

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

United EcoEnergy Corp.
Form 10-Q
November 14, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2006

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 814-00717

UNITED ECOENERGY CORP.
(Exact Name of Registrant as Specified in Its Charter)

NEVADA
(State or Other Jurisdiction of
Incorporation or Organization)

84-1517723
(I.R.S. Employer
Identification No.)

409 Brevard Avenue, Cocoa, FL
(Address of Principal Executive Offices)

32922
(Zip Code)

(321)-433-1136
(Registrants Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the Registrants Common Stock, \$0.001 par value, outstanding as of November 1, 2006, was 28,781,639 shares.

TABLE OF CONTENTS

PAGE NO.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheets as of September 30, 2006 and December 31, 2005	F-1
Schedule of Investments as of September 30, 2006	F-2
Statements of Operations for the three-month and nine-month periods ended September 30, 2006 and 2005	F-3
Statements of Cash Flows for the nine-month periods ended September 30, 2006 and 2005	F-4
Notes to Financial Statements	F-5
Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations	3
Item 3. Quantitative and Qualitative Disclosures about Market Risk	9
Item 4. Controls and Procedures	9
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	10
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	10
Item 3. Defaults Upon Senior Securities	11
Item 4. Submission of Matters to a Vote of Security Holders	11
Item 5. Other Information	11
Item 6. Exhibits and Reports on Form 8-K	12
Signatures	12

PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements.	

UNITED ECOENERGY CORP.

BALANCE SHEETS

September 30,
2006

December 31,
2005

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

	(unaudited)	
	-----	-----
Assets:		
Cash and cash equivalents	\$ 40,097	\$ -
Due from affiliate	10,900	-
Rent deposit	972	-
	-----	-----
Total Current Assets	51,969	-
Other Assets:		
Investments in Portfolio Companies	-	-
	-----	-----
Total Assets	\$ 51,969	-
	=====	=====
Liabilities and Stockholders		
Equity (Deficit)		
Due to affiliate	\$ 67,500	\$ -
Due to officer/stockholder	-	21,880
	-----	-----
Total Short term Liabilities	67,500	21,880
Long term Liabilities:	-	-
	-----	-----
Total Liabilities	67,500	21,880
	-----	-----
Commitments and contingencies		
Stockholders Equity (Deficit):		
Common stock, par value \$0.001 authorized 150,000,000 shares, issued 28,781,639 shares at September 30, 2006 and 28,468,900 at December 31, 2005	28,782	285
Convertible preferred stock, par value \$0.001, authorized 5,000,000 shares, issued 1,000,000 shares and 0 shares at September 30, 2006 and December 31, 2005, respectively	1,000	-
Additional paid-in capital	126,742	3,924
Accumulated deficit	(172,055)	(26,089)
	-----	-----
Total Stockholders Equity (Deficit):	(15,531)	(21,880)
	-----	-----
Total Liabilities and Stockholders Equity (Deficit):	\$ 51,969	\$ -
	=====	=====
Net Asset value per common share	\$ (0.00005)	\$ (0.00077)

The accompanying notes are an integral part of these financial statements.

F-1
UNITED ECOENERGY CORP.
SCHEDULE OF INVESTMENTS (unaudited)
September 30, 2006

Portfolio Investments	Industry	Amount or Number	Cost	Fair Value	% of Net assets
-----	-----	-----	-----	-----	-----
--	--	--	\$ -	\$ -	-
			-----	-----	-----

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

Total	\$	-	\$	-	-
	=====		=====		=====

The accompanying notes are an integral part of these financial statements.

F-2
 UNITED ECOENERGY CORP.
 STATEMENTS OF OPERATIONS

	For the three and nine months ended			
	September 30, 2006		September 30, 2005	
	(unaudited)		(unaudited)	
	3 months	9 months	3 months	9 months
	-----	-----	-----	-----
Investment income:				
Interest income	\$ -	\$ -	\$ -	\$ -
Dividend income	-	-	-	-
Other income	-	-	-	-
	-----	-----	-----	-----

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

Total income	-	-	-	-
Operating expenses:				
Investment advisory fees				
Base fee	-	-	-	-
Incentive fee	-	-	-	-
Capital gains fee	-	-	-	-
	-----	-----	-----	-----
Total investment advisory fees	-	-	-	-
General & administrative:				
Consulting expenses	52,500	130,620	-	1,146
Rent expense	2,700	4,950	-	-
Professional fees	2,334	3,834	-	-
Other expenses	4,178	6,562	5,062	7,000
	-----	-----	-----	-----
Total operating costs	61,712	145,966	5,062	8,146
	-----	-----	-----	-----
Net investment loss	(61,712)	(145,966)	(5,062)	(8,146)
	-----	-----	-----	-----
Net realized income from disposal of investments	-	-	-	-
Net unrealized appreciation in investments	-	-	-	-
	-----	-----	-----	-----
Net decrease in stockholders' equity resulting from operations	\$ (61,712)	\$ (145,966)	\$ (5,062)	\$ (8,146)
	=====	=====	=====	=====
Basic and diluted net decrease in stockholders' equity per common share resulting from operations	\$ (0.0021)	\$ (0.0051)	\$ (0.0001)	\$ (0.0013)
	=====	=====	=====	=====
Weighted number of common shares outstanding-basic	28,721,488	28,555,463	50,893,000	60,055,900
	=====	=====	=====	=====
Weighted number of common shares outstanding-diluted	43,721,881	41,027,991	50,893,000	60,055,900
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

F-3

UNITED ECO ENERGY CORP.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2006 and 2005
(unaudited)

For the nine months ended
September 30, 2006 September 30, 2005
Unaudited) (unaudited)

Cash flows from operating activities:

Net decrease in stockholders' equity from operations	\$ (145,966)	\$ (8,166)
Adjustments to reconcile net decrease in stockholders' equity from operations to net cash provided		

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

(used) in operating activities:		
Decrease in amounts due		
to officer/stockholder	(21,880)	-
Decrease in deposits	(972)	-
Increase in amounts due to affiliate	67,500	8,872
Decrease) in amounts due		
from affiliate	(10,900)	-
	-----	-----
Net cash provided (used)		
in operating activities	(112,218)	726
Cash flow from financing activities:		
Net proceeds from issuance of preferred		
stock	60,000	-
Net proceeds from issuance of common		
stock	92,315	-
Repurchase of common stock	-	(726)
	-----	-----
Net cash provided (used) by financing		
activities	152,315	(726)
	-----	-----
Net increase in cash	40,097	-
Cash, beginning of period	-	-
	-----	-----
Cash, end of period	\$ 40,097	\$ -
	=====	=====

The accompanying notes are an integral part of these financial statements.

F-4
 UNITED ECOENERGY CORP.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
 (unaudited)

Note 1. Organization and Interim Financial Statements

United EcoEnergy Corp. (United EcoEnergy or the Company), a Nevada corporation, was organized on February 28, 1997 and is a closed-end investment company that filed an election to be treated as a business development company (BDC) under the Investment Company Act of 1940, (the 1940 Act) in February 2006. Prior to the election to be treated as a BDC, the Company had been a development stage company and had not engaged in any operating business activity. As a result of the election to be treated as a BDC under the 1940 Act and the commencement of its operations as a BDC, the Company is no longer a shell company and filed the necessary information regarding the change of its status in its Form 10-K report for the year ended December 31, 2005.

As a BDC, the company is subject to the filing requirements of the Securities Exchange Act of 1934 and has elected to be subject to Sections 55 to 65 of the 1940 Act, which apply only to BDCs. The Company is not a registered investment company under the 1940 Act, however, and is not required to file the semi-annual and annual reports required to be filed by registered

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

investment companies under Section 30 of the 1940 Act. As a BDC, the Company also is not eligible to file its periodic reports under the 1934 Act as a small business issuer, and therefore files its periodic reports on applicable Forms 10-Q and 10-K, rather than Forms 10-KSB or 10-QSB. As a BDC, the Company also is subject to the normal financial reporting requirements of Regulation S-X issued by the SEC, but is not subject to Section 6 of Regulation S-X, which provides specific rules for financial reporting of registered investment companies.

The Company intends to focus primarily on investments in alternative energy companies, including bio-fuel companies, and expects to invest, under normal circumstances, at least 80 percent of its net assets (including the amount of any borrowings for investment purposes) in these companies. At September 30, 2006, the Company had no net assets invested in alternative energy companies but has signed letters of intent to acquire portfolio investments, subject to funding. The Company expects to concentrate on making investments in alternative energy companies having annual revenues of less than \$250.0 million and in transaction sizes of less than \$55.0 million. In most cases, these companies will be privately held or have thinly traded public equity.

The accompanying financial statements are un-audited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q, including Regulation S-X. Accordingly, certain information and footnote disclosures normally included in audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited financial statements that were included in the Form 10-K filed by the Company for the year ended December 31, 2005. As a BDC, and therefore as a non-registered investment company, the Company is subject to the normal financial reporting

F-5

UNITED ECOENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

(unaudited)

Note 1. Organization and Interim Financial Statements (continued)

rules of Regulation S-X, as adopted by the SEC, in accordance with Regulation S-X 5.01. It is specifically not subject to Section 6 of Regulation S-X, governing the financial reporting of registered investment companies. The accompanying financial reports have been prepared in accordance with the requirements of Regulation S-X, as explained and interpreted in the Audit and Accounting Guide for Investment Companies of the American Institute of Certified Public Accountants (May 1, 2006) (the Audit Guide).

Operating results for the interim periods presented are not necessarily indicative of the results to be expected for a full year. Information presented for the periods ended September 30, 2005 has been restated to conform to the reporting requirements for a business development company for comparison purposes, although the Company did not elect business development company status until March, 2006. Management considers this restatement to be a change in classification and not a change in accounting. Retrospective application has been given to prior periods in accordance with SFAS No. 154..

In March, 2006, the Company implemented a 100 for 1 forward split of its common shares. The stock split was given retroactive treatment in the accompanying financial statements.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

On June 30, 2006, the Company accepted subscriptions for 177,600 common shares under a Regulation E, 1-E exemption offering, for a total of \$44,400. Of the total amount subscribed, \$34,650 was received on June 30, 2006 and the balance of \$9,750 was reported as a subscription receivable at June 30, 2006. This balance was collected during July, 2006. On August 13, 2006, the Company accepted additional subscriptions for 40,600 common shares under the 1-E offering, for a total of \$10,150, all of which was received by check or wire transfer for the subscribers. On August 22, 2006, the Company accepted subscriptions for 94,539 common shares under the 1-E offering, for a total of \$37,815, which was received by wire transfer. As a result, 28,781,639 common shares were outstanding as of September 30, 2006.

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) 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 income and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

The following are significant accounting policies consistently applied by the Company and are based on Chapter 7 of the Audit Guide, as modified by Appendix A:

F-6

UNITED ECOENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(unaudited)

Note 2. Significant Accounting Policies (continued)

Investments:

(a) Security transactions are recorded on a trade-date basis.

Investments:

(a) Security transactions are recorded on a trade-date basis.

(b) Valuation:

(1) Investments for which market quotations are readily available are valued at such market quotations.

(2) Short-term investments which mature in 60 days or less, such as U.S. Treasury bills, are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of the difference between the principal amount due at maturity and cost. Short-term securities which mature in more than 60 days are valued at current market quotations by an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, or otherwise by a principal market maker or a primary market dealer). Investments in money market mutual funds are valued at their net asset value as of the close of business on the day of valuation.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

(3) It is expected that most of the investments in the Company's portfolio will not have readily available market values. Debt and equity securities whose market prices are not readily available are valued at fair value, with the assistance of an independent valuation service, using a valuation policy and a consistently applied valuation process which is under the direction of our board of directors.

The factors that may be taken into account in fairly valuing investments include, as relevant, the portfolio company ability to make payments, its estimated earnings and projected discounted cash flows, the nature and realizable value of any collateral, the financial environment in which the portfolio company operates, comparisons to securities of similar publicly traded companies and other relevant factors. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of these investments may differ significantly from the values that would have been used had a ready market existed for such investments, and any such differences could be material.

As part of the fair valuation process, the Audit Committee of the Company will review the preliminary evaluations prepared by the Investment Advisor engaged by the Board of Directors, as well as managements valuation recommendations and the recommendations of the Investment Committee.

F-7

UNITED ECOENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(unaudited)

Note 2. Significant Accounting Policies (continued)

Management and the Investment Advisor will respond to the preliminary evaluation to reflect comments provided by the Audit Committee. The Audit Committee will review the final valuation report and managements valuation recommendations and make a recommendation to the Board of Directors based on its analysis of the methodologies employed and the various valuation factors as well as factors that the Investment Advisor and management may not have included in their evaluation processes. The Board of Directors then will evaluate the Audit Committee recommendations and undertake a similar analysis to determine the fair value of each investment in the portfolio in good faith.

(c) Realized gains or losses on the sale of investments are calculated using the specific identification method.

(d) Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis.

(e) Dividend income is recorded on the ex-dividend date.

(f) Loan origination, facility, commitment, consent and other advance fees received by us on loan agreements or other investments are accreted into income over the term of the loan.

Federal and State Income Taxes:

The Company has not elected to be treated as, and is not, a regulated investment company and does not presently intend to comply with the requirements of the Internal Revenue Code of 1986 (the Code), applicable to regulated investment companies. A regulated investment company is required to distribute at least 90% of its investment company taxable

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

income to shareholders, which the Company does not expect to do for the foreseeable future. Therefore, the Company must make appropriate provision for income taxes in accordance with SFAS 109, Accounting for Income Taxes, using the liability method, which requires the recognition of deferred assets and liabilities for the expected future tax consequences of temporary differences between carry amounts and tax basis of assets and liabilities. At September 30, 2006, the Company has approximately \$175,055 of net operating loss carry-forwards available to affect future taxable income and has established a valuation allowance equal to the tax benefit of the net operating loss carry-forwards as realization of the asset is not assured. The net operating loss carry-forwards may be limited under the change of control provisions of the Internal revenue Code, Section 382.

Dividends and Distributions:

Dividends and distributions to common stockholders will be recorded on the ex-dividend date. The amount, if any, to be paid as a dividend will be

F-8

AMERICAN DEVELOPMENT & INVESTMENT FUND, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30 2006
(unaudited)

Note 2. Significant Accounting Policies (continued)

approved by the board of directors each quarter and will be generally based upon managements estimates of our earnings for the quarter and our investment needs. Net realized capital gains, if any, will be reviewed at least annually as part of any distribution determination.

Consolidation:

As an investment company, the Company will only consolidate subsidiaries which are also investment companies. At September 30, 2006, the Company did not have any consolidated subsidiaries.

Recent Accounting Pronouncements

In July, 2006, the Financial Accounting Standards Board issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No, 109. (FIN 48). Fin 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109—Accounting for Income Taxes. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We will adopt FIN 48 in the first quarter of 2007. We do not believe the effect of adopting FIN 48 will have a material impact on our financial statements.

Note 3. Portfolio Investments

As required by the 1940 Act, we will classify our investments by level of control. As defined in the 1940 Act, control investments are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally viewed to exist when a company or individual owns 25% or more of the voting securities of an investee

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

company. Affiliated investments and affiliated companies are defined by a lesser degree of influence and are deemed to exist through ownership of an amount greater than 5% but less than 25% of the voting securities of the investee company. The Company currently has no controlled or affiliated investments.

Note 4. Related Party Agreements and Transaction

Investment Advisory Agreement

The Company has entered into an Investment Advisory Agreement with United EcoEnergy Advisors, LLC (the Investment Advisor) under which the Investment Advisor, subject to the overall

F-9

UNITED ECOENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30 2006
(unaudited)

Note 4. Related Party Agreements and Transactions (Continued)

supervision of the board of directors of the Company, will manage the day-to-day operations of, and provide investment advisory services to, the Company. United EcoEnergy Advisors, LLC is owned equally by William K. Mackey, Patrick Donelan and Adam Mayblum. Mr. Mayblum and Mr. Donelan are also the equal owners of Enterprise Partners, LLC, our majority Common Stockholder and the holder of our Series A Convertible Preferred shares at the end of the quarter. Mr. Mayblum also serves as a director of the Company and Mr. Mackey is a director and our Chief Executive Officer.

For providing these services the Investment Advisor will receive a fee from the Company, consisting of two components--a base management fee and an incentive fee. The base management fee will be calculated at an annual rate of 2.00% on the gross assets of the Company (including amounts borrowed). The base management fee is payable quarterly in arrears based on the average value of the Companys gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be appropriately pro rated.

Under the terms of the original Agreement, the Base Management Fee would not be lower than \$25,000 per month for the first two years of the term of the Agreement; however, the Investment Advisor agreed with the Company to eliminate the minimum fee, and the Company amended the Agreement accordingly. The Amended Investment Advisory Agreement was submitted to The shareholders of the Company for approval at the Annual Meeting of shareholders held on September 30, 2006. The common shareholders, other than Enterprise Partners which abstained, unanimously approved the Amended Investment Advisory Agreement and the appointment of United EcoEnergy Advisors, LLC as the investment adviser for the Company at the Annual Meeting

No investment advisory fees have been accrued for the quarter ended September 30, 2006.

On April 1, 2006, the Company entered into a Consulting Agreement with William Mackey, the President and CEO, to cover his services until such time as the Company completes its first portfolio investment in the

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

alternative energy and appoints a permanent CEO. Under the terms of the Consulting Agreement, Mr. Mackey is entitled to an initial signing amount of \$22,500 and thereafter to a monthly consulting fee of \$7,500, payable on the 15th of each month. These amounts are accrued as Amounts Due to Officer. On April 10, 2006, Enterprise Partners advanced the \$22,500 for the sign-on Bonus to Mr. Mackey, and that amount has been reflected as an Amount Due to Affiliate of \$22,500 on the accompanying financial statements. As of September 30, 2006, Enterprise Partners paid the additional accrued amounts

F-10

UNITED ECOENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

(unaudited)

due to Mr. Mackey and the total accrued balance at September 30, 2006 of \$ 67,500 are reflected as accrued amounts Due to affiliate. The amounts due are non-interest bearing and payable on demand. Amounts due from affiliate totaling \$10,900 at September 30, 2006 represent short-term, non-interest bearing advances made to a company with common ownership and management.

Managerial Assistance

As a business development company, we will offer, and provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. The Company expects to receive fee income for providing these services.

Note 5. Stockholders Equity.

The following table reflects the changes in the stockholders equity (deficit) of the Company from December 31, 2005 to September 30, 2006:

	Common	Shares Preferred	Par Value Common	Additional Paid-in Preferred	Capital	Accumulated Deficit	Total
	-----	-----	-----	-----	-----	-----	-----
Balance at							
December 31, 2005	284,689	-	\$ 285	\$ -	\$ 3,924	\$(26,089)	\$(21,880)
Stock split (100 for 1)	28,468,900	-	28,184	-	(28,184)	-	-
Issuance of convertible preferred stock	-	1,000,000	-	1,000	59,000	-	60,000
Issuance of common	177,600	-	178	-	44,222	-	44,400
Issuance of common	40,600	-	41	-	10,059	-	10,100
Issuance of common	94,539	-	94	-	37,721	-	37,815
Net loss	-	-	-	-	-	(145,966)	(145,966)
Balance at							
September 30 2006	28,781,639	1,000,000	\$ 28,782	\$ 1,000	\$126,742	\$(172,055)	\$(15,531)

The Company completed an exempt offering of common shares under Regulation E, using Form 1-E, for a total of 218,200 common shares and \$54,550, at a price of \$0.25 per share. A total of 177,600 shares were subscribed for and accepted as of June 30, 2006, the common shares were issued as of that date, and all but \$9,750 of the total subscription was received as of June 30, 2006. The

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

remaining \$9,750 was received by the Company in July, 2006. Subsequently, the Company accepted subscriptions for 40,600 common shares on July 13, 2006 and received subscription proceeds of \$10,150, all of which was received. In August, 2006, the Company undertook a second offering of common shares under the 1-E Notice, receiving subscriptions for 94,539 common shares at \$0.40 per share, for a total of \$37,815.

As a result of these offerings, there were 28,781,639 common shares issued as of September 30, 2006.

F-11

UNITED ECOENERGY CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006

(unaudited)

Note 5. Stockholders' Equity (continued)

The Series A Convertible Preferred Stock is \$0.001 par value stock, and may be converted into common stock based on a formula under which conversion is equal to 1 divided by the 30 day trailing average stock price of the common shares at the time of the conversion election, but not more than 15 common shares for each preferred share converted, or a maximum of 15 million common shares. No conversion may occur until after one year from the date of issue. The Company may redeem the Series A Convertible Preferred Stock in whole or in part beginning 181 days after issue at \$0.75 per share, and after 365 days from issue at \$0.95 per share. The Series A Convertible Preferred Stock automatically converts into common stock following the second anniversary of issue, at the formula price if not redeemed prior to that date.

In August, 2006, Enterprise Partners, LLC, our majority common shareholder and the sole holder of our Series A Convertible Preferred Stock, transferred 25,370,600 of the common shares held by it, and also conveyed 731,519 of the Series A Convertible Preferred shares held by it to its debenture holders (23 Persons). As a result of these transactions, Enterprise Partners, LLC holds 1,567,700 shares of our common stock, representing approximately 5.47 percent of our undiluted common stock outstanding, and 268,481 shares of our Series A Convertible Preferred Stock, representing 26.8 percent of the 1,000,000 shares outstanding, and convertible into a maximum of 4,020,000 shares of our common stock. Therefore, Enterprise Partners, LLC now holds a total of approximately 12.8 percent of our common stock on a fully diluted basis, giving effect to the maximum conversion of the Series A Convertible Preferred Stock held by it.

Note 6 FINANCIAL HIGHLIGHTS

Financial Highlights

The following is a schedule of financial highlights for the nine months ended September 30, 2006 and for the twelve months ended December 31, 2005:

	CHANGES IN NET ASSET VALUE	
	For the nine months ended September 30, 2006	For the twelve months ended December 31, 2005
	-----	-----
Net asset value at beginning of period (1)	\$ (0.00077)	\$ (0.00021)
Proceeds from preferred stock	0.00209	-
Proceeds from common stock	0.00321	-
Net investment income	(0.00506)	(0.00056)
Net unrealized appreciation	-	-
	-----	-----
Net asset value, end of period (2)	\$ (0.00053)	\$ (0.00077)

F-12
UNITED ECOENERGY CORP.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(unaudited)

(1) Financial highlights as of September 30, 2006 and December 31, 2005 are based on 28,781,639 and 28,469,900 common shares outstanding, respectively, giving effect to the 100 for 1 forward split. On a fully diluted basis, there would be 43,781,639 shares outstanding as of September 30, 2006, based on conversion of the Series A Convertible Preferred Stock into 15 million common shares, the maximum conversion possible under the terms of the Series A Preferred Stock, and treating those shares as outstanding as of the date of their issuance at the end of February, 2006.

(2) Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period. The total return is not annualized.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

of Operations.

This quarterly report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of revenue, expenses, earnings or losses from operations or investments, or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include risks that are described from time to time in our Securities and Exchange Commission, or the SEC, reports filed before this report.

The forward-looking statements included in this quarterly report represent our estimates as of the date of this quarterly report. We specifically disclaim any obligation to update these forward-looking statements in the future. Some of the statements in this quarterly report constitute forward-looking statements, which relate to future events or our future performance or financial condition. Such forward-looking statements contained in this quarterly report involve risks and uncertainties.

We use words such as anticipates, believes, expects, future, intends and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason. We caution you that forward-looking statements of this type are subject to uncertainties and risks, many of which cannot be predicted or quantified.

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes thereto contained elsewhere in this Form 10-Q, as well as the risk factors included in our Form 10-K filed for the year ended December 31, 2005.

Overview

The Company was incorporated under the Nevada General Corporation Law in February 1997 as MNS Eagle Equity Group III, Inc., and was a development stage company through the end of 2005, and until the Company changed its business model with the election to be treated as a business development company on February 28, 2006. On February 21, 2006, the Company changed its corporate name to United EcoEnergy Corp., to reflect its new business model and plan.

On February 21, 2006, our then sole shareholder sold 284,689 pre-split common shares, representing 100 percent of the pre-split outstanding stock of the Company at the time, resulting in a change of control of the Company. Of these shares, 269,689 common shares, representing 94.7 percent of the outstanding shares, were purchased by Enterprise Partners, LLC, 11,000 shares were purchased by Peachtree Consultants, LLC, and 4,000 shares were purchased by Fairmont East Finance, Ltd. As a result of this change of control, our then sole director and president, Stephen Siedow, resigned effective February 22,

-3-

2006 after appointing William K. Mackey, William L. Sklar, Adam Mayblum, Alec Hoke and John Paul DeVito as the directors of the Company, to serve until the next annual meeting of shareholders of the Company. The name of the Company was changed from MNS Eagle Equity Group III, Inc. to United EcoEnergy Corp. by the filing of an amendment to the Articles of Incorporation with the State of Nevada on February 21, 2006.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

On February 27, 2006, the Company filed a Certificate of Designations for Series A Convertible Preferred Stock with the Nevada Secretary of State and the Board of Directors authorized the issuance of 1 million shares of Series A Convertible Preferred Stock to Enterprise Partners, LLC, our majority shareholder, in exchange for the cancellation of \$60,000 in loans for funds advanced to the Company by Enterprise Partners LLC to pay off debts of the Company and for initial working capital. The Series A Convertible Preferred Stock is \$0.001 par value stock, and may be converted into common stock based on a formula under which conversion is equal to 1 divided by the 30 day trailing average stock price of the common shares at the time of the conversion election, but not more than 15 common shares for each preferred share converted, or a maximum of 15 million common shares. No conversion may occur until after one year from the date of issue. The Company may redeem the Series A Convertible Preferred Stock in whole or in part beginning 181 days after issue at \$0.75 per share, and after 365 days from issue at \$0.95 per share. The Series A Convertible Preferred Stock automatically converts into common stock following the second anniversary of issue, at the formula price if not redeemed prior to that date. The conversion of the Series A Convertible Preferred into Common stock of the Company is illustrated by the following table:

Series A Convertible Preferred Shares

Common Stock Price	Per Share Conversion ratio (1/per share price)	Number of Common Shares on conversion	Maximum Shares Converted	Value of of Common Stock Preferred
0.0001	10,000.00	10,000,000,000	15,000,000	\$ 1,500
0.0003	3,333.33	3,333,333,333	15,000,000	4,500
0.0007	1,428.57	1,428,571,429	15,000,000	10,500
0.0014	714.29	714,285,714	15,000,000	21,000
0.0021	476.19	476,190,476	15,000,000	31,500
0.0042	238.10	238,095,238	15,000,000	63,000
0.0050	200.00	200,000,000	15,000,000	75,000
0.0075	133.33	133,333,333	15,000,000	112,500
0.0100	100.00	100,000,000	15,000,000	150,000
0.1000	10.00	10,000,000	10,000,000	1,000,000
0.5000	2.00	2,000,000	2,000,000	1,000,000
0.7500	1.33	1,333,333	1,333,333	1,000,000
1.0000	1.00	1,000,000	1,000,000	1,000,000

-4-

Currently, the Common shares of the Company do not trade on an over-the-counter market or exchange; however, based on the total acquisition price of the Common shares purchased from our former sole shareholder in February, 2006, the shares were purchased for the equivalent of \$0.0006 per share in an arms length transaction. This amount was in excess of the undiluted net asset value of the Common shares at the time. In order for a holder of the Series A Preferred Stock to realize a conversion value in Common stock equal to the \$60,000 paid for the preferred shares, the market value of the Common stock must increase by approximately 7 times, to \$0.0042 per share, either as a result of acquisitions or operations of the Company, or from a subsequent offering of shares by the Company.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

The Company has amended the Certificate of Designations for the Series A Convertible Preferred Stock, as filed with the Secretary of State of Nevada, with the consent of the original holder of the shares, Enterprise Partners, LLC. The amendments were designed to insure that the Series A Convertible Preferred Stock meets the requirements of a senior security, as defined in Section 18(g) of the 1940 Act. The Amended Certificate of designations of Series A Convertible Preferred Stock was filed as an exhibit to the Proxy Statement filed with the SEC on Form 14A on June 2006, and both the Amendments and the prior issuance of the Series A Convertible Preferred Stock to Enterprise Partners, LLC was approved unanimously by our public Shareholders at our Annual Meeting held on June 30, 2006.

Effective February 27, 2006, the Company implemented a 100 for 1 forward split of our outstanding common shares. As a result of the forward split, there were 28,468,900 common shares outstanding. This forward split has been reflected retroactively on our financial statements

We have elected to be treated as a business development company under the 1940 Act. Accordingly, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. We will typically invest under normal circumstances, at least 80% of net assets in alternative energy companies.

We intend to invest in companies in the alternative energy industry, including bio-fuel companies, most of which have relatively short or no operating histories. These companies are and will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that these companies may not reach their investment objective and the value of our investment in them may decline substantially or fall to zero.

As of September 30, 2006, we had not yet made any portfolio or other investments. However, we have signed several letters of intent for such acquisitions, subject to our obtaining funding, and we have also entered into an investment banking arrangement with Lempert Brothers US, in New York.

Operating Activities

During the quarter ended September 30, 2006, the Company continued with the considerable efforts it has expended in the first half of the year to carry out its business plan as a Business Development Company. These efforts included both business development and financing activities.

-5-

William K. Mackey, our CEO, traveled extensively during the Quarter in pursuit of these objectives, meeting with numerous potential venture partners and portfolio investment companies. Mr. Mackey met with the principals of investment partners as well as potential portfolio companies in New York, Texas, Tennessee, Alabama, Georgia and parts of Florida during the Quarter. These efforts resulted in either mutual understandings, non-binding letters of intent or proposed joint ventures. Also, management explored several potential technologies in both alternative energy and renewable fuels arena as possible investments.

On the finance side, the Company submitted several proposals to its investment banker, Lempert Brothers International USA. The Company also was introduced to George O. Miles Inc. for debt side financing of potential acquisitions. The Company initiated discussions with Access Energy for the purpose of financing various wind projects. These talks have progressed and will continue into the Fourth Quarter.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

The Company has reviewed numerous alternative energy technologies, including proprietary technologies of Woodland Chemical Systems, Pure Energy, Inc. and CTI Biofuels. The Company has signed non-disclosure agreements with all of these firms and with Emissions Technologies, Inc., in order to further explore the technologies and consider an investment.

United has entered into a joint venture with Alternative Fuels LLC to explore converting biomass into ethanol. The Company also has exchanged non binding letters of intent with SafeFuels, Inc. of Houston, Texas, Imperial Recovery of Houston, Texas, and Novis Energy of Atlanta, Georgia, with the goal of entering into definitive investment agreements with each of these companies during the Fourth Quarter.

Further, management continued to explore potential relationships or investments in ethanol, bio-diesel, biomass and wind opportunities from Venezuela (Mandioca Project), Minnesota (Gamasa Project), and Arkansas (Arkansas and Helens Projects).

The Company's management meets with the Company's Investment Advisor each Monday, Wednesday and Friday to review the current activities of the Company. Management believes that recent conversations matching business development opportunities and potential financings are moving toward several potential investment scenarios in the Fourth Quarter.

Besides exploring traditional sources of financings with its investment banker, management also has met with CRT LLC, Ardour Capital, Giordano Securities and others. The Company has attended conferences such as Value Rich and obtained various memberships in web news letters advising the Company on industry developments. Examples of these sites would be HedgeFund.net, Renewable Energy Weekly and North American Wind Power.

Through the end of the Third Quarter, the Company has expended over \$145,000 in connection with its Business Development Company operations, and has entered into many financing agreements, investment banking agreements and letters of intent for acquisitions of portfolio companies.

-6-

Critical Accounting Policies

In determining the fair value of our investments, the Audit Committee will consider valuations from an independent valuation firm, from our Investment Committee and from management

Results of Operations

A comparison of the current quarter results to the quarter ended September 30, 2005 is not meaningful, as we had not then made the election to be treated as a business development company and our business model in 2005 was to locate and merge with an operating business.

Financial Highlights

Financial highlights of the Company for the period ending September 30, 2006 are included in Footnote 6 to our Financial Statements.

Investment Activity

We have engaged Lempert Brothers US in New York to assist us in raising not

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

less than \$10 million to enable us to continue with several pending letters of intent and we are currently engaged in due diligence in that regard.

Long-Term Portfolio Investments

There were no portfolio investments made during the three months ended September 30, 2006.

Investment Income

We expect to generate revenue in the form of interest income on the debt securities that we own, dividend income on any common or preferred stock that we own, and capital gains or losses on any debt or equity securities that we acquire in portfolio companies and subsequently sell. Our investments, if in the form of debt securities, will typically have a term of one to ten years and bear interest at a fixed or floating rate. To the extent achievable, we will seek to collateralize our investments by obtaining security interests in our portfolio companies assets. We also may acquire minority or majority equity interests in our portfolio companies, which may pay cash or in-kind dividends on a recurring or otherwise negotiated basis. In addition, we may generate revenue in other forms including commitment, origination, structuring or due diligence fees, and possibly consultation fees. Any such fees generated in connection with our investments will be recognized as earned. We earned no investment income during the quarter ended September 30, 2006.

Operating Expenses

Operating expenses are broken down as follows:

-7-

Consulting expenses	\$	52,500
Rent		2,700
Audit fees		2,334
Other expenses:		
Bank fees	\$	55
Filing fees		350
Office supplies		188
Postage and delivery		134
Registered agent		160
Transfer agent		3,291

		4,178
Total operating expense		----- 61,712

The consulting expenses were paid or due to CF Consulting, LLC, pursuant to a Consulting Agreement under which Robert Hipple serves as our CFO and Chief Compliance Officer for a monthly fee of \$5,000 (\$15,000), to William Mackey,

our CEO, under his Consulting Agreement (\$22,500), to Lempert Brothers International (\$10,000) and the balance to unaffiliated consultants. The rent expense represents rent paid or due to CF Consulting, LLC for sub-leasing office space, telephone, office equipment and related office services at the rate of \$450 per month under the same Consulting Agreement. The remaining expenses were paid or due to non-affiliated parties, including \$2,334 in professional fees to our independent audit firm for audit services.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

Net Investment Income, Net Unrealized Appreciation and Net Increase in Stockholders Equity Resulting from Operations

Our net investment income totaled \$0 for the quarter ended September 30, 2006 compared to \$0 for the quarter ended September 30, 2005 and \$0 for the year ended December 31, 2005. Net unrealized appreciation totaled \$0 for the quarter ended September 30, 2006 compared to \$0 for the quarter ended September 30, 2005 and \$0 for the year ended December 31, 2005.

Financial Condition, Liquidity and Capital Resources

Our liquidity and capital resources were generated primarily from an advance of \$60,000 by our major shareholder, Enterprise Partners, LLC, which was later converted into 1 million shares of Series A Convertible Preferred Stock. We generated no cash flows from operations. We also undertook an exempt offering of our common shares pursuant to a Form 1-E Application and Notice filed with the SEC on September 19, 2006, and accepted subscriptions for a total of 233,000 common shares, representing \$58,250 in additional working capital. In the future, we may fund a portion of our investments through borrowings from banks, issuances of senior securities or secondary offerings of equity, including further exempt offerings. We may also securitize a portion of our investments in mezzanine or senior secured loans or other assets. Our primary use of funds will be investments in portfolio companies.

Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2005, which

-8-

could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are subject to financial market risks, including changes in interest rates, equity price risk and some of the loans in our portfolio may have floating rates in the future. We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the three and nine months ended September 30, 2006 and the twelve months ended December 31, 2005, we did not engage in any hedging activities.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based on that evaluation, as of September 30, 2006, the Chief Executive Officer and the Chief Financial Officer have concluded that our current disclosure controls and procedures are effective in timely alerting them to material information relating to the Company that is required to be disclosed by the

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

Company in the reports it files or submits under the Securities Exchange Act of 1934.

Internal Control Over Financial Reporting

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such responsibility is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, and for performing an assessment of the effectiveness of internal control of financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of

-9-

achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

There have been no changes in our internal controls over financial reporting that occurred during the three months ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not a defendant in any legal action arising out of its activities. We are not aware of any other material pending legal proceeding, and no such material proceedings are known to be contemplated, to which we are a party or of which any of our property is subject.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company completed an exempt offering of common shares under Regulation E, using Form 1-E, for a total of 218,200 common shares and \$54,550, at a price of \$0.25 per share. A total of 177,600 shares were subscribed for and accepted as of June 30, 2006, the common shares were issued as of that date, and all but \$9,750 of the total subscription was received as of June 30, 2006. The remaining \$9,750 was received by the Company in July, 2006. Subsequently, the Company accepted subscriptions for 40,600 common shares on July 13, 2006 and

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

received subscription proceeds of \$10,150, all of which was received. In August, 2006, the Company undertook a second offering of common shares under the 1-E Notice, receiving subscriptions for 94,539 common shares at \$0.40 per share, for a total of \$37,815.

As a result of these offerings, there were 28,781,639 common shares issued as of September 30, 2006.

The Series A Convertible Preferred Stock is \$0.001 par value stock, and may be converted into common stock based on a formula under which conversion is equal to 1 divided by the 30 day trailing average stock price of the common shares at the time of the conversion election, but not more than 15 common shares for each preferred share converted, or a maximum of 15 million common shares. No conversion may occur until after one year from the date of issue. The Company may redeem the Series A Convertible Preferred Stock in whole or in part beginning 181 days after issue at \$0.75 per share, and after 365 days from issue at \$0.95 per share. The Series A Convertible Preferred Stock automatically converts into common stock following the second anniversary of issue, at the formula price if not redeemed prior to that date.

In August, 2006, Enterprise Partners, LLC, our majority common shareholder and

-10-

the sole holder of our Series A Convertible Preferred Stock, transferred 25,370,600 of the common shares held by it, and also conveyed 731,519 of the Series A Convertible Preferred shares held by it to its debenture holders (23 Persons) As a result of these transactions, Enterprise Partners, LLC holds 1,567,700 shares of our common stock, representing approximately 5.47 percent Of our undiluted common stock outstanding, and 268,481 shares of our Series A Convertible Preferred Stock, representing 26.8 percent of the 1,000,000 shares outstanding, and convertible into a maximum of 4,020,000 shares of our common stock. Therefore, Enterprise Partners, LLC now holds a total of approximately 12.8 percent of our common stock on a fully diluted basis, giving effect to the maximum conversion of the Series A Convertible Preferred Stock held by it.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

On September 30, 2006, the Company held its Annual Meeting of Shareholders pursuant to written notice and a Proxy Statement filed with the SEC on September 19, 2006. All of the common shareholders of the Company were Present at the meeting or submitted signed proxies prior to the meeting. The following matters were approved by the shareholders at the Annual Meeting:

1. Election of the following as directors of the Company until the next Annual Meeting and until their successors are duly elected and qualified:

Adam Mayblum
William K. Mackey
Alec Hoke
John Paul DeVito
William Sklar

2. Approval of an amendment to the Articles of Incorporation to increase the number of authorized shares of the Company par vale \$0.001 common stock from 50 million shares to 150 million shares, which amendment was then filed with the Secretary of State for Nevada.

Edgar Filing: United EcoEnergy Corp. - Form 10-Q

3. Ratification of the decision of the Audit Committee to appoint Berman Hopkins Wright & Laham, CPAs, LLP as the independent auditors of the Company for the fiscal year beginning January 1, 2006.

4. Ratification of the appointment of United EcoEnergy Advisors, LLC as investment advisors to the Company and approval of the Amended Investment Advisory Agreement.

5. Approval of the Amended Statement of Designation for the Series A Convertible Stock of the Company, which was then filed with the Secretary of State for the State of Nevada.

Item 5. Other Information.

Stock Option Plans

The Company presently has an approved stock option plan and an approved stock

-11-

compensation plan, which were approved by the shareholders of the Company in 1997. No options, warrants or rights have been issued under those plans as of the date of this report. AS a BDC with an investment advisory contract in force which authorizes compensation based in part of capital gains of portfolio investments, the Company is prohibited from issuing any options under these plans to officers, directors or executives under Section 61 of the Investment Company Act of 1940. The Company has no plans to authorize the grant of any options under either plan and will not grant any options under either plan in full compliance with Section 61 so long as the current investment advisory agreement is in place.

Item 6. Exhibits

Exhibit	Description of Exhibit
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

_/s/___William K. Mackey____
William K. Mackey
Chief Executive Officer

November 14, 2006

