

SMF ENERGY CORP
Form S-3
June 07, 2007

As filed with the Securities and Exchange Commission on June 7, 2007

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SMF ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

65-0707824

(I.R.S. Employer Identification No.)

**200 West Cypress Creek Road, Suite 400
Fort Lauderdale, Florida
Telephone: (954) 308-4200**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Richard E. Gathright
Chief Executive Officer and President
SMF Energy Corporation
200 West Cypress Creek Road, Suite 400
Fort Lauderdale, Florida
Telephone: (954) 308-4200**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

**S. Lee Terry, Jr.
Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202
Telephone: (303) 892-9400**

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: from time to time after

the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box:

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per Unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, \$.01 par value	2,673,755	\$1.79 (2)	\$ 4,786,021.40 (2)	\$ 146.93
Common Stock Purchase Warrants	554,755	\$1.90	\$1,054,034.50	\$ 32.36

(1) Pursuant to Rule 416 of the Securities Act of 1933, as amended (the "Securities Act"), this registration statement also covers such additional number of shares of common stock that may become issuable as a result of any stock splits, stock dividends, or other similar transactions.

(2) Estimated solely for the purpose of computing the registration fee. The proposed maximum offering price per share and maximum aggregate offering price for the shares being registered hereby are calculated in accordance with Rule 457(c) under the Securities Act using the average of the high and low sales price per share of our common stock on June 4, 2007, as reported on the NASDAQ Capital Market.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The Selling Stockholders may not sell these securities pursuant to this prospectus until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and neither SMF Energy Corporation nor the Selling Stockholders are soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated June 7, 2007

PROSPECTUS

SMF ENERGY CORPORATION
2,673,755 SHARES COMMON STOCK
554,755 WARRANTS

This prospectus relates to the proposed resale by the selling stockholders identified in this prospectus (the "Selling Stockholders") of 2,673,755 shares of common stock (the "Shares") of SMF Energy Corporation and 554,755 common stock purchase warrants (the "Warrants"). We sold 2,119,000 Shares and the Warrants in a private placement in February 2007. The Shares now offered for resale also include the 554,755 Shares underlying the same number of Warrants (the "Warrant Shares"). Each of the Warrants entitles the holder to purchase one Warrant Share at an exercise price of \$1.90 per share.

This offering is not being underwritten. The offering price of the Shares that may be sold by Selling Stockholders may be the market price for our common stock prevailing at the time of sale on the NASDAQ Capital Market, a price related to the prevailing market price, a negotiated price or such other prices as the Selling Stockholders determine from time to time. The Warrants do not have an established trading market and will not be listed on any securities exchange. The offering price of the Warrants that may be sold by the Selling Stockholders may be the market price, if a market develops, a negotiated price or such other prices as the Selling Stockholders determine from time to time.

We could receive up to \$1,054,034.50 if the Selling Stockholders exercise the Warrants. We will not receive any proceeds from the sale of the Shares or the Warrants by any of the Selling Stockholders.

Our common stock is listed on the NASDAQ Capital Market under the symbol "FUEL." On June 4, 2007, the closing price of our common stock was \$ 1.79 per share.

For a discussion of certain risks that should be considered by prospective investors, see "Risk Factors" beginning on page 5 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June , 2007.

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FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated by reference, contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The use of any statements containing the words “intends,” “believes,” “estimates,” “seeks,” “project,” “expects,” “anticipates,” “plans,” “approximately,” “should,” “may,” “will” or similar are intended to identify such statement. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined under the caption “Risk Factors” in this prospectus. You should pay particular attention to the cautionary statements involving our history of losses, our capital requirements, our expansion and acquisition strategies, competition and government regulation. These factors and the others set forth under “Risk Factors” may cause our actual results to differ materially and adversely from any forward-looking statement.

PROSPECTUS SUMMARY

Because this is a summary, it may not contain all information that may be important to you. You should read this entire prospectus, including the information incorporated by reference, before you decide whether to buy our common stock. You should pay special attention to the risks of investing in our common stock as discussed under “Risk Factors.”

SMF Energy Corporation

We provide commercial mobile and bulk fueling; the packaging, distribution and sale of lubricants and chemicals; integrated out-sourced fuel management; transportation logistics; and emergency response services. Our fleet of custom specialized tank wagons, tractor-trailer transports, box trucks and customized flatbed vehicles delivers diesel fuel and gasoline to customers’ locations on a regularly scheduled or as needed basis, refueling vehicles and equipment, re-supplying fixed-site and temporary bulk storage tanks, and emergency power generation systems; and distributes a wide variety of specialized petroleum products, lubricants and chemicals to refineries, manufacturers and other industrial customers. At March 31, 2007, we were conducting operations from 28 locations serving metropolitan markets in Alabama, California, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Texas.

In February 2005, we acquired substantially all of the assets and business operations of Shank C&E Investments, L.L.C. (“Shank Services”), a Houston, Texas based provider of commercial fuel, petroleum lubricants distribution and sales and transportation logistics services. Shank Services, which conducts its operations through our subsidiary, SMF Services, Inc., generates revenues from the sale of commercial fuel, petroleum lubricants and transportation logistics operations in the Houston, Dallas/Fort Worth, Austin and San Antonio markets in Texas.

On October 1, 2005, we acquired all of the capital stock of H & W Petroleum Company, Inc. (“H & W”), a Houston, Texas based marketer and distributor of lubricants, commercial fuels and petroleum products. Immediately prior to the consummation of that acquisition, H & W acquired the operating assets of Harkrider Distributing Company, Incorporated (“Harkrider”), a Houston based marketer and distributor of dry cleaning solvents, chemicals and petroleum products, which was related to H & W through some common shareholder ownership. In addition to providing service to the greater Houston metropolitan area, the combined H & W and Harkrider operations also serve the Dallas/Fort Worth, Freeport, Longview, Lufkin, San Antonio and Waco markets in Texas.

On February 14, 2007, we changed our name from Streicher Mobile Fueling, Inc. to SMF Energy Corporation and reincorporated in Delaware. Our principal executive office is located at 200 West Cypress Creek Road, Suite 400, Ft. Lauderdale, Florida 33309, and our phone number is (954) 308-4200. Our website is <http://www.mobilefueling.com>. The information on our website does not constitute part of this prospectus.

The Offering

We are registering 554,755 Warrants and 2,673,755 Shares, including the 554,755 Warrant Shares. The Selling Stockholders are offering to sell the Shares and the Warrants by this prospectus.

The Selling Stockholders purchased 2,119,000 Shares and the Warrants in a private placement completed on February 15, 2007. We relied on the exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder in connection with the private placement.

Use of Proceeds

We will receive up to \$1,054,034.50 upon the exercise of the Warrants by the Selling Stockholders. We will not receive any proceeds from the sale of the Shares or the Warrants by the Selling Stockholders.

RISK FACTORS

An investment in the Shares involves a high degree of risk. You should consider carefully the following discussion of risks, in addition to the other information included or incorporated by reference in this prospectus, before purchasing any of the securities. In addition to historical information, the information in this prospectus contains “forward-looking” statements about our future business and performance. See “Forward-Looking Statements.” Our actual operating results and financial performance may be very different from what we expect as of the date of this prospectus. The risks below address the material factors that may affect our future operating results and financial performance.

No Assurances of Future Profitability; Losses from Operations; Need for Capital. The Company incurred net losses for the fiscal years ended June 30, 2006, 2005 and 2004 and for the quarters ended September 30, 2006, December 31, 2006 and March 31, 2007. In order to generate profits in the future, we need to reduce cash and non-cash interest expense, increase volumes of products and services sold at profitable margins, control costs and generate sufficient cash flow to support working capital and debt service requirements. There is no assurance that our management will be able to accomplish our business plan or continue to raise capital at terms that are acceptable to us in order to support working capital requirements or debt service shortfalls during any business downturns. At June 30, 2006, our working capital was \$1.3 million compared to \$5.9 million on June 30, 2005. The \$4.6 million decrease primarily related to the costs of developing and maintaining our improved corporate infrastructure; continuing costs of integrating our recent acquisitions; capital expenditures related to the implementation of our new Enterprise Resource Planning (“ERP”) system; corporate office leasehold improvements and other capital purchases; and principal payments on the Company’s August 2003 Senior Subordinated Notes; offset by proceeds from warrant exercises and an increase in net margin per gallon compared to the prior year. In light of the recent losses, which had further decreased our working capital, on February 15, 2007, we conducted a private placement of our equity securities in order to provide funds for debt repayment and to boost our working capital. Notwithstanding the completion of the \$3.27 million private placement, the Company may need to raise additional capital to fund new acquisitions, the expansion or diversification of existing operations or additional debt repayment. While we believe that the Company will be able to obtain needed capital, there can be no assurance that it will do so or that such capital can be obtained on terms acceptable to the Company.

Trading Market for Our Common Stock. Our common stock trades on the Nasdaq Capital Market under the symbol FUEL. During the past few years, the stock sometimes traded in large daily volumes and other times at much lower volumes, in many cases at wide price variances. This volatility, which could make it difficult for stockholders to sell shares at a predictable price or at specific times, is generally due to factors beyond our control. Quarterly and annual operating results, changes in general conditions in the economy, the financial markets or other developments affecting us could cause the market price of our common stock to fluctuate.

Growth Dependent Upon Future Expansion; Risks Associated With Expansion into New Markets. While we intend to continue to expand through acquisitions, our growth will also depend upon the ability to achieve greater penetration in existing markets and to successfully enter new markets in both additional major and secondary metropolitan areas. Such organic expansion will largely be dependent on our ability to demonstrate the benefits of our services and products to potential new customers; successfully establish and operate new locations; hire, train and retain qualified management, operating, marketing and sales personnel; finance acquisitions, capital expenditures and working capital requirements; secure reliable sources of product supply on a timely basis and on commercially acceptable credit terms; and successfully manage growth by effectively supervising operations, controlling costs and maintaining appropriate quality controls. There can be no assurance that we will be able to successfully expand our operations into new markets.

Acquisition Availability; Integrating Acquisitions. The Company's future growth strategy involves the acquisition of complementary businesses, such as wholesale fuel or petroleum lubricants marketers and distributors; wholesale fuel and other commercial mobile fueling companies; and transportation logistics services businesses. It is not certain that we will be able to identify or make suitable acquisitions on acceptable terms or that any future acquisitions will be effectively and profitably integrated into our operations. Acquisitions involve numerous risks that could adversely affect our operating results, including timely and cost effective integration of the operations and personnel of the acquired business; potential write downs of acquired assets; retention of key personnel of the acquired business; potential disruption of existing business; maintenance of uniform standards, controls, procedures and policies; additional capital needs; the effect of changes in management on existing business relationships; and profitability and cash flows generally.

Effect of Material Weakness in Internal Controls. In fiscal 2006, our management identified significant deficiencies related to policies and procedures to ensure accurate and reliable interim and annual consolidated financial statements that, considered together, constituted a material weakness in our internal controls. Specifically, we lacked (i) sufficient number of personnel with required technical accounting and SEC financial reporting experience; (ii) adequate segregation of duties among our accounting personnel; (iii) sufficient review controls over account reconciliations, account analyses and operating procedures, primarily in connection with acquired businesses; and (iv) policies and procedures requiring a timely and detailed review of information underlying amounts included in our financial statements and disclosures. While we have engaged in substantial efforts to address the material weakness in our internal controls over financial reporting and to improve the integrity of our reporting processes, including the development and implementation of our ongoing ERP infrastructure capability that we initiated in fiscal 2006, there is no assurance that our efforts will be successful. Those remediation efforts are explained in detail in our Form 10-K for the year ended June 30, 2006 and our Form 10-Q for the quarter ended March 31, 2007, which are incorporated by reference herein. Even though our management has made the correction of the identified material weakness one of its very highest priorities for fiscal 2007, it is possible that, considering our size, our limited capital resources and our need to continue to expand our business by acquisitions and diversification, we will not be able to promptly rectify all of the significant deficiencies that led to our conclusion of a material weakness in our internal controls. We have incurred and will continue to incur substantial expenses relating to the remediation of this material weakness. These expenses may materially affect our financial condition, results of operations and cash flows. Moreover, even after the full implementation of our planned remedial measures, as described in Item 9A - "Controls and Procedures" of our 2006 Form 10-K are fully implemented, our internal controls may not prevent all potential errors or fraud because any control system, no matter how well designed, cannot provide absolute assurance that the objectives of the control system will be achieved.

Dependence on Key Personnel. The future success of the Company will be largely dependent on the continued services and efforts of Richard E. Gathright, our Chief Executive Officer and President, and on those of other key executive personnel. The loss of the services of Mr. Gathright or other executive personnel could have a material adverse effect on our business and prospects. Our success and plans for future growth will also depend on our ability to attract and retain additional qualified management, operating, marketing, sales and financial personnel. There can be no assurance that we will be able to hire or retain such personnel on terms satisfactory to us. We have entered into written employment agreements with Mr. Gathright and certain other key executive personnel. While Mr. Gathright's employment agreement provides for automatic one-year extensions unless either party gives notice of intent not to renew prior to such extension, there is no assurance that Mr. Gathright's services or those of our other executive personnel will continue to be available to the Company.

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Fuel Pricing and Supply Availability; Effect on Profitability. Diesel fuel and gasoline are commodities which are refined and distributed by numerous sources. The Company purchases the fuel delivered to our customers from multiple suppliers at daily market prices and in some cases qualifies for certain discounts. We monitor fuel prices and trends in each of our service markets on a daily basis and seek to purchase our supply at the lowest prices and under the most favorable terms. Commodity price risk is generally mitigated since we purchase and deliver our fuel supply daily and generally utilize cost-plus pricing when billing our customers. If we cannot continue to utilize cost-plus pricing when billing our customers, margins would likely decrease and losses could increase. We have not engaged in derivatives or futures trading to hedge fuel price movements. In addition, diesel fuel and gasoline may be subject to supply interruption due to a number of factors, including natural disasters, refinery and/or pipeline outages, labor disruptions and supplier credit limitations. The reduction of available supplies or our access to those supplies could impact our ability to provide commercial mobile and bulk fueling, and emergency response services and impact profitability.

Risks Associated with Customer Concentration; Absence of Written Agreements. Although the Company provides services to many customers, a significant portion of our revenues are generated from a few of our larger customers. While we have formal, length of service written contracts with some of these larger customers, such agreements are not customary and we do not have them with the majority of our customers. As a result, most of our customers can terminate our services at any time and for any reason, and we can similarly discontinue service to any customer. The Company may discontinue service to a customer if changes in the service conditions or other factors cause us not to meet our minimum level of margins and rates, and the pricing or delivery arrangements cannot be re-negotiated. As a result of this customer concentration and absence of written agreements, our business, results of operations and financial condition could be materially adversely affected if one or more of our large customers were lost or if we were to experience a high rate of service terminations.

Management of Growth; Accounting and Information Technology Systems Implementation. Our future growth strategy requires effective operational, financial and other internal systems, and the ability to attract, train, motivate, manage and retain our employees. If we are unable to manage growth effectively, results of operations will be adversely affected. In particular, our results of operations will be influenced by the redesign and implementation of our accounting and information technology systems. While in the short run, the costs of that redesign and implementation have increased our expenses and adversely affected our results of operations, we expect that, once implemented, it will help reduce operating costs and improve our ability to effectively manage our business and integrate acquisitions. There can be no assurance, however, that such redesign and implementation will be completed as planned, or that it will have the intended results.

Competition. The Company competes with other service providers, including several large regional providers and numerous small, local independent operators, who provide some or all of the same services that we offer to our customers. In the mobile fueling area, we also compete with retail fuel marketing, since fleet operators have the option of fueling their own equipment at retail stations and at other third-party service locations such as card lock facilities. Our ability to compete is affected by numerous factors, including price, the complexity and technical nature of the services required, delivery dependability, credit terms, the costs incurred for non-mobile fueling alternatives, service locations as well as the type of reporting and invoicing services provided. There can be no assurance that we will be able to continue to compete successfully as a result of these or other factors.

Operating Risks May Not Be Covered by Insurance. Our operations are subject to the operating hazards and risks normally incidental to handling, storing and transporting diesel fuel and gasoline, which are classified as hazardous materials. We maintain insurance policies in amounts and with coverages and deductibles that we believe are reasonable and prudent. There can be no assurance, however, that our

insurance will be adequate to protect us from liabilities and expenses that may arise from claims for personal and property damage arising in the ordinary course of business; that we will be able to maintain acceptable levels of insurance; or that insurance will be available at economical prices.

Governmental Regulation. Numerous federal, state and local laws, regulations and ordinances, including those relating to protection of the environment and worker safety, affect the Company's operations. There can be no assurance that we will be able to comply with existing and future regulatory requirements in the future without incurring substantial costs or otherwise adversely affecting our operations.

Changes in Environmental Requirements. The Company expects to generate future business by converting certain fleet operators, currently utilizing underground fuel storage tanks for their fueling needs, to commercial mobile fueling. The owners of underground storage tanks have been required to remove or retrofit those tanks to comply with technical regulatory requirements pertaining to their construction and operation. If other more economical means of compliance are developed or adopted by owners of underground storage tanks, the opportunity to market our services to these owners may be adversely affected.

Terrorism and warfare in the Middle East may adversely affect the economy and the price and availability of petroleum products. Terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C., on September 11, 2001, as well as the continuing political unrest and warfare in the Middle East, may adversely impact the price and availability of fuel, our results of operations, our ability to raise capital and our future growth. The impact of terrorism on the oil industry in general, and on the Company in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets, the sources of our products, and our infrastructure facilities or our suppliers could be direct or indirect targets. Terrorist activity may also hinder our ability to transport fuel if the means of supply transportation, such as rail or pipelines, become damaged as a result of an attack. A lower level of economic activity following a terrorist attack could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism could also impair our ability to raise capital. Terrorist activity or further instability in the Middle East could also lead to increased volatility in fuel prices, which could adversely affect our business generally.

USE OF PROCEEDS

We will receive up to \$1,054,034.50 upon the exercise of the warrants by the Selling Stockholders. We will not receive any proceeds from the sale of the Shares or Warrants by the Selling Stockholders.

DESCRIPTION OF WARRANTS

This section is a summary and may not describe every aspect of the Warrants that may be important to you. We urge you to read the Form of Stock Purchase Warrant as previously filed with the SEC as it defines the rights of a holder of those securities. See "Where You Can Find More Information" for information on how to obtain copies of documents referenced in this prospectus.

The Warrants entitle the holder to purchase one share of common stock at an exercise price of \$1.90 per share. The Warrants will expire on the earlier of (i) February 15, 2011, the 4 year anniversary of the closing of the offering, or (ii) the week after our common stock trades at 200% of the exercise price for twenty (20) consecutive trading days. In addition, beginning one (1) year after issuance, if our common stock trades at 175% of the warrant exercise price for twenty (20) consecutive trading days, then we may at any time during the next thirty (30) day period issue a notice of redemption providing that the

some or all of the Warrants, as selected by us, will be redeemed by us on the sixtieth day following our issuance of the notice of redemption in exchange for a payment of \$0.01 per underlying warrant share. A decision to redeem some or all of the Warrants is within our sole discretion and holders of Warrants shall have no right to require us to redeem their Warrants under any circumstances. As of April 16, 2007, there were 554,755 Warrants outstanding to purchase a total of 554,755 Warrant Shares.

The Warrants include provisions for the appropriate adjustment in the Warrant price and the number and kind of securities purchasable upon the exercise of the Warrants upon the occurrence of certain events, including, subdivision or combination of shares, reclassification of our common stock, merger, and the payment of stock dividends. The Warrant Shares, when issued upon exercise of a Warrant, will be fully paid and non-assessable and free from all taxes, liens and charges. No fractional Shares will be issued in connection with any exercise of the Warrants. The holder of a Warrant will not possess any rights as our stockholder before the Warrant has been exercised and the Warrant Shares have become deliverable.

A Warrant may be exercised by surrender of the Warrant on or before the expiry date at our principal office in Fort Lauderdale, Florida, accompanied by (i) a completed and executed Notice of Exercise form, attached as Exhibit A to the Warrant, and (ii) payment of the exercise price for the number of Warrant Shares to be acquired.

The foregoing discussion is qualified in its entirety by reference to the detailed provisions of the Stock Purchase Warrant.

SELLING STOCKHOLDERS

Included in the 2,673,755 shares of our common stock we are registering for resale, 554,755 are issuable to certain Selling Stockholders upon the exercise of Warrants issued in the February 2007 private placement. We are also registering for resale the 554,755 common stock purchase warrants. The following table sets forth certain information regarding the beneficial ownership of the Selling Stockholders, as of April 16, 2007. We have prepared this table based on information furnished to use by or on behalf of the Selling Stockholders.

None of the Selling Stockholders have held any position or office or had any other material relationship with the Company, its predecessors or affiliates within the past three years.

The table below lists the Selling Stockholders and other information regarding the beneficial ownership of common stock by the Selling Stockholders. Beneficial ownership is determined in accordance with Rule 13d-3(d) as promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beneficial ownership generally includes voting or investment power with respect to securities and also includes any shares that the Selling Stockholders have a right to acquire within sixty days of April 16, 2007. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the offered shares. The percentage of ownership data is based on 13,273,629 shares of our common stock issued and outstanding as of April 16, 2007. Since the date on which they provided us with the information below, the Selling Stockholders may have sold, transferred or otherwise disposed of some or all of their shares in transactions exempt from the registration requirements of the Securities Act.

The Selling Stockholders may sell less than all of the shares listed in the table. In addition, the shares listed below may be sold pursuant to this prospectus or in privately negotiated transactions.

Name	Ownership of Shares Prior to Offering			Ownership After Offering	
	Number of Shares Beneficially Owned	Shares Issuable Upon Exercise of Warrants	Number of Shares Being Offered for Sale in this Offering	Number of Shares Beneficially Owned (1)	Percentage
Hyon Ja Hwang	60,000 (2)	10,000	60,000	0	0
Bee Publishing Co. Inc. 401K Profit Sharing Plan	84,000 (3)	14,000	84,000	0	0
Bee Publishing Co. Inc. 401K Profit Sharing Plan Rollover	24,000 (4)	4,000	24,000	0	0
Bee Publishing Co. Inc.	120,000 (5)	20,000	120,000	0	0
Scudder Smith Family Assoc. LLC	120,000 (6)	20,000	120,000	0	0
R. Scudder Smith, Helen Smith, Jt WROS	24,000 (7)	4,000			