

## FORM 7

### MONTHLY PROGRESS REPORT

Name of CNSX Issuer: VisualVault Corporation (the "Issuer").

Trading Symbol: VVT

Number of Outstanding Listed Securities: 28,133,354

Date: October 5, 2012 for the period ending September 30, 2012

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

Effective May 11, 2012, the Company closed two major acquisitions previously approved by shareholders and regulators, namely the acquisition of VisualVault Technologies Inc. and Advantive Information Management, Inc. Concurrently, VisualVault Technologies Inc and Auersoft LLC executed an amended and restated

Asset Purchase and Sale Agreement, a Platform License and Services Agreement, and a Trademark License Agreement.

The acquisition of VisualVault Technologies Inc. was approved by shareholders at a meeting held on December 7, 2011. The Company has issued a total of 13,275,000 common shares in respect of this acquisition in consideration of 100% of the issued and outstanding shares of VisualVault Technologies Inc., which is now a wholly-owned subsidiary of the Company. VisualVault Technologies Inc. executed three material agreements on May 3, 2012, more particularly described below;

1. Platform License and Services Agreement: VisualVault Technologies Inc, the operating subsidiary of the Company, signed a Platform License and Services Agreement with Auersoft LLC of Mesa Arizona, wherein VisualVault Technologies Inc. has been granted certain rights of use with respect to the VisualVault products and services developed by Auersoft LLC. Significantly, this includes full and unrestricted access to the SaaS Application for automated sign up for all of VisualVault Technologies Inc.'s customers. Under its own brand, VisualVault Technologies Inc. can offer true automated SaaS services to its customers including the ability for customers to sign up and use the software without having to interface directly with Auersoft LLC, all at no additional cost. It also provides for the ability to develop, market, and sell applications ("Apps") to be used in conjunction with the Software. The significant attribute of the license is that it will enable VisualVault Technologies, Inc. to develop its own business models completely independent of Auersoft, LLC.
2. Amended and Restated Purchase and Sale Agreement: VisualVault Technologies Inc and Auersoft LLC reached agreement with respect to amending the original agreement executed in October 2011. The purchase price of the assets remains the same, however the terms of payment and closing of the transaction have been amended by mutual agreement. The terms of purchase are now as follows;
  - i) \$300,000USD upon signing the amended agreement (paid May 3, 2012).
  - ii) \$200,000USD on or before June 30, 2012.
  - iii) \$4,500,000USD on or before November 30, 2012.
  - iv) \$586,250USD on or before December 31, 2014. The final payment is convertible into 11,725,000 common shares of the Company based upon an assumption of the obligation to pay this amount by the Company. The conversion can take effect at any time after December 31, 2013.

The overall effect of the amendment is as follows;

1. The initial down payment was reduced to \$300,000USD from \$1,000,000USD.
2. There are no default provisions in the amended agreement and no significant payment due dates after June 30, 2012, until closing, which now occurs on November 30, 2012.
3. VisualVault Technologies Inc. has not taken on any of the operating costs of

the business and will not be required to do so until November 30, 2012.

4. Auersoft LLC has agreed to invest over \$750,000 in development of the technology and business models up to November 30<sup>th</sup> with no immediate contribution required by the Company or VisualVault Technologies Inc.
  5. Combined with the PaaS license, and its special covenants, VisualVault Technologies Inc. can focus on market development and sales under its own brand and the Company can focus on capital formation to complete the asset purchase.
3. **Trademark License Agreement:** The Company, separate from its wholly-owned subsidiary, VisualVault Technologies Inc., has been granted a Trademark License Agreement to use the VisualVault trademarks on a worldwide, perpetual, royalty free basis. This enables the Company to present itself corporately under the VisualVault brand from now to closing on November 30<sup>th</sup>.

Concurrent with the acquisition of VisualVault Technologies Inc., the Company closed the previously approved acquisition of Advantive Information Management Inc. ("AIM"). The Company issued 9,735,143 common shares to acquire the remaining 900,000 common shares of AIM. AIM will be marketing and branding many of the VisualVault products and services, and well as continuing with the development and sales of its own proprietary backup and recovery software (R2 Software) targeted at industrial manufacturing sectors worldwide. AIM will also become a wholly-owned subsidiary of the Company

#### 4. **Private Placement of Convertible Debt:**

Effective August 2, 2012, the Company has successfully secured subscriptions to and commitments for a total \$500,000 private placement of convertible promissory notes. Subscriptions have been sold to accredited investors only in increments of \$5,000 notes, each bearing interest at the rate of 8% per annum. The notes will mature on August 20, 2017. Interest will be accrued and paid quarterly. The notes are also convertible into Units consisting of common shares and warrants to purchase additional shares of the Company's common stock. Each Unit will consist of one common share and one share purchase warrant converted at a price of \$.50 per share. The warrants issued as a result of conversion will be exercisable at a price of \$.55 per share up to and including August 20, 2013. In addition, subscribers to the offering will receive a Subscriber's Bonus of 2,000 common shares for each \$5,000 promissory note increment. No shares have yet been issued pursuant to the bonus. The Company maintains the right to redeem the notes at any time after August 20, 2013. The notes will not be listed on the Canadian National Stock Exchange. Proceeds from the offering will be utilized for general working capital and to make periodic payments to Auersoft LLC in accordance with the Amended and Restated Asset Purchase Agreement.

## 5. Strategic Partnership Agreements:

The Company has entered into two strategic partnerships with existing VisualVault customers; GRM Document Management, and Monument Systems, LLC. Both strategic partnerships have been confirmed by way of executed letters of intent that establish long-term strategic partnerships and which articulate the basis upon which the Company and each partner will develop business and share revenues.

The two strategic partnership agreements are summarized as follows;

- **GRM Document Management:** The Company has entered into a strategic partnership and marketing agreement with GRM Document Management (GRM), which involves, among other things, an arrangement wherein both companies will jointly collaborate on the development of new service offerings and features related to the VisualVault technology in the form of applications that will be sold to both existing and new GRM customers. As an integral part of the letter of intent, both companies have set minimum sales objectives of 40,000 users per month, in aggregate, over a three year sales period. In the event that GRM sources the customer they will earn 60% of the net revenue per user per month after all costs are deducted for both companies. In the event that the Company identifies the customer, VisualVault will earn 60% of the net revenue per user per month after all costs are deducted for both companies. In addition, the Company will acquire and take operational control of GRM's Chinese Data Centre, effective upon closing of the Company's purchase of the Auersoft, LLC assets, scheduled for November 30, 2012. Both companies have agreed to enter into a formal strategic partnership agreement as an integral part of the letter of intent.
- Additionally, M Management Inc., an affiliate of GRM, has confirmed its intention to invest a total of \$1,000,000 US into the Company over a three year period, such funding to be specifically allocated to product development, and sales and marketing of GRM related programs. The terms of such funding have not yet been finalized.
- **Monument Systems, LLC:** The Company has also entered into a letter of intent with Monument Systems, LLC, to develop applications for specific use cases in the Healthcare Industry identified by Monument and to develop and implement a sales and marketing strategy with respect to these applications. The Company will bear the costs associated with forms creation, based upon agreed subject matter input, while the sales and marketing strategies will be jointly developed by both companies. All costs borne by both companies will first be deducted, before revenues will be shared on a 50/50 basis. The Company and Monument have agreed that user goals will be set at 20,000 users in year one, 30,000 incremental new users in year two and 30,000 additional new users in year three, all of whom will pay a minimum of \$20 per user per month in aggregate, which will be shared on a 50/50 basis. Both

companies have agreed to prepare and complete a first stage marketing plan by September 15<sup>th</sup>.

➤ Proposed Financing and Consolidation of Capital:

In addition, the Company wishes to announce that as an integral part of its plan to acquire the assets of Auersoft, LLC on or before November 30, 2012, the Company intends to complete a private placement of common shares to finance the acquisition, subject to receipt of all necessary Board and regulatory approvals. Management also believes that in order to secure the financing necessary to close the purchase of Auersoft, LLC assets, that a consolidation of its share capital will be necessary. In this regard, the Company proposes to consolidate its capital on a 2:1 basis concurrently with a post consolidated financing. It is anticipated that the common shares will be issued at a proposed price of \$.525 per share on a post consolidated basis.

2. Provide a general overview and discussion of the activities of management.

Effective May 24, 2012, the Company has closed its private placement of 2,560,830 units, each unit consisting of one common share and one common share purchase warrant. Each warrant is exercisable at a price of \$1.00 per share expiring 24 months from the closing date.

The Company raised a total of \$1,075,539.50 CDN, which will and has been utilized to finance the initial down payment to Auersoft, LLC, (\$300,000) and to finance the sales and marketing programs for the Company and for general working capital purposes.

Management has effective with closing commenced marketing and sales activities pursuant to and in accordance with its PaaS license agreement.

During the month of August two material Letters of Intent were signed as more particularly disclosed above.

Also during the month of August the Company closed a \$500,000 private placement of convertible debt as more particularly described above.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law

As a result of the acquisition of VVT, the Issuer has a new suite of products and services based upon the VisualVault platform. As a result of the asset sale by Auersoft LLC and purchase assumption by VVC, VVT will own proprietary

document management and compliance software products and services that currently support major corporations in the United States and abroad. The Issuer will, through this acquisition, acquire all customers currently serviced by Auersoft LLC, all existing revenues currently generated by Auersoft LLC, trademarks, rights to use, and an experienced and dedicated management and development team. Corporate plans are to grow the Software as a Service (SaaS) and Platform as a Service (PAAS) business model with substantial investiture in expanding across vertical market opportunities within existing customer groups and beyond into new application specific opportunities.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**None and not applicable.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**None and not applicable.**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

The Asset Purchase Agreement between the VVT and Auersoft LLC was replaced with the Amended and Restated Asset Purchase Agreement disclosed above.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**Refer to Section 1 above for details.**

8. Describe the acquisition of new customers or loss of customers.

**None.**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

**None and not applicable.**

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

**None.**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**None and not applicable.**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

**None and not applicable.**

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**None and not applicable.**

14. Provide details of any securities issued and options or warrants granted.

**The Company has reserved 2,557,000 for options to directors and officers. None have been granted or exercised.**

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>

*(1) State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.

**None and not applicable.**

16. Provide details of any changes in directors, officers or committee members.

**None.**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

**None.**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: October 5, 2012

Brian Cameron CFO  
Name of Director or Senior  
Officer



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Signature  
Chief Financial Officer  
Official Capacity

<b><i>Issuer Details</i></b> Name of Issuer VisualVault Corporation	For Month Ending September 2012	Date of Report 12/10/05
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