. The adoption of ASU 2009-17 did not have a material effect on the Company’s financial statements.

In January 2010, the FASB issued ASU 2010-6, Improving Disclosures About Fair Value Measurements, which requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. ASU 2010-6 is effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual periods beginning after December 15, 2010. The Company believes that the adoption of ASU 2010-6 will not have a material effect on its consolidated financial statements.

The Company has implemented all new accounting pronouncements that are in effect and that impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued (but are not yet effective) that might have a material impact on its future financial position or results of operations.

### Forward-Looking Statements

This report contains or incorporates by reference forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning our future business plans and strategies, the receipt of working capital, future revenues and other statements that are not historical in nature. In this report, forward-looking statements are often identified by the words “anticipate,” “plan,” “believe,” “expect,” “estimate,” and the like. These forward-looking statements reflect our current beliefs, expectations and opinions with respect to future events, and involve future risks and uncertainties which could cause actual results to differ materially from those expressed or implied.

In addition to the specific factors identified under “RISK FACTORS” above, other uncertainties that could affect the accuracy of forward-looking statements include:

- the worldwide economic situation;
- any changes in interest rates or inflation;
- the willingness and ability of third parties to honor their contractual commitments;

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- our ability to raise additional capital, as it may be affected by current conditions in the stock market and competition for risk capital;
- our capital expenditures, as they may be affected by delays or cost overruns;
- environmental and other regulations, as the same presently exist or may later be amended;
- our ability to identify, finance and integrate any future acquisitions; and
- the volatility of our common stock price.

This list, together with the factors identified under “RISK FACTORS,” is not exhaustive of the factors that may affect any of our forward-looking statements. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our beliefs, expectations and opinions only as of the date of this report. We do not intend to update these forward looking statements except as required by law. We qualify all of our forward-looking statements by these cautionary statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 4T. Controls and Procedures.

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of February 28, 2010, under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Principal Financial Officer concluded that our disclosure controls and procedures were effective.

As permitted by applicable SEC rules, this report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report, which is included in Item 8 above, was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management’s report in this annual report.

(b) There were no changes in our internal control over financial reporting during the quarter ended February 28, 2011 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.





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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to any legal proceedings, and to the best of our knowledge, no such proceeding is threatened, the results of which would have a material impact on our properties, results of operation, or financial condition. Nor, to the best of our knowledge, are any of our officers or directors involved in any legal proceedings in which we are an adverse party.

Item 1A. Risk Factors

Because we are a smaller reporting company, we are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities

On January 24, 2011, pursuant to the acquisition of Liberty American, LLC (“Liberty”), the Company issued 10,000,000 shares (“Consideration Shares”) of common stock in exchange for all of the membership units of Liberty. The recipient of the Consideration Shares was an “accredited investor” as such term is defined by rules promulgated by the Securities and Exchange Commission (“SEC”). No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that the issuance of the Consideration Shares pursuant to the acquisition of Liberty was exempt from registration with the SEC pursuant to Section 4(2) of the Securities Act of 1933.

On January 24, 2011, the “Company converted into common stock a certain note (the “Note”) issued by the Company on June 30, 2010. Subject to the terms and conditions of the various conversion agreements entered into with the Note holders, the Company agreed to convert the Note into an aggregate of 20,000,000 shares of common stock of the Company. The Note holders are all “accredited investors” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that these transactions were exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On February 22, 2011, the “Company converted into common stock a certain note (the “Note”) issued by the Company on June 30, 2010. Subject to the terms and conditions of the various conversion agreements entered into with the Note holders, the Company agreed to convert the Note into an aggregate of 20,000,000 shares of common stock of the Company. The Note holders are all “accredited investors” as defined under Rule 501 of Regulation D. No solicitation was made and no underwriting discounts were given or paid in connection with this transaction. The Company believes that these transactions were exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

On February 22, 2011, the Company filed a Notice of Exempt Offering of Securities on Form D, as prescribed by the Securities and Exchange Commission, in connection with the private offering (“Offering”) of up to \$10,000,000 in convertible promissory notes (the “Notes”) solely to “accredited investors” as that term is under Rule 501 of Regulation

D. No solicitation has been or will be made and no underwriting discounts have been or will be given or paid in connection with the Offering. The Company believes that the Offering is exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act of 1933.

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Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed with or incorporated by referenced in this report:

Item No.	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K filed on January 14, 2011).
3.3	Bylaws (incorporated by reference from our registration statement on Form S-1 filed on March 21, 2008).
<u>31.1*</u>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Mark Klok.
<u>31.2*</u>	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chene Gardner.
<u>32.1*</u>	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Mark Klok.
<u>32.2*</u>	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chene Gardner.

\* filed herewith

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

ALTO GROUP HOLDINGS, INC.

Dated: April 19, 2011

/s/ Mark Klok  
By: Mark Klok, President, Secretary, and  
Director

