

ENCORE ENERGY SYSTEMS, INC.

Nevada
(State or other jurisdiction of
incorporation or organization)

87-0449399
(I.R.S. Employer Identification No.)

1739 University Ave #339
Oxford, MS 38655
(Address of principal executive offices)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at December 31, 2008</u>
Common stock, \$0.0001 par value	1,710,213,070

PART I — FINANCIAL INFORMATION

ENCORE ENERGY SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2008
(unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 2,388
Total Current Assets	2,388

Property and Equipment, net	2,554,700
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Intangible asset - Grey Water Heat Exchanger Geothermal Patents	10,000,000
Patent Royalty Agreement	750,000

TOTAL ASSETS	\$ 13,307,088
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable & Accrued Expenses	\$ 274,688
Dividend Payable	-

TOTAL CURRENT LIABILITIES	274,688
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Preferred Stock Liability	2,000,000
Convertible Debt Liability	1,500,000
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TOTAL LIABILITIES	3,774,688
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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY(DEFICIT)

Preferred Stock	
Authorized: 10,000,000 Shares, \$.0001 par value	
Series A, to be issued, convertible liquidation value \$2,000,000: Issued and Outstanding: 0 shares	-

Common Stock Par Value \$.0001	
Authorized: 4,000,000,000 Shares	
Issued and Outstanding: 1,710,213,070 Shares	171,021
Accumulated (Deficit)	7,015,611
Paid-in-Capital	2,345,768
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TOTAL STOCKHOLDER'S EQUITY(DEFICIT)	9,532,400
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY(DEFICIT)	\$ 13,307,088
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See accompanying summary of accounting policies and notes to financial statements.

ENCORE ENERGY SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

For The Twelve Months Ended December 31,
2008 2007

REVENUE		
Sales	\$ 10,844,311	\$ 759,497
Cost of Sales	10,383,155	236,312
Gross Margin	461,156	523,185
EXPENSES (INCOME)		
Salaries, Benefits & Related Taxes	644,525	287,431
General and Administrative Expenses	1,864,558	131,017
Interest Income	-	-
Interest Expense	166,359	315,875
Unrealized (Gain) Loss	-	-
Loss on Impairment of Goodwill	-	-
Loss on sale of investment	-	-
Change in value of derivative liabilities	(1,765,488)	-
TOTAL EXPENSES (INCOME)	909,954	734,323
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE OTHER INCOME (EXPENSE) TAXES AND MINORITY INTEREST	(448,798)	(211,138)
Minority interest expense	-	-
NET INCOME (LOSS)	\$ (448,798)	\$ (211,138)
Preferred Stock Dividends-Series A	-	-
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ (448,798)	\$ (211,138)
INCOME (LOSS) PER SHARE--BASIC AND DILUTED	\$ -	\$ (0.07)
NUMBER OF WEIGHTED AVERAGE SHARES OUTSTANDING	1,710,213,070	3,091,933

See accompanying summary of accounting policies and notes to financial statements.

ENCORE ENERGY SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

Encore Energy Systems, Inc. is a Nevada Corporation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Reporting:

The accompanying un-audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals, unless otherwise indicated) considered necessary for a fair presentation of the results of operations for the indicated periods have been included. Certain amounts recorded in previous periods have been reclassified to conform to the current period presentation. Operating results for the three and nine months are not necessarily indicative of the results for the full fiscal year.

Accounting Policies:

Our accounting policies conform to U. S. generally accepted accounting principles. Significant policies followed are described below.

The consolidated financial statements include the accounts of the company and all of its subsidiaries in which a controlling interest is maintained. All consolidated financial statements have been prepared in US dollars.

Reclassifications:

Certain items from prior periods within the financial statements have been reclassified to conform to current period classifications.

Cash and Cash Equivalents:

Cash Equivalents consist of highly liquid, short-term investments with original maturities of 90 days or less. The carrying amount reported in the accompanying balance sheets approximates fair value.

ENCORE ENERGY SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment:

Property and equipment are recorded at cost. Depreciation of property and equipment is provided using straight-line and accelerated methods. The estimated useful lives are as follows:

	Years
Furniture, fixtures and equipment	5 - 7
Transportation equipment	5
Leasehold improvements	8 - 10
Buildings	39

Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Use of Estimates:

The preparation of financial statements in conformity with U. S. generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ENCORE ENERGY SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition:

The Company generally recognizes revenue upon shipment when the collect-ability of the resulting receivable is reasonably assured. The Company allows credit for products returned within its policy terms. Such returns are estimated and an allowance for product returns is recorded at the time of sale, as necessary.

Revenues associated with rewards programs are recorded when the customer is entitled to utilize such rewards. The Company simultaneously records the costs of these rewards. Rewards can be used by customers for one year. After one year, unused rewards are recorded as revenue.

Impairment of Long-Lived Assets:

The company regularly reviews long-lived assets for indicators of impairment. Management's judgments regarding the existence of impairment indicators are based on performance. Future events could cause management to conclude that impairment indicators exist and that the value of long-lived assets is impaired. When events or circumstances indicate that the carrying amount of an asset may not be recoverable, the fair value of the asset is compared to its carrying value. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its estimated fair value.

NOTE 3: CONCENTRATIONS OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company does not require collateral or other security to support customer receivables. The exposure to credit risk associated with the nonperformance of customers in fulfilling their contractual obligations can be directly impacted by a decline in economic or industry conditions, which could impair the customer's ability to satisfy its obligations.

NOTE 4: OPERATIONS AND LIQUIDITY

The Company has incurred substantial losses. Until such time that the Company's products and services can be successfully marketed the Company will continue to need to fulfill working capital requirements through the sale of stock and/or the issuance of debt. The inability of the Company to continue its operations as a going concern would impact the recoverability and classification of recorded asset amounts.

The ability of the company to continue in existence is dependent on its having sufficient financial resources to bring products and services to market for marketplace acceptance. As a result of its significant losses, negative cash flows from operations, and accumulated deficits for the periods, there is doubt about the Company's ability to continue as a going concern.

Management believes that its current available working capital, anticipated revenues, further planned reductions in operating expenses, and subsequent sales of stock and/or placement of debt instruments will be sufficient to meet its projected expenditures for a period of at least twelve months.

NOTE 5: AGED DEBT, PRIOR OPERATIONS

The Company's prior operations incurred substantial debt. These prior operations have been divested and the associated debt booked accordingly. The Company has re-classified this aged uncollectible debt as paid-in capital

PART II — MANAGEMENT'S DISSCUSSION

This 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, including, without limitation, statements regarding the Company's expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. These forward-looking statements, including those with respect to our operating results, are based upon current expectations and beliefs of the Company's management and are subject to risks and uncertainties that could cause results to differ materially from those indicated in the forward-looking statements. Some, but not all, of the factors, which could cause actual results to differ materially include those set forth in the risks discussed below under the subheading "Risk Factors" and elsewhere in this report. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements, or to explain why actual results differ. Readers should carefully review the risk factors described in this section below and in any reports previously filed with the Securities and Exchange Commission.

Overview

We were incorporated in Nevada in 1987 as a for-profit corporation. We have never experienced any bankruptcy or similar proceeding.

We collectively refer to companies in which we own an equity position as well as our customers and clients as "portfolio companies".

We charge for our services in cash or equity in the portfolio company. We may also exchange our services for revenue sharing of future sales of products or sharing of proceeds from the sale of licenses and technologies owned by our portfolio companies. We seek to grow through strategic acquisitions in addition to generating income from our services.

Our sources of revenue are primarily from:

- Consolidated revenues of our portfolio companies which we own in majority;
- Management and consulting fees we may charge our portfolio companies;
- Revenue sharing agreements we may have with our portfolio companies;
- Royalty and licensing proceeds from the sale of technology rights we may own in whole or in part with our portfolio companies;
- Proceeds from the sale of securities we may own in our portfolio companies;
- Proceeds from the interest and payment of debt we may hold in our portfolio companies; and
- Proceeds from the conversion of debt we may hold in our portfolio companies into marketable securities and subsequent sale of same.

OUR PORTFOLIO COMPANIES

Selecting Portfolio Companies

We may purchase an equity position, whether minority or majority, in various companies from time to time. We offer our services to new customers, also referred to as portfolio companies, for cash payment. We may elect to take equity in the portfolio company as payment for our services.

We also seek to grow our revenues and assets by acquisitions. We seek to obtain a majority equity position in any company we acquire. If we acquire a minority position in a company, we will seek to enter into agreement with that company whereby we will generate income from our services. If we acquire a minority position in a company, we value that equity using a good-faith estimation of its value based on generally accepted accounting principles combined with our internal judgment based on industry and economic factors not encompassed by traditional accounting principles.

We acquire majority or minority equity positions in portfolio companies by purchasing the equity with cash, debt, or purchasing the equity by issuing stock in our company. We may pay for the equity position with a combination of both cash and stock and debt.

When presented with a prospective acquisition, we make a good-faith valuation for the business to be acquired and its future prospects. If the assessment of the prospective acquisition appears to offer a good or reasonable chance to increase our revenues and assets both in the short-term and the long-term, we will seek to acquire the prospective company.

We find new customers and prospective companies to acquire through out network of relationships within the business community.

PART III — OTHER INFORMATION

LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW BEFORE BUYING SHARES. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

Securities Regulatory Risk ("SEC RISK")

The securities industry is heavily regulated. The US Securities and Exchange Commission (The "SEC") has the power to suspend trading of a security. The SEC may also permanently suspend a company's ability to have its stock traded on the open market. The SEC can, and has frequently, suspended trading on a security without notice, without probable cause of wrongdoing, or due process of law. A security can be deleted and permanently suspended from trading by insignificant technical and unknowing violations of any one of the vast regulations that comprise the body of law the SEC enforces. Stockholders in a public company will lose their entire investment if the SEC suspends a security from trading. You will have no recourse under the law and your entire investment will be destroyed. We believe the "SEC regulatory risk factor" as the single largest and most dangerous business risk for any public investor.

GENERAL RISK FACTORS

This investment has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and the other information in this prospectus. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

Revenue Projections

The sales/revenue projections are provided by Management. Although Management has no reason to question the validity of the assumptions used in the projections, there is no guarantee that the projected results will be achieved. If we included our revenue expectations for our international markets, the revenue projections would be adjusted upward accordingly. However, Management is not prepared at this time to make good-faith estimates on these markets. We have therefore not included our international revenue expectations.

Dependence on Strategic Partners, Alliances and Sub-contractors

We depend on successful partnering with various parties. If a partner fails to deliver on its agreements or the Company fails to resolve any disputes or reach agreement, there will be a material adverse

effect on the Company's business.

We have a limited operating history and have never been profitable on a consolidated basis.

Since our inception in 1983 up through 2008 we have experienced minimal revenues. We are presently experiencing rapid increases in revenue and sales growth. Our operational sub-units typically operate profitably with positive cash-flow. We will maintain this operational strategy for the foreseeable future. Our earnings on a consolidated basis can be negative because of past losses and 'paper losses' from deferred compensation expenses and similar accounting entries. The company's operations are typically cash-flow positive and do not require additional capital to continue operations. We own patents for our Energy Miser cooling/heating system and we anticipate generating revenue in the form of royalty fees from the sale of these systems as well as systems from other vendors as part of our solutions based revenue model. If our anticipated future sales do not occur, investors in our common stock will likely lose their entire investment. Our expenses related to sales, operations and general and administrative expenses, may cause operating losses for the near future. If operating losses continue, shareholders could lose their entire investment.

We may need additional funding

We believe our ability to finance customer projects can be satisfied through various project finance sources. We anticipate our operational business units and subsidiaries to remain profitable and may not require any additional capital to expand operations. However, if we require future expansion or fail to secure timely project financing as required, we will need to seek additional capital through public or private sales of our securities, including equity or debt securities, in order to fund our activities on a long-term basis. We may not be able to obtain adequate funds, whether through financial markets or collaborative arrangements with strategic partners or from other sources, on acceptable terms when needed. If we are successful in raising additional capital, investors and shareholders could face substantial dilution of their investments.

Some of our business is dependent on acceptance by government regulators.

One of our products is the Energy Miser. A significant obstacle confronted by the Energy Miser has been governmental interpretation and regulation. In most instances, we need to interface, (although not contact the water) with public water supplies in order for our customers to receive the benefits of our system. Some government regulators have been resistant in allowing us to tap into public water mains for fear of contamination of the water even in the face of a definitive Department of Energy report proving the system completely safe. If government constraints continue it will limit the markets we can compete in and our shareholders would be adversely affected. We mitigate the possibility of government interference in our business by utilizing technology and solutions from many different vendors and by stressing a solutions based business model as compared to a product-based model. We also focus on large customers who control their own water systems and therefore eliminate the possibility of government interference.

We face strong competition that we may not be able to overcome.

Our Energy Miser system and the systems we obtain from other vendors has many competitors, many of whom are large with well-known brands and manufacture their own systems. Some of our larger

competitors include Trane, Carrier, York and Dunn & Bush. These competitors use cooling tower boiler applications that we believe are inferior to our municipal and grey water geothermal applications, but because of the relative financial strength of these competitors, we may not be afforded the opportunity to demonstrate the advantages of our system over competitors' systems and, as such, sales will not materialize and shareholder investments could be lost.

We are dependent key personnel and need to hire additional key employees.

Our operations are dependent on key executive personnel. If any of these people were to expire or become incapacitated, there is currently no successors who could execute our business plan. If we are unsuccessful in attracting qualified personnel we will not be able to increase sales significantly.

If our products fail we could become subject to product liability claims, for which we may not be adequately insured.

If we develop and install our products, we may be exposed to product liability claims. We might also be required to indemnify manufacturing affiliates against any product liability claims incurred by them as a result of products developed by us under agreements with these affiliates. We currently do not carry adequate product liability insurance. If we experience an uninsured or inadequately insured product liability claim, our business and financial condition as well as investor value would be materially adversely affected.

Risks Relating to Our Business:

We Have a History Of Losses Which May Continue, Which May Negatively Impact Our Ability to Achieve Our Business Objectives.

We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the ongoing operations of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

If We Are Unable to Obtain Additional Funding Our Business Operations Will be Harmed and If We Do Obtain Additional Financing Our Then Existing Shareholders May Suffer Substantial Dilution.

We may require additional funds to sustain and expand our operational activities. We anticipate that if needed, we will require up to approximately \$500,000 to fund our continued operations for the next twelve months, depending on revenue from operations. Additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. The inability to obtain additional capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our marketing and development plans and possibly cease our operations. Any additional equity financing may involve substantial dilution to our then existing shareholders.

If We Are Unable to Retain the Services of Management, or If We Are Unable to Successfully Recruit Qualified Personnel Having Experience in Business, We May Not Be Able to Continue Our Operations.

Our success depends to a significant extent upon the continued service of our Chief Executive Officer. Loss of the services of our CEO could have a material adverse effect on our growth, revenues, and prospective business. In addition, in order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial personnel having experience in business. Competition for qualified individuals is intense. There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

Many Of Our Competitors Are Larger and Have Greater Financial and Other Resources Than We Do and Those Advantages Could Make It Difficult For Us to Compete With Them.

The industry is extremely competitive and includes several companies that have achieved substantially greater market share than we have, and have longer operating histories, have larger customer bases, and have substantially greater financial, development and marketing resources than we do. If overall demand for our products should decrease it could have a materially adverse affect on our operating results.

Our Trademark and Other Intellectual Property Rights May not be Adequately Protected Outside the United States, Resulting in Loss of Revenue.

We believe that our trademarks, whether licensed or owned by us, and other proprietary rights are important to our success and our competitive position. In the course of our international expansion, we may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot assure that the actions we have taken to establish and protect these trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent, as do the laws of the United States.

Risks Relating to Our Current Financing Arrangement:

There Are a Large Number of Shares Underlying Our Secured Convertible Notes That May be Available for Future Sale and the Sale of These Shares May Depress the Market Price of Our Common Stock.

The number of shares of common stock issuable upon conversion of the outstanding secured convertible notes may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the notes, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

The Continuously Adjustable Conversion Price Feature of Our Secured Convertible Notes Could Require Us to Issue a Substantially Greater Number of Shares, Which Will Cause Dilution to Our Existing Stockholders.

Our obligation to issue shares upon conversion of our secured convertible notes is essentially limitless. The number of shares of common stock issuable upon conversion of our secured convertible notes will increase if the market price of our stock declines, which will cause dilution to our existing stockholders.

The Continuously Adjustable Conversion Price feature of our Secured Convertible Notes May Encourage Investors to Make Short Sales in Our Common Stock, Which Could Have a Depressive Effect on the Price of Our Common Stock.

The secured convertible notes are convertible into shares of our common stock discount to the trading price of the common stock prior to the conversion. The significant downward pressure on the price of the common stock as the selling stockholders convert and sell material amounts of common stock could encourage short sales by investors. This could place further downward pressure on the price of the common stock. The selling stockholders could sell common stock into the market in anticipation of covering the short sale by converting their securities, which could cause the further downward pressure on the stock price. In addition, not only the sale of shares issued upon conversion or exercise of secured convertible notes, but also the mere perception that these sales could occur, may adversely affect the market price of the common stock.

The Issuance of Shares Upon Conversion of the Secured Convertible Notes May Cause Immediate and Substantial Dilution to Our Existing Stockholders.

The issuance of shares upon conversion of the secured convertible notes may result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although the selling stockholders may not convert their secured convertible notes if such conversion or exercise would cause them to own more than 4.9% of our outstanding common stock, this restriction does not prevent the selling stockholders from converting and/or exercising some of their holdings and then converting the rest of their holdings. In this way, the selling stockholders could sell more than this limit while never holding more than this limit. There is no upper limit on the number of shares that may be issued which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering. In the event that our stock price decreases, the shares of common stock we have allocated for conversion of the secured convertible notes may not be adequate.

If We Are Required for any Reason to Repay Our Outstanding Secured Convertible Notes, We Would Be Required to Deplete Our Working Capital, If Available, Or Raise Additional Funds. Our Failure to Repay the Secured Convertible Notes, If Required, Could Result in Legal Action Against Us, Which Could Require the Sale of Substantial Assets.

If we were required to repay the secured convertible notes, we would be required to use our limited working capital and raise additional funds. If we were unable to repay the secured convertible notes when required, the note and stock holders could commence legal action against us and foreclose on all of our assets to recover the amounts due. Any such action would require us to curtail or cease operations.

Risks Relating to Our Common Stock:

Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

1. that a broker or dealer approve a person's account for transactions in penny stocks; and
2. the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

1. obtain financial information and investment experience objectives of the person; and
2. make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

1. sets forth the basis on which the broker or dealer made the suitability determination; and
2. that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

FORWARD-LOOKING INFORMATION

From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but not limited to, press releases, oral statements made with the approval of an authorized executive officer. Words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "project or projected", or similar expressions are intended to identify "forward-looking statements". Such statements are qualified in their entirety by reference to and are accompanied by the above discussion of certain important factors that could cause actual results to differ materially from such forward-looking statements.
