MODERN TECHNOLOGY CORP

Nevada	**11-2620387**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Class	Outstanding at June 30, 2009
Common stock, $0.0001 par value	1,884,761,251

PART I — FINANCIAL INFORMATION

MODERN TECHNOLOGY CORP.
CONSOLIDATED BALANCE SHEETS
June 30, 2009
(unaudited)

ASSETS	
CURRENT ASSETS	
Cash	$ 9,453
Total Current Assets	9,453
Property and Equipment, net	445,325
Notes Receivable	400,000
Intangible asset - Software, net	200,000
Fuel Cell Designs	750,000
Distribution and Marketing Rights	750,000
TOTAL ASSETS	$ 2,554,778
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts Payable & Accrued Expenses	$ 625,766
Dividend Payable	
TOTAL CURRENT LIABILITIES	625,766
Preferred Stock Derivative Liabilty	
Convertible Debt Liability	903,530
Common Stock Warrant Derivative Liability	-
TOTAL LIABILITIES	1,529,296
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY(DEFICIT)	
Preferred Stock	
Authorized: 20,000,000 Shares, $.0001 par value	
Series A, 6% cumulative, convertible liquidation value $1,500,000: Issued and Outstanding: 1,500 shares	-
Series B Preferred Stock, 4% cumulative, convertible, issued and and outstanding: 1,210,000 shares	-
Common Stock Par Value $.0001	
Authorized: 2,000,000,000 Shares	
Issued and Outstanding: 1,884,761,251 Shares	188,476
Accumulated (Deficit)	(4,656,067)
Paid-in-Capital	5,804,043
Capital Returned	(310,970)
TOTAL STOCKHOLDER'S EQUITY(DEFICIT)	1,025,482
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY(DEFICIT)	$ 2,554,778

MODERN TECHNOLOGY CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

		3 Months Ending June 30 **2009**		3 Months Ending March 31 **2009**
REVENUE				
Sales	$	3,465,788	$	4,766,8
Cost of Sales		3,236,899		4,425,9
Gross Margin		228,889		340,8
EXPENSES (INCOME)				
Salaries, Benefits & Related Taxes		156,766		135,4
General and Administrative Expenses		223,458		205,9
Interest Income		-		-
Interest Expense		6,036		6,0
Unrealized (Gain) Loss		-		-
Loss on Impairment of Goowill		-		-
Loss on sale of investment		-		-
Change in value of derivative liabilities		-		
TOTAL EXPENSES (INCOME)		386,260		347,4
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE OTHER INCOME (EXPENSE) TAXES AND MINORITY INTEREST		(157,371)		(6,5
Minority interest expense		-		-
NET INCOME (LOSS)	$	(157,371)	$	(6,5
Preferred Stock Dividends-Deemed		-		-
Preferred Stock Dividends-Series A and Series B, in arrears		-		-
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$	(157,371)	$	(6,5
INCOME (LOSS) PER SHARE--BASIC AND DILUTED	$	-	$	-
NUMBER OF WEIGHTED AVERAGE SHARES OUTSTANDING		*1,884,761,251*		*1,319,761,2*

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

MODERN TECHNOLOGY CORP.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

Modern Technology Corp (Modern) is a Nevada Corporation.

We are engaged in aiding both private and public companies in the areas of business development, financing, product development, corporate strategy, corporate image and public relations, product distribution and marketing, and executive management consulting. We collectively refer to companies in which we own an equity position, our majority owned subsidiaries, corporate 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.

We seek to build revenues by a model continuous growth, strategic acquisitions, and commercialization of nascent technology. We seek to improve operating efficiencies among our portfolio companies through elimination of cost redundancies and realized synergy between subsidiaries. We also seek to commercialize new technology and provide to our portfolio companies and subsidiaries new product lines, operations infrastructure, and significant intellectual capital.

MODC acquires promising technology companies and related assets to promote their growth and development. The company provides interim management and related services to its portfolio and client companies. It builds revenues and asset value through a model of continuous growth and derives further income from appreciation of its portfolio and licensing or revenue-sharing agreements. Web: http://www.moderntechnologycorp.com.

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:

Modern Technology Corp's 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.

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.

Effects of Recent Accounting Pronouncements:

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. We plan to adopt SFAS No. 157 on July 1, 2008. We are evaluating the impact, if any, that SFAS No. 157 will have on our financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on de-recognition, classification, accounting in interim periods, and disclosure requirements for uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of FIN 48 on its consolidated financial position and results of operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140*. This statement amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interest in Securitized Financial Assets. SFAS No. 155 (a) permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; (c) establishes a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (e) eliminates restrictions on a qualifying special-purpose entity's ability to hold passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. The standard also requires presentation within the financial statements that identifies those hybrid financial instruments for which the fair value election has been applied and information on the income statement impact of the changes in fair value of those instruments. The Company is required to apply SFAS No. 155 to all financial instruments acquired, issued or subject to a re-measurement event beginning July 1, 2007, although early adoption is permitted as of the beginning of an entity's fiscal year. The Company is evaluating the provisions of SFAS No. 155. The effects of adopting of SFAS No. 155 on the Company's financial statements are not known at this time.

In May 2005, FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which replaces APBO No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. This pronouncement applies to all voluntary changes in accounting principle, and revises the requirements for accounting for and reporting a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. This pronouncement also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 retains many provisions of APBO No. 20 without change, including those related to reporting a change in accounting estimate, a change in the reporting entity, and correction of an error. The pronouncement also carries forward the provisions of SFAS No. 3 which govern reporting accounting changes in interim financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of SFAS No. 154. The Company has applied the provisions of this statement effective July 1, 2006.

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 of rewards programs. 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. Credit procedures have been established whereby detailed analyses are performed to control the granting of credit to high-risk customers of rewards programs.

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-classed this aged uncollectible debt as paid-in capital

NOTE 6: CHANGES IN AND DISAGREEMTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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 1982 as a for-profit corporation. We have never experienced any bankruptcy or similar proceeding. We are engaged in aiding both private and public companies in the areas of business development, financing, product development, corporate strategy, corporate image and public relations, product distribution and marketing, and executive management consulting. 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

Gen-H

Generation H develops water and hydrogen based fuel systems and power generation technologies. GH's target markets include retro-fitting automobile and truck engines with their proprietary hydrogen generator and fuel enhancement technology as well as the production of standalone water and hydrogen fuel based generator units for residential and commercial power creation.

The Gen-H system delivers increased fuel economy between 10% and 50% and can significantly reduce or eliminate exhaust emissions. The on-demand hydrogen insures reliable fuel creation without the hazard of hydrogen storage. The Gen-H system creates fuel from water and delivers pure hydrogen and oxygen directly to the vehicle's engine.

The Company intends to expand it manufacturing and distribution of this system through industry partnerships and direct manufacturing and production.

Avatron Technology Group is an aggregator of international companies and acts as supplier and distributor of electronic and software components and systems and related services. It has joined Modern in order for Modern to provide interim management and sales infrastructure for its intended expansion in the USA and Asia. Modern will provide corporate branding, marketing materials, English/USA based web sites and sales and marketing support within the USA. Modern Technology Corp must become fully-reporting and provide a sum of no less than $500,000 in capital to Avatron Group on or before September 1, 2009. Failure to achieve these obligations may cause Avatron to pursue other ownership and capital financing.

Insight Medical

On January 8, 2007 we entered into an agreement to purchase certain assets of Insight Medical Group, which has technology that will allow for the detection of cancer. Modern is prepared to being marketing the detection service in its license geographic area. Pursuant to Agreement entered into Q1 of 2007, our investors breach material terms of the Agreement and failed to deliver the funding as provided for and in breach of a Term Sheet executed between the Company and the investors. As a result, we have been unable to meet our commitments to Insight Medical and as a result we have modified the original asset purchase agreement to return the assets in exchange for marketing and distribution rights for the technology and a equity distribution to all MODC stockholders as soon as practicable.

H-NET

On July 10, 2005, Modern Technology Corp. ("MOTG") entered into an Asset Purchase Agreement ("Agreement") to purchase the assets, software, and related technology and intellectual property of H-NET ("Hnet"). No material relationship exists between the parties, other than in respect of the Agreement. Under the terms of the Agreement, MOTG agreed to purchase all of the rights, title and interest in, to certain assets owned by Hnet. In exchange for assets delineated under the Agreement, consisting of software, Hnet will receive $500,000 payable in the form of 350,000 shares of MOTG restricted common stock and a Convertible Debenture in the amount of $400,000. This transaction was filed under a Form 8-K on August 2, 2005 and is hereby incorporated by reference. MOTG has recorded $500,000 as software on the balance sheet at September 30, 2005 as a result of this asset acquisition. It is estimated that the software has a 5 year life and is being amortized ratably over its estimated useful life.

H.NET is a digital solutions provider for the Vision and Health Care industry. With its multi-service Internet portal, web hosting services, business applications services and Internet-based transaction processing services, H-Net provides products and services to hospitals, clinics, retail opticians, chains home offices, Optometrists, Opthalmogists and Optical Laboratories. The H-NET platform has a decade of market proven results with the Optical and Eye Care industry.

The company is seeking a purchaser for this portfolio asset.

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.

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.

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 mergers and acquisitions and business development industry is extremely competitive and includes several companies that have achieved substantially greater market shares 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, and Warrants 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 and series A convertible preferred stock 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 and preferred stock and upon exercise of our warrants, 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 at a 40% 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, and warrants, 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 and Exercise of Outstanding Warrants May Cause Immediate and Substantial Dilution to Our Existing Stockholders.

The issuance of shares upon conversion of the secured convertible notes and exercise of warrants 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 and/or exercise their warrants 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.

Based on our current market price and the potential decrease in our market price as a result of the issuance of shares upon conversion of the secured convertible notes, we have made a good faith estimate as to the amount of shares of common stock that we are required to register and allocate for conversion of the secured convertible notes and series A convertible preferred stock. 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.

1.1 Limited History with No Profitable Operations

The system has no history of profitable operations. There are no assurances that Insight Medical Group will be able to develop its markets successfully or that the concept will be received as intended, and that the business will be operated profitably. Accordingly, the projections may not materialize at all or may be materially less than we have stated.

1.2 Dependence on Key and Professional Personnel

The Company's success depends to a significant extent on the efforts, knowledge, and skills of certain key management personnel. If any of their services were to become unavailable, it may have a material adverse affect on the Company and its ability to meet the projections outlined herein. Also, the Company relies on its ability to recruit and retain highly qualified management personnel. The extent to which the Company fails to attract and retain such individuals could have a material adverse effect on the Company (see Section 5).

1.3 Dependence on Strategic Partners, Alliances and Sub-contractors

The diagnostics concept may 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. At present, Insight Medical Group has formed no partnerships.

1.4 FDA approval and Convincing Medical Professionals to Request Tests

At present, the Company does not nor does the Company have immediate plans to operate a laboratory in the United States. However, Should the Company choose to operate a laboratory in the United States, the FDA would have jurisdiction but the Company does not require FDA approval because is an in-house-developed assay. In-house-developed assays are commonly know as home brews. Despite the informal name, home-brew assays are widely accepted as scientifically valid and are relied upon routinely throughout the healthcare system. They are regulated by the Centers for Medicare & Medicaid Services (CMS) under the Clinical Laboratory Improvement of 1988 (CLIA).

In August 1992, FDA issued a draft compliance policy guideline proposing to apply general medical device regulation to home-brew assays. The laboratory community objected, arguing that they were adequately regulated under CLIA, that FDA regulation would be duplicative, and that FDA lacked legal authority to regulate laboratory testing services. FDA withdrew its proposal, but insisted that it had authority to regulate home brews should it wish to do so.

In November 1997, however, CDRH published a final rule governing the use of ASRs in certain in vitro diagnostic products (IVDs) and in-house laboratory assays. The final rule was the culmination of a lengthy process in which FDA sought to determine how, if at all, it would regulate clinical laboratories that prepare in-house assays using ingredients purchased from third-party biological and chemical suppliers [96]. In the ASR regulation, FDA invoked the restricted-device authority in section 520(e) of the Federal Food, Drug, and Cosmetic Act (FD&C Act). It did so to impose certain restrictions on the sale, distribution, and use of ASRs when used as ingredients of home-brew assays and in certain IVDs.

As the FDA made clear, the agency was not actively regulating the in-house tests and had determined that strong public health reasons existed for continuing this approach. In the final rule, FDA recognized that “the use of in-house-developed tests has contributed to enhanced standards of medical care in many circumstances, and that significant regulatory changes in this area could have negative effects on the public health.” The agency said that the laboratories would be responsible for both the quality and interpretation of results generated from those tests [97]. Thus, the final rule focused not on the in-house tests, but on the ASRs that are used in preparing such tests.

Furthermore, the company does not treat, cure, or diagnose any disease. We offer laboratory services to detect the presence or absence of advanced chromosomal imbalances within the nucleus of cells. The pathologist, doctor, or other licensed health-care practitioner makes a diagnosis to the patient. However in order to expand its marketing capabilities (for example: direct marketing of our services to consumers) within the USA the Company may wish to obtain FDA approval and undertake clinical trials to provide proof of the cancer diagnostic benefits associated with assessing chromosomal imbalance. There is the risk that the clinical trials may not show sufficient utility to obtain FDA approval. Furthermore, if in the future the Company is unable to convince sufficient medical professionals of the merits of the chromosomal imbalance test, it may materially impair the Company's ability to succeed, which could result in the projections outlined herein not materializing at all or be negatively affected in a material way.

1.5 Competition

The Company's competitors are only partially defined at the present, however, several large diagnostics companies could become interested in the market in which the Company plans to compete. Potential competitors could possess greater financial, technical, and marketing resources than the Company. The extent to which the competition offers better products or services than the Company, could have a material adverse effect on the business.

1.6 Time to Market

The Aneuploidy Theory of Cancer has been contemplated for nearly a century. There is the risk that a competitor with greater resources could develop a similar diagnostic device and achieve FDA approval in advance of the Company, which could have a material adverse effect on the business.

1.7 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.

The revenue models only cover the USA market. As part of our initial marketing strategy, we will market our services to the Carribean and Central and South America concurrently with our entry into the US Market. Our revenue projections do not include the sales figures from the international marketplace. We have no reasonably accurate data or management knowledge of these markets sufficient to create a good-faith model. However, we have selected these markets to offer our services into as part of our overall marketing strategy of entry into the USA marketplace as a means to establish and pre-existing customers and enhance marketplace credibility. The revenue projections, therefore, could easily be increased by a substantial amount should we meet with nominal success in the early international marketplace. However, if we fail in the international marketplace, the projections outlined herein will likely not materialize at all or be affected negatively in a material way. We are not willing to make good-faith projections on these international markets at this time due to the reasons stated. 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.

Assumptions used in the revenue models and projections are based on a gradual assumed increase of the Company's share of the target market and a gradual assumed increase of the general acceptance of chromosomal imbalance testing within that market. For example, for our first target market for 'indeterminates', we assume, based on a good-faith estimate by Management, an initial Market Penetration of testing chromosomal imbalance at 5% increasing by 5% each year. Of this calculated amount, we assumed, based on Management's good faith estimate, that the Company will represent 100% of this portion of the overall market. We assume the company will have 100% of the market because no competition exists within that market space. Therefore, the main limiting factor of our ability to penetrate the target market, in the example of ‘indeterminates’ , is the estimated percent of that market that will decide to use chromosomal imbalance testing.

The assumed and expected charge we have used in our revenue models for our ASCUS test to be $100 to properly classify an indeterminate Pap smear. We estimate $100 to be our price for prostate tests also. Management has chosen the figure of $100 as market-competitive and comparably priced to other tests in use today as per our conversations and research with industry veterans and therefore believes the amount to be reasonable and justified.

1.8 Product Liability Potential

Although Management believes that the test methodology is a great improvement over existing test procedures, there is no “fool-proof” method of cancer detection. While we believe the situation will not occur, there is the potential that our product could provide false negative and false positive test results. In the event of a false positive result, the individual is incorrectly diagnosed to have cancer, while a false negative incorrectly diagnoses the individual to be without cancer. There is the risk that an erroneous test result may expose the Company to litigation. Although the Company will use its best efforts to obtain product liability insurance, there is the risk that the cost of such insurance may be prohibitively expensive or that the coverage will not be sufficient to cover a claim against the Company impairing continued operations.

2.0 Sales Projections

The following revenue projections are based on our best, good-faith estimate and rely heavy on a number of assumptions . Actual results may vary substantially from these projections, either higher or lower than expected. These projections are based on estimates of market share capture and our ability enter these markets successfully. If we are unable to achieve our marketing goals or fail to raise sufficient funding to expand the business we may not meet these projections.

2.1 Prostate Cancer Diagnosis

Prostate tumors with an intermediate histological grade represent the majority of prostate tumors that cannot be determined by current clinical laboratory methods. We believe the measurement of chromosomal imbalance (aneuploidy) provides the only clinically useful prognostic information for patients with these intermediate grade tumors.

Our market research indicates that there are approximately 2 million men living with prostate cancer in the USA [94], with a growth rate of about 200,000 new cases per year. As a start up company with no operational history concerning the System, there are significant assumptions and risks associated with our ability to successfully introduce into the market.

2.2 Entry into the competition-free ‘indeterminate’ Cervical cancer market

Currently, cervical cancer represents a larger market than prostate cancer with 55 million Pap smears collected in the USA annually [4]. The company’s first entry into this market space will be the competition free market of 2-5 million (and rising) “ASCUS” (indeterminate) Pap smears generated annually.

Based on scientific research and system testing, we believe measuring chromosomal imbalance in cervical smears is an independent predictor of biological outcome and will sort out the non-cancerous cells, precancerous cells, and cancerous cells in the ASCUS slide’s cell population. We are not aware of any method at present in clinical laboratories for deciding the status of an ASCUS slide. Based on the science and the system test results we believe that the system can quickly deliver comprehensive and accurate results for any ASCUS slide. Our estimates put the ASCUS market in the USA at $200-$500 million annually.

2.3 Overall Cancer Diagnostic Marketplace

The worldwide market potential is unquantifiable. The ' Cancer Detection System' is not limited to the cancers mentioned above. A wealth of scientific research and system testing lead us to believe that the system functions for any slide preparation and delivers rapid and accurate results in all suspected cancerous samples. It must be noted that our predictions only cover the USA market. As part of our initial marketing strategy, we will market our service to the Caribbean and Central and South America concurrently with our entry into the US Market. Our revenue projections do not include the sales figures from the international marketplace. The initial and concurrent marketing of our services to areas outside the USA are intended to establish early sales and credibility for our product. We believe the international market is larger and will be part of the company's initial marketing efforts alongside the USA.

2.4 Summary and Background for Revenue Modeling

Our revenue projection models originate from 1999-2000 and were originally based on population and cancer incidence rate from the latest data of 1997. Based on the fact both population and rates of incidence data have increased since 1997 and a reasonably small number of market penetration percentages were estimated by Management, we believe that the models are conservative. The revenue calculations would be higher if the most recent higher population data were used alongside the more recent higher rates of incidence [4]. The models and the data were reviewed in 2006 and determined by Management to be valid for the purposes of revenue modeling and projections. The rates of incidence data and the population data were not updated to the most recent data in order to purposely bias the revenue projections to the most reasonably conservative number output. The market percentage penetration numbers were arrived at based on careful consideration by management and advisors to Management at the time of the model's creation as well as reconsideration of the entire model and data in 2006. Based on the input from the original models' authors, Management's expertise and industry knowledge, Management concluded the percentages chosen were both reasonable and in Management's opinion, conservative. The actual results and percentage of market penetration may be higher or lower than Management's estimates. We believe the revenue projection models consistent with industry projection modeling techniques and have found to reason to change the calculations or methodology used in the original 1999-2000 models. Based on our belief that the 1997 data creates conservative modeling numbers, we chose to retain the 1997 dataset in order to bias the revenue projections to a more conservative output for our planning purposes. If we updated the models to the 2005 dataset, and based on the fact the revenue projection are based on percentages of these base numbers, therefore the revenue projections would rise accordingly as the rates of incidence as well as population numbers have risen.

RISKS RELEATED TO GEN-H

GEN-H RELIES ON TRADE SECRET AND SIMILAR MEANS TO PROTECT MUCH OF ITS INTELLECTUAL PROPERTY WHICH MAY NOT PROVE TO BE EFFECTIVE, WITH THE EFFECT OF AN IMPAIRMENT IN OUR RIGHTS.

The Company relies on trade secret law, confidentiality agreements and physical security such as restricted access to protect much of its intellectual property. These means of protection may not be effective with the consequence that others may obtain knowledge of our intellectual property. To protect its rights that others learn illegally may require us to expend time and financial resources pursuing court actions. These actions are typically expensive and are not always conclusive in favor of the claimant. In addition, though we believe doing so would be difficult, it may be possible for third parties to reverse engineer its fuel cells through inspection and testing. Finally, although we are not aware, it is possible that third party patents may exist on which our technology may infringe. Our financial condition may be impaired in any such events, and it may lose its competitive position as a result.

IF WE ARE UNABLE TO OBTAIN ADDITIONAL FUNDING, OUR BUSINESS OPERATIONS WILL BE HARMED. EVEN IF WE DO OBTAIN ADDITIONAL FINANCING OUR THEN EXISTING SHAREHOLDERS MAY SUFFER SUBSTANTIAL DILUTION.

We will require additional funds to market our services and address all necessary infrastructure concerns. Such funds may come from the sale of equity and/or debt securities and/or loans. It is possible that additional capital will be required to effectively support the operations and to otherwise implement our overall business strategy. The inability to raise the required capital will restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain necessary financing, we will likely be required to curtail our development plans which could cause the company to become dormant. Any additional equity financing may involve substantial dilution to our then existing shareholders.

WE HAVE NO EXPERIENCE MANUFACTURING ON-BOARD HYDROGEN GENERATING AND INJECTIONS SYSTEMS, ON A COMMERCIAL BASIS WHICH MAY RESULT IN DELAYS IN SALES AND RESULT IN ADDITIONAL DEVELOPMENT COSTS.

We have no experience designing and manufacturing on-board hydrogen generating and injections systems, on a commercial basis. We do not know whether or when we will be able to develop efficient, low-cost manufacturing capability and processes that will enable it to meet the production standards or production volumes necessary to successfully market its products. Even if we are successful in developing its manufacturing capability and processes, we do not know whether we will do so in time to meet its product commercialization schedule. Therefore, investors may lose the opportunity to profit from the development of our technology and business plan because there may be delays in sales, additional development costs and loss of market position.

NEWER TECHNOLOGIES COULD RENDER OUR SYSTEMS OBSOLETE PRIOR TO COMMERCIALIZATION, AND THEREFORE WILL CAUSE US TO CURTAIL OUR CURRENT BUSINESS PLAN AND AN IMPAIRMENT IN AN INVESTMENT IN OUR COMPANY.

Our on-board hydrogen generating and injections systems are one of a number of energy products being developed today as supplements to reciprocating engines. Technological advances in alternative energy products, improvements in reciprocating engine/generator sets, and other fuel cell technologies may render our systems obsolete, therefore causing a diminished value of an investment in our Company.

WE ARE SUBJECT TO COMPETITION WITH TRADITIONAL AND OTHER ALTERNATIVE ENERGY SYSTEMS, ANY OF WHICH COULD BE DETERMINED BETTER, MORE RELIABLE OR MORE COST EFFICIENT AND ANY OF WHICH COULD REDUCE DEMAND FOR OUR PRODUCTS.

Our success depends on our ability to compete with other energy systems providers. We are likely to face competition from existing energy systems providers, including combustion turbine manufacturers and the automobile industry, who may decide to sell to the same customers and/or to build expansions of their own power generating systems, and from equipment manufacturers and local contractors who typically build energy systems upon a customer's request and may decide to build excess power generating capacity which would compete with our products. Due to the highly competitive nature of the American, European and international energy industries, new companies may emerge in the future offering services and products similar to our products. Management believes that the liberalization of the energy market is likely to attract more competitors, such as companies offering traditional technology products like combustion turbines, internal combustion engines and others. , This intensifying competition could reduce the demand for our products.

WE PLAN TO OPERATE AND SELL OUR PRODUCTS IN VARIOUS COUNTRIES, WE WILL BE SUBJECT TO VARYING DEGREES OF REGULATION IN EACH OF THE JURISDICTIONS IN WHICH WE OPERATE.

There can be no assurance that regulatory, judicial and legislative changes will not have a material adverse effect on our operations. For example, regulators may raise material issues with regard to our compliance or non-compliance with applicable regulations or judicial decisions may impact on our operations, each of which could have a material adverse effect on our business, financial condition and results of operations because of added costs or as an impediment or barrier to marketing and sales.

A SUBSTANTIAL OR EXTENDED DECLINE IN CRUDE OIL PRICES, WOULD REDUCE OUR OPERATING RESULTS AND CASH FLOWS, AND COULD IMPACT OUR FUTURE RATE OF GROWTH AND THE CARRYING VALUE OF OUR ASSETS.

Prices for crude oil fluctuate widely. Our revenues, operating results and future rate of growth are dependent on the gas prices our customers pay. Our product helps reduce the gas consumption in vehicles. When gas prices are high most likely demand for products will increase, and when gas prices are low most likely demand for products will decrease. Historically, the markets for crude oil, have been volatile and may continue to be volatile in the future. The factors influencing the prices of crude oil, are beyond our control. The long-term effects of these and other conditions on the prices of crude oil are uncertain.

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.