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DIGITAL VALLEYS CORP
Form 10-K
June 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended April 30, 2010

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

For the transition period from _____ to _____

Commission file number 333-152798

DIGITAL VALLEYS CORP.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

98-0537383
(I.R.S. Employer
Identification No.)

Suite 100, 1100 Dexter Ave. North, Seattle, Washington
(Address of principal executive offices)

98109
(Zip Code)

Registrant's telephone number, including area code (206) 273-7892

Securities registered under Section 12(b) of the Act:

None	N/A
Title of each class	Name of each exchange on which registered

Securities registered under Section 12(g) of the Act:

Common Stock, \$0.001 par value
(Title of class)

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by checkmark whether the registrant has (1) 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 checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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Indicate by checkmark 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 ☐ Smaller reporting company ☒
(Do not check if a smaller reporting company)

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: N/A - no common stock traded during period

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 2,300,000 shares of common stock as of June 15, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). Not Applicable

AVAILABLE INFORMATION

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports that we file with the Securities and Exchange Commission, or SEC, are available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding reporting companies.

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PART I

FORWARD LOOKING STATEMENTS.

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks,

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uncertainties and other factors, including the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- * the uncertainty that we will not be able to successfully identify and evaluate a suitable business opportunity;
- * risks related to the large number of established and well-financed entities that are actively seeking suitable business opportunities;
- * risks related to the failure to successfully management or achieve growth of a new business opportunity; and
- * other risks and uncertainties related to our business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements.

Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common stock" refer to the common shares in our capital stock.

As used in this annual report, the terms "we", "us", "our" and "Digital Valleys" mean Digital Valleys Corp., unless otherwise indicated.

ITEM 1. BUSINESS

OVERVIEW OF THE COMPANY

We are a development stage company that was incorporated on May 21, 2007. We have commenced only limited operations, primarily focused on organizational matters in connection with this offering. We have never declared bankruptcy, have never been in receivership, and have never been involved in any legal action or proceedings. We have not made any significant purchase or sale of assets, nor has the Company been involved in any mergers, acquisitions or consolidations. We are not a blank check registrant as that term is defined in Rule 419(a)(2) of Regulation C of the Securities Act of 1933, because we have a specific business plan and purpose. Neither the Company nor its sole officer, Director, promoter or his affiliates, has had preliminary contact or discussions with, nor do we have any present plans, proposals, arrangements or understandings with any representatives of the owners of any business or company regarding the possibility of an acquisition or merger.

We have not generated any revenue to date and we do not expect to generate any revenues during the first 12 months following this offering.

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We are developing an online help desk customer support system to assist service companies in improving their customer relationship management. We expect our system to be used by organizations interested in improving their customer relationship management by automating their customer support and by establishing a centralized help desk.

We plan for our software product to be capable of providing a generic solution across a broad range of industries.

Our offices are currently located at 1100 Dexter Ave. North, Suite 100, Seattle, Washington 98109. We do not currently have a website; however, we have reserved a domain name.

THE MARKET OPPORTUNITY

The customer relationship management ("CRM") market is experiencing explosive growth.

In 2002, the U.S. accounted for \$7.14 billion of the world-wide CRM market, and the U.S. market is expected to swell to \$9.19 billion by 2006. ("Moderate, Steady CRM Growth through 2006" by Robyn Greenspan (July 3, 2003)). The U.S is expected to maintain approximately 52 percent of the total market through 2006.

The concept of a single point of contact for customers to refer questions and seek assistance to solve problems has become a ubiquitous feature of modern business. ("Delivering High Value in Service and Support," by Rhion H Jones and FrontRange Solutions UK Ltd.). Help desks reduce downtime and reduce the time to fix errors based on previous learning history. Help desks ensure better use of resources, improved procurement decisions, higher customer satisfaction and retention, and increases in profitability, as customers will spend more with a firm that provides superior service.

We expect corporations to continue to make efforts to please their customers. Research from the Aberdeen Group forecasts worldwide CRM spending to exhibit moderate, yet steady, growth in the coming years. Aberdeen estimates that 2002's spending of \$13.7 billion will swell to \$17.7 billion in 2006, resulting in a 6.7 percent compound annual growth rate.

Hosted, subscription-based CRM software offerings from independent software vendors and systems integrators will drive growth, with revenues expected to soar from \$246 million to \$2.8 billion through 2006. (Moderate, Steady CRM Growth through 2006 by Robyn Greenspan | July 3, 2003.)

Historically help desk software has been used by IT professionals and high tech firms. Now, help desk software is used in a broad range of industries including; healthcare, finance, telecommunications, oil and gas industries, government, banking, utilities, insurance and retail.

The importance of customer relationship management is highlighted by two recent market studies. The "Research Store - The Danger of Defection" study by ecustomerserviceworld.com concluded that companies need to improve their retention strategies to stem customer defection rates. According to this study:

- * Customer defection rates in UK consumer studies have increased since 2003.
- * Average customer defection rate is 19.1% in the UK.
- * Internet service providers have one of the highest defection rates at 24%.
- * Data driven marketing techniques are successful in retaining customers.
- * Over half of top UK companies are now able to translate sophisticated

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database analysis into highly personalized and segmented campaigns, where creative, message, and enclosures are varied for different types of recipients.

- * A 5% increase in customer loyalty can lead to a 25-85% increase in profitability.

The "Delivering High Value in Service and Support" study by Rhion H Jones and FrontRange Solutions UK Ltd. concluded that help desks increase overall efficiency and customer satisfaction, thus leading to increased retention rates. According to this study:

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- * Whether or not the term "help desk" is used, the concept of a single point of contact for customers to refer questions and seek assistance to solve problems has become a ubiquitous feature of modern businesses.
- * There are an estimated 150,000 to 200,000 help desks in operation throughout the world. This is a sub-set of the wider call center phenomenon, which is estimated to employ 5 million people worldwide (source: IHA Ltd).
- * The term "help desk" is now used to describe any call center or part of a call center which handles complex problem-solving and associated processes.
- * By the year 2000, the help desk model has become firmly established for IT support in most advanced western-style countries, though with different market penetration levels.
- * Despite the range and variety of help desks, they all share the characteristic of being an investment (approved and implemented in the last 10 years or so) which was prompted by perceptions of value.
- * Help desks reduce downtime not only by ensuring a faster fix for problems affecting system performance, but also by providing essential information which managers can use to reduce the likely recurrence of such problems.
- * In a typical help desk, the cost of fixing a single problem depends partly on the level of skill required. First-line staff can be trained far quicker than more technically proficient Second-line personnel; the real experts who act as third-line staff are often among the most valuable people in an organization. The cost of resolution at second-level is frequently up to ten times the cost of a similar fix at first level; for third-line resolutions the cost multiplier can be another 10 times (source: Fry Consulting, 1999). Utilization of staff is therefore an important driver of overall efficiency
- * Customers spend more with product and service providers who use help desk technology to provide customer service.

TARGET MARKET

The customer base for our proposed system includes:

- * Small and medium sized businesses that provide services to their clients and are looking for a help desk solution to support their products and services.
- * Small and medium sized businesses that provide services to their clients and want to enhance their customer support image and provide faster customer support via email and internet forms.

We will initially focus our sales in the United States as we know this market and it represents a significant opportunity in terms of sales potential.

The market is sophisticated, software savvy and educated in terms of the need to improve customer support and customer relationship management.

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OUR COMPETITION

- * There are currently other providers of similar software programs providing customer support help desks. Customer relationship management is a large and growing industry in the United States. Competitive pressures and customer demands fuel the growth in the industry.
- * Many of our competitors in this industry are located in the United States. While there are many competitors, the industry supports a large number of competitors as demand is huge and growing.

Most software packages are generic, using a cookie cutter approach to software design and implementation. Our initial product will be generic as it can be used in a wide range of businesses. Nevertheless, our future goal will be differentiate our product from the competition by tailoring our software to niche markets.

- * The competition's pricing ranges from \$300 to several thousand dollars. Pricing is based on a selling price, an initial fee, and monthly maintenance. To compete with our competition, we plan to devise an aggressive sales strategy, including competitive pricing, to support growth.

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OUR SOFTWARE PRODUCT

Our software product will address:

- * Problem Management and Workflow,
- * Knowledge Management, and
- * Data Analysis and Reporting.

Our proposed solution will be comprised of a number of integrated modules that we expect will enable organizations to solve their customer's issues quickly and reliably.

We intend for our system to be web-based which will allow our customers to access the system from their intranet or from the internet. The Intranet mode will allow internal users of a customer's organization to access the system via the customer's intranet. The Internet mode will allow off-site employees to access the system via the internet. We plan for customers to be able to access our software product via two different means, Email and Web forms.

Organizations will still be able to use the systems to manage issues for customers that have no internet connection by enabling customer support representatives to enter the customers' issues on user friendly screens/web forms.

THE SYSTEM MODULES

Our system will be comprised of the following four modules:

- * Support Ticket Module
- * Emailing Module
- * Reporting Module
- * System Administration Module

SUPPORT TICKET MODULE

The purpose of this module is to efficiently track, route, and resolve issues.

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We intend for the support ticket module to be able to be customized to the unique needs of the organization. System administrators will be able to add and customize ticket fields as needed. The following diagram summaries the flow of the ticket support process.

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[GRAPHIC DIAGRAM OF THE FLOW OF THE TICKET SUPPORT PROCESS]

