

PPJE ENTERPRISE
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013

(UNAUDITED)

ASSETS

CASH	33,837*
CONTRACTS RECEIVABLE	2,672,132
INVENTORY	103,011
EQUIPMENTS	17,217
LEASE DEPOSIT	3,300
OTHER CURRENT ASSETS	6,478,400

TOTAL ASSETS	9,307,897
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LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

ACCOUNTS PAYABLE AND ACCURED EXPENSES	256,236
ACCRUED OFFICERS DUE	535,000
LEASE LIABILITIES (3 YRS)	89,670
NOTES PAYABLE (CONVERTIBLE W/INTEREST EST)	330,100
CONVERTIBLE NEW LOAN (CONVERTIBLE)	210,000
TOTAL CURRENT LIABILITIES	1,421,006

STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK \$0.001 PER VALUE; AUTHORIZED SHARES 2,000,000,000

CLASS B PREFERRED AUTHORIZED 1,021,000 PAR VALUE \$2.50

CLASS A PREFERRED AUTHORIZED 100,000 PER VALUE \$10.00

894,094,091 SHARES OF COMMON STOCK ISSUED AND

OUTSTANDING @ .0006	536,456
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CLASS B PREFERRED TO BE ISSUED 1,021,000 PAR VALUE \$2.50	2,552,500
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CLASS B PREFERRED STOCKS TO BE ISSUED 447,423 FOR 2006/2007

CONVERTIBLE NOTES	1,135,335
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SHARES TO BE ISSUED	310,220
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TOTAL STOCKHOLDERS EQUITY	4,534,511
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RETAINED EARNING	(18,571)
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ADDITIONAL PAID IN CAPITAL	3,370,951
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	9,307,897
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THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

PPJ ENTERPRISE
CONSOLIDATED STATEMENTS OF OPERATIONS (COMPARISON)
(UNAUDITED)

FOR THE YEAR ENDING DECEMBER

2014 2013

GROSS SALES CONTRACT AND SERVICE REVENUE \$	37,010***	833,141****
COMMISSION	1,000	21,572
CONTRACT AND SERVICE COST	42,090	542,130
LITIGATION COST	46,328	101,000
GROSS PROFIT	(52,408)	168,439

PROVISION FOR INCOME TAXES

(NET LOSS)\GAIN	(52,408)	167,639
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EARNING PER SHARE:

BASIC & DILUTED NET EARNINGS PER SHARE FROM
OPERATIONS

THE ACCOMPANYING NOTES ARE AN INEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

*WEIGHTED AVERAGE NUMBER OF SHARES USED TO COMPUTE BASIC AND DILUTED LOSS PER SHARE IS THE SAME SINCE THE EFFECT OF DILUTIVE SECURITIES ARE ANTI-DILUTIVE.

*** Cash flow drastically down due to lack of adequate business and preparation of a large law suits by available personnel.

PPJ ENTERPRISE
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

FOR THE PERIOD ENDING MARCH 2014

NET INCOME

CASH FLOW FROM OPERATING ACTIVITIES	37,010**
NET GAIN	
DEPRECIATION AND AMORTIZATION	
ISSUANCE OF SHARES (TO BE ISSUED)	310,220
AMORTIZATION OF SHARES ISSUED FOR COMPENSATION	
BENEFICIAL CONVERSION OF FEATURE EXPENSE	
INCREASE IN CURRENT ASSETS	362,095
CONTRACT RECEIVABLES	2,672,138
INCREASE IN CURRENT LIABILITIES	(136,638)
LITIGATION ACCRUAL	173,271

ACCRUED OFFICERS' PAYABL

535,000

NET CASH USED IN OPERATING ACTIVITIES 89,418

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CASH FLOWS FROM FINANCING ACTIVITIES:

PROCEEDS FROM NOTES PAYABLE RELATED PARTY

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

NET INCREASE IN CASH & CASH EQUIVALENTS

CASH & CASH EQUIVALENTS, BEGINING BALANCE 33,837

CASH & CASH EQUIVALENTS, ENDING BALANCE (18,571)

CASH PAID DURING THE FIRST YEAR FOR:

INTEREST PAID 9,317

INCOME TAXES PAID (TO BE PAID)

****4TH QTR OF 2013, 2012, 2011, 2010, 2009, 2008, 2007 FISCAL YEAR END HAVE BEEN REPORTED ON WWW.OTCMARKETS.COM WEB SITE**

PPJ ENTERPRISE
STATEMENT OF CHANGE IN STOCKHOLDERS' EQUITY

DESCRIPTION	COMMON SHARES	CLASS B AMOUNT	PAID IN CAPITAL	SHARES TO BE ISSUED	TOTAL SHARHOLDER ACCUMULATED EQUITY
BALANCE ON March 31, 2014	894,094,091	1,468,423	\$ 1,118,557+3,671,057	\$ 310,220	\$4,983,614

ANNUAL FINANCIAL REPORTS OF **2012, 2011, 2010, 2009 AND 2008 HAVE BEEN POSTED ON WWW.OTCMARKETS.COM**

FINANCIAL NOTES

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) ORGANIZATION AND NATURE OF BUSINESS

HEALTHCARE BUSINESS SERVICES GROUPS INC. (HEREIN REFERRED TO AS "HEALTHCARE" OR "COMPANY" WAS FORMED IN DELAWARE IN DECEMBER 1994. ON APRIL 23, 2004, THE COMPANY ACQUIRED 100% OF THE ISSUED

AND OUTSTANDING SHARES OF AUTOMED SOFTWARE CORP., A NEVADA CORPORATION ("AUTOMED"), AND 100% OF THREE CORPORATIONS.

THE COMPANY ACQUIRED HEALTHCARE, AUTOMED, AND SILVER SHADOW FROM THE SOLE OWNER, IN EXCHANGE FOR 25,150,000 NEWLY ISSUED TREASURY SHARES OF THE COMPANY'S COMMON STOCK, AND THE COMPANY CHANGED ITS NAME TO HEALTHCARE. HERE IN AFTER ALL REFERENCES TO THE COMPANY REFERS TO HEALTHCARE. AUTOMED AND SILVER SHADOW AS A COLLECTIVE WHOLE SINCE THEIR VARIOUS INCEPTIONS.

THE MERGER OF THE COMPANY WITH HEALTHCARE BUSINESS SERVICES GROUPS INC HAS BEEN ACCOUNTED FOR AS A REVERSE ACQUISITION UNDER THE PURCHASE METHOD OF ACCOUNTING SINCE THE SHAREHOLDERS OF HEALTHCARE BUSINESS SERVICES GROUPS INC, OBTAINED CONTROL OF THE CONSOLIDATED ENTITY. ACCORDINGLY, THE MERGER OF THE TWO COMPANIES HAS BEEN RECORDED AS A RECAPITALIZATION OF THE HEALTHCARE BUSINESS SERVICES GROUP INC., BEING TREATED AS THE CONTINUING ENTITY. THE CONTINUING COMPANY HAS RETAINED DECEMBER 31 AND ITS FISCAL YEAR END.

HEALTHCARE IS A MEDICAL BILLING SERVICE PROVIDER THAT FOR OVER FIFTEEN YEARS HAS ASSISTED VARIOUS HEALTH CARE PROVIDERS TO SUCCESSFULLY ENHANCE THEIR BILLING FUNCTION. HEALTHCARE HAS A DIVERSIFIED MARKET SERVICING AZ, NY, WA, DL, TX, AND CALIFORNIA.

PRINCIPLES OF CONSOLIDATION

THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS INCLUDE THE ACCOUNTS OF THE COMPANY.

(B) USE OF ENTITIES

IN PREPARING FINANCIAL STATEMENTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, MANAGEMENT IS REQUIRED TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT THE REPORTED AMOUNTS OF ASSETS, LIABILITIES, AND REVENUES AND EXPENSES, AS WELL AS CERTAIN FINANCIAL STATEMENTS AND DISCLOSURES. WHILE MANAGEMENT BELIEVES THAT THE ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS ARE APPROPRIATE, ACTUAL RESULTS DIFFER FROM THOSE ESTIMATES.

(C) CASH AND CASH EQUIVALENTS

FOR PURPOSES OF THE CASH FLOW STATEMENTS, THE COMPANY CONSIDERS ALL HIGHLY LIQUID INVESTMENTS WITH ORIGINAL MATURITIES OF THREE MONTHS OR LESS AT THE TIME OF PURCHASE TO BE CASH EQUIVALENTS.

(D) REVENUE RECOGNITION

THE COMPANY'S REVENUE RECOGNITION POLICIES ARE IN COMPLIANCE WITH STAFF ACCOUNTING BULLETIN SAB 104. ALL REVENUE IS RECOGNIZED WHEN PERSUASIVE EVIDENCE OF AN ARRANGEMENT EXISTS, THE SERVICE OR SALE IS COMPLETE, THE PRICE IS FIXED OR DETERMINABLE AND COLLECTIBILITY IS REASONABLY ASSURED. REVENUE IS DERIVED FROM COLLECTIONS OF MEDICAL BILLING SERVICES. REVENUE IS RECOGNIZED WHEN THE COLLECTION PROCESS IS COMPLETE WHICH OCCURS WHEN THE MONEY IS COLLECTED AND RECOGNIZED ON A NET BASIS.

LICENSE REVENUE- THE COMPANY RECOGNIZES REVENUE FROM LICENSE CONTRACTS WHEN A NON-CANCELABLE, NON-CONTINGENT LICENSE AGREEMENT HAS BEEN SIGNED, THE SOFTWARE PRODUCT HAS BEEN DELIVERED, NO UNCERTAINTIES EXIST SURROUNDING PRODUCT ACCEPTANCE, FEES FROM THE AGREEMENT ARE FIXED AND DETERMINABLE AND COLLECTION IS PROBABLE. ANY REVENUES FROM SOFTWARE ARRANGEMENTS WITH MULTIPLE ELEMENTS ARE ALLOCATED TO EACH ELEMENT OF THE ARRANGEMENT BASED ON THE RELATIVE FAIR VALUES USING SPECIFIC OBJECTIVE EVIDENCE AS DEFINED IN THE SOPS. IF NO SUCH OBJECTIVE EVIDENCE EXISTS, REVENUES FROM THE ARRANGEMENTS ARE NOT RECOGNIZED UNTIL THE ENTIRE ARRANGEMENT IS COMPLETED AND ACCEPTED BY THE CUSTOMER. FOR ARRANGEMENTS THAT REQUIRE SIGNIFICANT PRODUCTION, MODIFICATION OR CUSTOMIZATION OF SOFTWARE, THE ENTIRE ARRANGEMENT IS ACCOUNTED FOR BY THE PERCENTAGE OF COMPLETION METHOD, IN CONFORMITY WITH ACCOUNTING RESEARCH BULLETIN ("ARB") NO. 45 AND SOP 81-1.

SERVICES REVENUE- REVENUE FROM CONSULTING SERVICES IS RECOGNIZED AS THE SERVICES ARE PERFORMED FOR TIME-AND-MATERIALS CONTRACTS AND CONTRACT ACCOUNTING IS UTILIZED FOR FIXED-

PRICE CONTRACTS. REVENUE FROM TRAINING AND DEVELOPMENT SERVICES IS RECOGNIZED AS THE SERVICES ARE PERFORMED. REVENUE FROM MAINTENANCE AGREEMENT IS RECOGNIZED RATABLY OVER THE TERM OF THE MAINTENANCE AGREEMENT, WHICH IN MOST INSTANCES IS ONCE YEAR.

(e) PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT IS STATED AT COST. ADDITIONS ARE CAPITALIZED AND MAINTENANCE AND REPAIRS ARE CHARGED TO EXPENSE AS INCURRED. GAINS AND LOSSES ON DISPOSITIONS OF EQUIPMENT ARE REFLECTED IN OPERATIONS. DEPRECIATION IS PROVIDED USING THE STRAIGHT-LINE METHOD OVER THE ESTIMATED USEFUL LIFE OF THE ASSETS FROM THREE TO SEVEN YEARS. EXPENDITURES FOR MAINTENANCE AND REPAIRS ARE CHARGED TO EXPENSE AS INCURRED.

(F) SOFTWARE DEVELOPMENT COSTS

THE COMPANY COMPLIED WITH STATEMENT OF POSITION 98-1 ("SOP98-1") "ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE", AS ACCOUNTING POLICY FOR INTERNALLY DEVELOPED COMPUTER SOFTWARE COSTS. UNDER SOP 98-1, WE CAPITALIZED SOFTWARE DEVELOPMENT COSTS INCURRED DURING THE APPLICATION DEVELOPMENT STAGE.

SUBSEQUENTLY, THE COMPANY DECIDED TO MARKET THE SOFTWARE AUTOMED. THEREFORE THE COMPANY IS FOLLOWING THE GUIDELINE UNDER SFAS86. SFAS86 SPECIFIES THAT COSTS INCURRED INTERNALLY IN CREATING A COMPUTER SOFTWARE PRODUCT SHALL BE CHARGED TO EXPENSE WHEN INCURRED AS RESEARCH AND DEVELOPMENT UNTIL TECHNOLOGICAL FEASIBILITY HAS BEEN ESTABLISHED FOR THE PRODUCT. THEREAFTER, ALL SOFTWARE PRODUCTION COSTS SHALL BE CAPITALIZED AND SUBSEQUENTLY REPORTED AT THE LOWER OF UNAMORTIZED COST OR NET REALIZABLE VALUE.

CAPITALIZED COSTS IS BEING AMORTIZED BASED ON CURRENT AND FUTURE REVENUE FOR THE PRODUCT (AUTOMED) WITH AN ANNUAL MINIMUM EQUAL TO STRAIGHT-LINE AMORTIZATION OVER THE REMAINING ESTIMATED ECONOMIC LIFE OF THE PRODUCT.

(G) IMPAIRMENT OF LONG-LIVED ASSETS

EFFECTIVE JANUARY 1, 2002, THE COMPANY ADOPTED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 144, "ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS" ("SFAS 144") WHICH ADDRESSES FINANCIAL ACCOUNTING AND REPORTING FOR THE IMPAIRMENT OF DISPOSAL OF LONG-LIVED ASSETS AND SUPERSEDES SFAS NO. 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF," AND THE ACCOUNTING AND REPORTING PROVISIONS OF APB OPINION NO. 30, "REPORTING THE RESULTS OF OPERATIONS FOR A DISPOSAL OF A DEPARTMENT OF A BUSINESS." THE COMPANY PERIODICALLY EVALUATED THE CARRYING VALUE OF LONG-LIVED ASSETS TO BE HELD AND USED IN ACCORDANCE WITH SFAS 144. SFAS 144 REQUIRES IMPAIRMENT LOSSES TO BE RECORDED ON LONG-LIVED ASSETS USED IN OPERATIONS WHEN INDICATORS OF IMPAIRMENT ARE PRESENT AND THE UNDISCOUNTED CASH FLOWS ESTIMATED TO BE GENERATED BY THOSE ASSETS ARE LESS THAN THE ASSETS' CARRYING AMOUNTS. IN THAT EVENT, A LOSS IS RECOGNIZED BASED ON THE AMOUNT BY WHICH THE CARRYING AMOUNT EXCEEDS THE FAIR MARKET VALUE OF THE LONG-LIVED ASSETS. LOSS ON LONG-LIVED ASSETS TO BE DISPOSED OF IS DETERMINED IN A SIMILAR MANNER, EXCEPT THAT FAIR MARKET VALUES ARE REDUCED FOR THE COST OF DISPOSAL.

(H) STOCK BASED COMPENSATION

THE COMPANY ADOPTED SFAS NO. 123-R EFFECTIVE JANUARY 1, 2006 USING THE MODIFIED PROSPECTIVE METHOD. UNDER THIS TRANSITION METHOD, STOCK COMPENSATION EXPENSE INCLUDES COMPENSATION EXPENSE FOR ALL STOCK-BASED COMPENSATION AWARDS GRANTED ON OR AFTER JANUARY 1, 2006 BASED ON THE GRANT-DATE FAIR VALUE ESTIMATED IN ACCORDANCE WITH THE PROVISIONS OF SFAS NO. 123-R.

PRIOR TO JANUARY 1, 2006 THE COMPANY MEASURED STOCK COMPENSATION USING THE INTRINSIC VALUE METHOD OF ACCOUNTING IN ACCORDANCE WITH ACCOUNTING PRINCIPLES BOARD (APB) OPINION NO. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES," AND RELATED INTERPRETATIONS (APB NO. 25) AND HAS OPTED FOR THE DISCLOSURE PROVISIONS OF SFAS NO. 123. THUS, EXPENSE WAS GENERALLY NOT RECOGNIZED FOR THE COMPANY'S EMPLOYEE STOCK OPTION AND PURCHASE PLANS.

THERE WERE NO UNVESTED STOCK OPTIONS AS OF DECEMBER 31, 2006 AND THE COMPANY HAS NEITHER GRANTED NOR VESTED ANY STOCK OPTIONS DURING THE YEAR ENDED DECEMBER 31, 2006.

(I) INCOME TAXES

THE COMPANY ACCOUNTS FOR INCOME TAXES UNDER THE FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 109, "ACCOUNTING FOR INCOME TAXES" ("STATEMENT 109"). UNDER STATEMENT 109, DEFERRED TAXES ASSETS AND LIABILITIES AND THEIR RESPECTIVE TAX BASES. DEFERRED TAX ASSETS AND LIABILITIES ARE MEASURED USING ENACTED TAX RATES EXPECTED TO APPLY TO TAXABLE INCOME IN THE YEARS IN WHICH THOSE TEMPORARY DIFFERENCES ARE EXPECTED TO BE RECOVERED OR SETTLED. UNDER STATEMENT 109, THE EFFECT ON DEFERRED TAX ASSETS AND LIABILITIES OF A CHANGE IN TAX RATES IS RECOGNIZED IN INCOME IN THE PERIOD THAT INCLUDES THE ENACTMENT DATE.

(J) BASIC AND DILUTED NET LOSS PER SHARE

NET LOSS PER SHARE IS CALCULATED IN ACCORDANCE WITH THE STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 128 (SFAS NO. 128), "EARNING PER SHARE." BASIC NET LOSS PER SHARE IS BASED UPON THE WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING. DILUTION IS COMPUTED BY APPLYING THE TREASURY STOCK METHOD. UNDER THIS METHOD, OPTIONS AND WARRANTS ARE ASSUMED TO BE EXERCISED AT THE BEGINNING OF THE PERIOD (OR AT THE TIME OF ISSUANCE, IF LATER), AND AS IF FUNDS OBTAINED THEREBY WERE USED TO PURCHASE COMMON STOCK AT THE AVERAGE MARKET PRICE DURING THE PERIOD. WEIGHTED AVERAGE NUMBER OF SHARES USED TO COMPUTE BASIC AND DILUTED LOSS PER SHARE IS THE SAME SINCE THE EFFECT OF DILUTIVE SECURITIES IS ANTI-DILUTIVE.

(K) FAIR VALUE OF FINANCIAL INSTRUMENTS

STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS NO. 107, "DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS" REQUIRES DISCLOSURES OF INFORMATION ABOUT THE FAIR VALUE OF CERTAIN FINANCIAL INSTRUMENTS FOR WHICH IT IS PRACTICABLE TO ESTIMATE THAT VALUE. FOR PURPOSES OF THIS DISCLOSURE, THE FAIR VALUE OF A FINANCIAL INSTRUMENT IS THE AMOUNT AT WHICH THE INSTRUMENT COULD BE EXCHANGED IN A CURRENT TRANSACTION BETWEEN WILLING PARTIES, OTHER THAN IN A FORCED SALE OR LIQUIDATION. THE CARRYING AMOUNTS OF THE COMPANY'S ACCOUNTS AND OTHER RECEIVABLES, ACCOUNTS PAYABLE, ACCRUED LIABILITIES, FACTOR PAYABLE, CAPITAL LEASE PAYABLE AND NOTES AND LOANS PAYABLE APPROXIMATES FAIR VALUE DUE TO THE RELATIVELY SHORT PERIOD TO MATURITY FOR THESE INSTRUMENTS.

(L) CONCENTRATIONS OF RISK

FINANCIAL INSTRUMENTS WHICH POTENTIALLY SUBJECT THE COMPANY TO CONCENTRATIONS OF CREDIT RISK ARE CASH AND ACCOUNTS RECEIVABLE. THE COMPANY PLACES ITS CASH WITH FINANCIAL INSTITUTIONS DEEMED BY MANAGEMENT TO BE OF HIGH CREDIT QUALITY. THE AMOUNT ON DEPOSIT IN ANY ONE INSTITUTION THAT EXCEEDS FEDERALLY INSURED LIMITS IS SUBJECT TO CREDIT RISK. ALL OF THE COMPANY'S REVENUE AND MAJORITY OF ITS ASSETS ARE DERIVED FROM OPERATIONS IN UNITED STATES OF AMERICA.

(M) REPORTING SEGMENTS

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION (SFAS NO. 131) WHICH SUPERSEDED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 14, FINANCIAL REPORTING FOR SEGMENTS OF A BUSINESS ENTERPRISE, ESTABLISHES STANDARDS FOR THE WAY THAT PUBLIC ENTERPRISES REPORT INFORMATION ABOUT OPERATING SEGMENTS IN ANNUAL FINANCIAL STATEMENTS.

HEALTHCARE WAS A MEDICAL BILLING SERVICE PROVIDER. HEALTHCARE'S SISTER COMPANY, SILVER SHADOW, MADE AN INVESTMENT IN REAL ESTATE WHERE HEALTHCARE PLANS TO CONSTRUCT ITS FIRST SURGICAL CENTER AND CORPORATE OFFICE DEVELOPMENT.

THERE HAS BEEN VERY INSIGNIFICANT ACTIVITY IN AUTOMED AND SILVER SHADOW. HENCE THE COMPANY HAS DETERMINED IT HAS ONLY ONE SEGMENT.

(N) COMPREHENSIVE INCOME

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 130 REPORTING COMPREHENSIVE INCOME (SFAS NO. 130), ESTABLISHES STANDARDS FOR REPORTING AND DISPLAY OF COMPREHENSIVE INCOME ITS COMPONENTS

AND ACCUMULATED BALANCES. COMPREHENSIVE INCOME IS DEINED TO INCLUDE ALL CHANGES IN EQUITY, EXCEPT THOSE RESULTING FROM INVESTMENTS BY OWNERS AND DISTRIBUTIONS TO OWNERS. AMONG OTHER DISCLOSURES, SFAS NO. 130 REQUIRES THAT ALL ITEMS THAT ARE REQUIRED TO BE RECOGNIZED UNDER CURRENT ACCOUNTING STANDARDS AS COMPONENTS OF COMPREHENSIVE INCOME TO BE REPORTED IN FINANCIAL STATEMENTS THAT ARE DISPLAYED WITH THE SAME PROMINENCE AS OTHER FINANCIAL STATEMENTS.

(O) RECLASSIFICATIONS

FOR COMPARATIVE PURPOSES, PRIOR YEARS' CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN RECLASSIFIED TO CONFORM TO REPORT CLASSIFICATION OF THE CURRENT YEAR.

(P) NEW ACCOUNTING PRONOUNCEMENTS

IN FEBRUARY 2007 THE FASB ISSUED SFAS 159, "THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES--INCLUDING AN AMENDMENT OF FASB STATEMENT NO 115." THE STATEMENT PERMITS ENTITIES TO CHOOSE TO MEASURE MANY FINANCIAL INSTRUMENTS AND CERTAIN OTHER ITEMS AT FAIR VALUE. THE OBJECTIVE IS TO IMPROVE FINANCIAL REPORTING BY PROVIDING ENTITIES WITH THE OPPURTUNITY TO MITIGATE VOLATILITY IN REPORTED EARNINGS CAUSED BY MEASURING RELATED ASSETS AND LIABILITIES DIFFERENTLY WITHOUT HAVING TO APPLY COMPLEX HEDGE ACCOUNTING PROVISIONS. THE STATEMENT IS EFFECTIVE AS OF THE BEGINNING OF AN ENTITY'S FIRST FISCAL YEAR THAT BEGINS AFTER NOVEMBER 15, 2007. THE MANAGEMENT IS CURRENTLY EVALUATING THE EFFECT OF THIS PRONOUNCEMENT ON FINANCIAL STATEMENTS.

IN SEPTEMBER 2006, FASB ISSUES SFAS 158 "EMPLOYERS" ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS--AN AMENDMENT OF FASB STATEMENTS NO. 87, 88, 106 AND 132(R). THIS STATEMENT IMPROVES FINANCIAL REPORTING BY REQUIRING AN EMPLOYER TO RECOGNIZE THE OVERFUNDED OR UNDER FUNDED STATUS OF A DEFINED BENEFIT POSTRETIREMENT PAN (OTHER THAN A MULTIPLE EMPLOYER PLAN) AS AN ASSET OR LIABILITY IN ITS STATEMENT OF FINANCIAL POSITION AND TO RECOGNIZE CHANGES IN THAT FUNDED STATUS IN THE YEAR IN WHICH THE CHANGES OCCUR THROUGH COMPREHENSIVE INCOME OF A BUSINESS ENTITY OR CHANGES IN UNRESTRICTED NET ASSETS OF A NOT-FOR-PROFIT ORGANIZATION. THIS STATEMENT ALSO IMPROVES FINANCIAL REPORTING BY REQUIRING AN EMPLOYER TO MEASURE THE FUNDED STATUS OF A PLAN AS OF THE DATE OF ITS YEAR END STATEMENT OF FINANCIAL POSITION, WHICH LIMITED EXCEPTIONS. AN EMPLOYER WITH PUBLICLY TRADED EQUITY SECURITIES IS REQUIRED TO INITIALLY RECOGNIZE THE FUNDED STATUS OF A DEFINED BENEFIT POSTRETIREMENT PLAN TO PROVIDE THE REQUIRED DISCLOSURES AS OF THE END OF THE FISCAL YEAR ENDING AFTER DECEMBER 15, 2006. AN EMPLOYER WITHOUT PUBLICLY TRADED EQUITY SECURITIES IS REQUIRED TO RECOGNIZE THE FUNDED STATUS OF A DEFINED BENEFIT POSTRETIREMENT PLAN AND TO PROVIDE THE REQUIRED DISCLOSURES AS OF THE FISCAL YEAR ENDING AFTER JUNE 15, 2007. HOWEVER, AN EMPLOYER WITHOUT PUBLICLY TRADED EQUITY SECURITIES IS REQUIRED TO DISCLOSE THE FOLLOWING INFORMATION IN THE NOTES TO FINANCIAL STATEMENTS FOR A FISCAL YEAR ENDING AFTER DECEMBER 15, 2006, BUT BEFORE JUNE 16, 2007, UNLESS IT HAS APPLIED THE RECOGNITION PROVISIONS OF THIS STATEMENT IN PREPARING THOSE FINANCIAL STATEMENTS.

A. A BRIEF DESCRIPTION OF THE PROVISIONS OF THIS STATEMENT.

B. THE DATE THE ADOPTION IS REQUIRED.

C. THE DATE THE EMPLOYER PLANS TO ADOPT THE RECOGNITION PROVISIONS OF THIS STATEMENT, IF EARLIER.

D. THE REQUIREMENT TO MEASURE PLAN ASSETS AND BENEFIT OBLIGATIONS AS OF THE DATE OF THE EMPLOYER'S FISCAL YEAR-END STATEMENT OF FINANCIAL POSITION IS EFFECTIVE FOR FISCAL YEARS ENDING AFTER DECEMBER 15, 2008. THE MANAGEMENT IS CURRENTLY EVALUATING THE EFFECT OF THIS PRONOUNCEMENT ON FINANCIAL STATEMENTS.

IN SEPTEMBER 2006, FASB ISSUED SFAS 157 'FAIR VALUE MEASUREMENTS'. THIS STATEMENT DEFINES FAIR VALUE, ESTABLISHED A FRAMEWORK FOR MEASURING FAIR VALUE IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), AND EXPANDS DISCLOSURES ABOUT FAIR VALUE MEASUREMENTS. THIS STATEMENT APPLIES UNDER OTHER ACCOUNTING PRONOUNCEMENTS THAT REQUIRE OR PERMIT FAIR VALUE MEASUREMENTS, THE BOARD HAVING PREVIOUSLY CONCLUDED IN THOSE ACCOUNTING PRONOUNCEMENTS THAT FAIR VALUE IS THE RELEVANT MEASUREMENT ATTRIBUTE. ACCORDINGLY, THIS STATEMENT DOES NOT REQUIRE ANY NEW FAIR VALUE MEASUREMENTS. HOWEVER, FOR SOME ENTITIES, THE APPLICATION OF THIS STATEMENT WILL CHANGE CURRENT PRACTICE. THIS STATEMENT IS EFFECTIVE FOR FINANCIAL STATEMENTS ISSUED FOR FISCAL YEARS BEGINNING AFTER NOVEMBER 15, 2007 AND INTERIM PERIODS WITHIN THOSE

FISCAL YEARS. THE MANAGEMENT IS CURRENTLY EVALUATING THE EFFECT OF THIS PRONOUNCEMENT ON FINANCIAL STATEMENTS.

IN MARCH 2006 FASB ISSUED SFAS 156 'ACCOUNTING FOR SERVICING OF FINANCIAL ASSETS' THIS STATEMENT AMENDS FASB STATEMENT NO. 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES, WITH RESPECT TO THE ACCOUNTING FOR SEPARATELY RECOGNIZED SERVICING ASSETS AND SERVICING LIABILITIES. THIS STATEMENT:

1. REQUIRES AN ENTITY TO RECOGNIZE A SERVICING ASSET OR SERVICING LIABILITY EACH TIME IT UNDERTAKES AN OBLIGATION TO SERVICE A FINANCIAL ASSET BY ENTERING INTO A SERVICING CONTRACT.
2. REQUIRES ALL SEPARATELY RECOGNIZED SERVICING ASSETS AND SERVICING LIABILITIES TO BE INITIALLY MEASURED AT FAIR VALUE, IF PRACTICABLE.
3. PERMITS AN ENTITY TO CHOOSE 'AMORTIZATION METHOD' OR FAIR VALUE MEASUREMENT METHOD FOR EACH CLASS OF SEPARATELY RECOGNIZED SERVICING ASSETS AND SERVICING LIABILITIES.
4. AT ITS INITIAL ADOPTION, PERMITS A ONE-TIME RECLASSIFICATION OF AVAILABLE FOR SALE SECURITIES TO TRADING SECURITIES BY ENTITIES WITH RECOGNIZED SERVICING RIGHTS, WITHOUT CALLING INTO QUESTION THE TREATMENT OF OTHER AVAILABLE-FOR-SALE SECURITIES UNDER STATEMENT 115, PROVIDED THAT THE AVAILABLE-FOR-SALE SECURITIES ARE IDENTIFIED IN SOME MANNER AS OFFSETTING THE ENTITY'S EXPOSURE TO CHANGES IN FAIR VALUE OF SERVICING ASSETS OR SERVICING LIABILITIES THAT A SERVICER ELECTS TO SUBSEQUENTLY MEASURE AT FAIR VALUE.
5. REQUIRES SEPARATE PRESENTATION OF SERVICING ASSETS AND SERVICING LIABILITIES SUBSEQUENTLY MEASURED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION AND ADDITIONAL DISCLOSURES FOR ALL SEPARATELY RECOGNIZED SERVICING ASSETS AND SERVICING LIABILITIES.

AN ENTITY SHOULD ADOPT THIS STATEMENT AS OF THE BEGINNING OF ITS FIRST FISCAL YEAR THAT BEGINS AFTER SEPTEMBER 15, 2006. MANAGEMENT BELIEVES THAT THIS STATEMENT WILL NOT HAVE A SIGNIFICANT IMPACT ON THE FINANCIAL STATEMENT.

IN FEBRUARY 2006, FASB ISSUED SFAS NO. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS". SFAS NO. 155 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." SFAS NO. 155, PERMITS FAIR VALUE REMEASUREMENT FOR ANY HYBRID FINANCIAL INSTRUMENT THAT CONTAINS AN EMBEDDED DERIVATIVE THAT OTHERWISE WOULD REQUIRE BIFURCATION, CLARIFIES WHICH INTEREST-ONLY STRIPS AND PRINCIPAL-ONLY STRIPS ARE NOT SUBJECT TO THE REQUIREMENTS OF SFAS NO. 133, ESTABLISHES A REQUIREMENT TO EVALUATE INTEREST IN SECURITIZED FINANCIAL ASSETS TO IDENTIFY INTERESTS THAT ARE FREESTANDING DERIVATIVES OR THAT ARE HYBRID FINANCIAL INSTRUMENTS THAT CONTAIN AN EMBEDDED DERIVATIVE REQUIRING BIFURCATION, CLARIFIES THAT CONCENTRATIONS OF CREDIT RISK IN THE FORM OF SUBORDINATION ARE NOT EMBEDDED DERIVATIVES, AND AMENDS SFAS NO. 140 TO ELIMINATE THE PROHIBITION ON THE QUALIFYING SPECIAL-PURPOSE ENTITY FROM HOLDING A DERIVATIVE FINANCIAL INSTRUMENT THAT PERTAINS TO A BENEFICIAL INTEREST OTHER THAN ANOTHER DERIVATIVE FINANCIAL INSTRUMENT. THIS STATEMENT IS EFFECTIVE FOR ALL FINANCIAL INSTRUMENTS ACQUIRED OR ISSUED AFTER THE BEGINNING OF THE COMPANY'S FIRST FISCAL YEAR THAT BEGINS AFTER SEPTEMBER 15, 2006.

(Q) SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES.

THE CASH FLOW STATEMENTS DO NOT INCLUDE THE FOLLOWING NON-CASH AND FINANCING ACTIVITIES.

IN 2005, THE COMPANY ENTERED INTO A SETTLEMENT AGREEMENT FOR THE PAYMENT OF THE NOTE BY AUTHORIZING THE PAYMENT OF \$100,000 IN CASH AND ISSUANCE OF 1,500,000 RESTRICTED SHARES OF THE COMPANY. THE COMPANY PAID \$43,500 IN CASH DURING THE YEAR. THE COMPANY VALUED THE SHARE BASED ON THE MARKET VALUE OF THE SHARES ON AGREEMENT DATE. THE SHARES WERE VALUED AT \$150,000 AND TOTAL AMOUNT WAS PAID.

