UNITED ENERGY CORP /NV/
Form 10KSB
June 28, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark one)

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2007

o 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: 000-30841

UNITED ENERGY CORP.

(Name of small business issuer in its charter)

Nevada	**22-3342379**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 Meadowlands Parkway, #20 Secaucus, New Jersey	**07094**
(Address of principal executive offices)	(Zip Code)

(201)-842-0288
(Issuer s telephone number, including area code)

Securities registered Under Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
None	**None**

Securities registered Under Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered

Common Stock, par value $.01 per share	Over-the-Counter (OTC) Bulletin Board

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No x

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

Check if there is no disclosure of delinquent filers in response to item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

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

The issuer s total consolidated revenues for the fiscal year ended March 31, 2007 were $811,893.

The aggregate market value of the common equity held by non-affiliates of the registrant was $12,136,590 as of June 19, 2007.

The number of shares outstanding of the registrant s common equity as of June 19, 2007 was 31,030,115 shares.

UNITED ENERGY CORP.

2007 FORM 10-KSB ANNUAL REPORT

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

We develop and distribute environmentally friendly specialty chemical products with applications in several industries and markets. Our current line of products includes our K-Line of Chemical Products for the oil industry and related products.

Through our wholly owned subsidiary, Green Globe Industries, Inc., we provide the U.S. military with a variety of solvents, paint strippers and cleaners under our trade name Qualchem. Green Globe is a qualified supplier for the U.S. military and has sales contracts currently in place with no minimum purchase requirements, which are renewable at the option of the U.S. Military.

We have developed a system referred to as our S2 system, to work with our environmentally friendly paraffin dispersants products. This technology produces high volumes of steam and heat at variable pressures and temperatures to completely dissolve most deposits of paraffin and asphaltene within oil wells, pipelines or storage tanks. The S2 system apparatus is portable, compact and easy to use. We are further developing the process to enhance and support sales of KH-30 and its related products for the oil industry and for other potential applications. Our patent on the S2 system expired in January 2007; however, we have filed a patent application with respect to certain improvements, modifications and enhancements to the S2 system.

A key component of our business strategy is to pursue collaborative joint working and marketing arrangements with established international oil and oil service companies. We intend to enter into these relationships to more rapidly and economically introduce our K-Line of Chemical Products to the worldwide marketplace for refinery, tank and pipeline cleaning services. We have entered into a non-exclusive distribution agreement with Champion Technologies Inc. and a non-exclusive Master Purchase Agreement with Petrobras America Inc. for the sale and distribution of our K-Line of patented specialty chemical solutions. The agreements do not provide for any minimum amounts to be purchased. We are also currently negotiating potential working arrangements with several other companies, however, there can be no assurance that any of these arrangements entered into or, if entered into, (as well as the agreements with Champion Technologies and Petrobras America Inc.) will be successful.

We provide specialty chemical products to our customers and generated revenues of $811,893 for the fiscal year ended March 31, 2007 and $385,374 for the fiscal year ended March 31, 2006.

Organizational History

We were originally incorporated in Nevada in 1971 as Aztec Silver Mining Co. We engaged in the manufacturing and distribution of printing equipment from 1995 through 1998. During that period, we began to develop specialty chemical products for use in the printing industry. In March 1998, we discontinued our printing equipment operations and changed our business focus to the development of specialty chemical products.

Business Operations and Principal Products

Our principal products include our K-Line of Chemical Products for the oil industry and our Green Globe Chemical Products which consist of a variety of solvents, paint strippers and cleaners.

K-Line of Chemical Products

KH-30 is a mixture of modified oils, dispersants and oil-based surfactants designed to control paraffin and asphaltene deposits in oil wells. When applied in accordance with our recommended procedures, KH-30 has resulted in substantial production increases in paraffin-affected oil and gas wells by allowing for a faster penetration of paraffin and asphaltene deposits. KH-30 disperses and suspends paraffin and asphaltene in a free-flowing state and prevents solids from sticking to each other or to oil well equipment. KH-30 is patented in the United States, Russia, Venezuela, Argentina, Canada, China, the European Union, Hong Kong, Malaysia and Mexico. We have ten additional country patent applications pending in most of the major oil-producing countries around the world.

KX-100 is a patent pending formula where contact time is limited for removal of a plug of paraffin or asphaltene. It is fast acting and an effective dispersant that can be used in temperatures as low as 25F. It can be used in nearly any application.

SR-3 Scale and Rust Remover is a fast acting corrosion inhibited product developed to remove both calcium carbonate and calcium sulfate salt deposits. SR-3 is a broad spectrum, water soluble scale remover designed to rapidly alleviate hard and soft deposits and to restore full flow capacity. The product is also designed to remove rust while adding protection against further rusting by providing a phosphatized surface on ferrous metals.)

HPD-1 PLUS is specifically formulated to offer prompt and effective remediation of tough clogging problems with upper medium to high molecular weight paraffin. Performs multi-functional characteristics to impart wettability, penetration, dispersion, and an exceptional solvency for paraffin rich heavy sludge with the proper treatment dosage and application.

GSA Gun & Bore Cleaner is a patent pending formula which is a safer and more effective bore and chamber cleaner. It can be used on everything from small handguns to 16 guns. Currently, GSA Gun & Bore Cleaner is being marketed and distributed by TopDuck Products LLC under their trademark Gunzilla BC-10 .

Green Globe Chemical Products

Leak Detection Compound Type I and II is a gas leak detection compound that is compatible with oxygen. Is intended for use in detecting leaks in both high and low-pressure oxygen systems in aircraft and other related oxygen systems

Corrosion Inhibitor is an additive intended for use with anti-freeze in water at a concentration of 3% to retard corrosion.

Corrosion Removing Compound Type I, II and III are corrosion removing and metal conditioning compounds, which when diluted with water, will remove rust from ferrous metal surfaces.

Ethylene Glycol/Water Coolant is a mixture of Ethylene Glycol and distilled water to provide a coolant mixture for use in radar domes used by the Military.

Qualkleen 1000 Wipes is a state-of-the-art active Matrix Liquid Crystal Display (AMLCD) and instrument glass cleaner. Qualkleen 1000 was developed for the Military to replace hazardous products such as IPA, Acetone, and Methanol in the cleaning of the high efficiency anti-reflective coating on the AMLCD glass being used in the new high tech multi-function displays for aircraft instrumentation.

NPX Powder Coating is an effective reusable paint stripper. NPX is a powerful blend of chemicals which will out perform all other aluminum safe strippers in the powder coat industry. Safe method of stripping metals, including magnesium, zinc, high strength steel and titanium. Does not contain any methylene chloride, phenol, chromates or caustics.

Green Globe products are sold under the trade name Qualchem. Green Globe is a qualified supplier for the U.S. military and has sales contracts currently in place with no minimum purchase requirements, which are renewable at the option of the U.S. Military.

Aqueous Coating

We have developed a patent pending aqueous coating with excellent oil, grease and water repellency for hot/cold food packaging such as cups, plates, cartons, wrappers and corrugated boxes which is biodegradable, decomposable, and recyclable.

Additional Technologies

We have developed certain modifications, improvements and enhancements to the S2 system including an apparatus for introducing a vapor-containing stream into underground geological formations, pumps, conduits or tanks which represents an advance over previous techniques. The technique allows vapor-containing steam to bypass the well and be released to the atmosphere. We have filed a patent application with respect to the modifications, improvements and enhancements to the S2 system.

Manufacturing and Sales

All of the raw materials necessary for the manufacture of our products are generally available from multiple sources. Although we have negotiated favorable arrangements with some of our current suppliers, (which include Pride Solvents and Chemical Co. of NJ Inc., Hy-Test Packaging Corp, Air Products and Chemicals and Arista Industries Inc), we would have to repeat the process if one or more of our current suppliers were no longer to be able to supply these raw materials to us. We do not own any special manufacturing facilities. Our chemical products are generally manufactured by contract blenders at a number of different locations. This method of manufacturing has reduced the need for us to invest in facilities and to hire the employees to staff them. Chemical blenders are relatively easy to replace and are bound by confidentiality agreements, where appropriate, which obligate them not to disclose or use our proprietary information.

We are not responsible for any environmental expenditure with respect to the manufacturing of our products. First, the chemical products that we use are generally environmentally friendly products in that they are low in toxicity and rank high in biodegradability. Further, any environmental issues involved in manufacturing are the responsibility of the blending facilities, provided they receive adequate and accurate information from us as to the components of the chemicals involved, however, there can be no assurance that we will not be liable as we are subject to various foreign, federal, state and local law and regulations relating to the protection of the environment.

In the fiscal year ending March 31, 2007, Petrobras America Inc. purchased our KX-100 oil cleaning products, which accounted for approximately 45.7% of our total customer sales. In the fiscal year ended March 31, 2006, Howard Energy and Champion Technologies purchased our KH-30 and KX-100 oil cleaning products, which accounted for approximately 23.5% of our total customer sales.

Except for these current and former customers, no other single entity has accounted for more than 10% of our sales during any of the fiscal years ended March 31, 2007 and 2006.

All of our products are sold in U.S. dollars and, therefore, we have had no foreign currency fluctuation risk.

Our current operations do not require a substantial investment in inventory other than minimum commitments to our distributors. However, we anticipate that any growth in our business will require us to maintain higher levels of inventory.

As of March 31, 2007, the Company s backlog included $82,502 of specialty chemical sales. Backlog represents products that the company s customers have committed to purchase. The Company s backlog is subject to fluctuations and is not necessarily indicative of future sales.

Marketing and Distribution

We have engaged the services of independent contractors to market our K-Line of Chemical Products. These contractors work under various non-exclusive commission and distribution agreements and have substantial contacts among oil well owners and major oil companies in the United States, Mexico, South America, Africa, Europe and the Middle East. These contractors earn a commission based upon the sales value of the products that they sell. These independent contractors use our marketing materials, brochures and website to interest clients and to describe the attributes of our products.

Although we have not achieved the volume of sales we had anticipated for the oil dispersant products, there have been significant barriers to entry in this market. Most of these potential customers require substantial testing of our product to prove its efficacy at cleaning wells, tanks and flow lines. In many cases, additional laboratory testing is required to prove that our chemical products are compatible with refinery systems and will not interfere with certain chemical processes and safety requirements of the potential clients. This process of testing has taken a great deal longer than was originally anticipated. We believe that we have made significant inroads and currently expect a higher volume of sales in the next fiscal year ending March 31, 2008, although there can be no assurance that sales will increase in fiscal 2008.

Research and Development

Our K-Line of Chemical Products for the oil industry and Uniproof proofing paper are developed and ready for market. All of these products are the result of research and development expenditures paid in the amounts of $232,517 and $193,032 for the fiscal years ended March 31, 2007 and 2006 respectively. We have had available the services of one research chemist and one analytical chemist, as well as one petroleum engineer, to lead in the development of our products. A significant amount of market adaptation has taken place in the field involving the development of application procedures for products. We do not anticipate having to make significant research and development expenditures on existing products in the future. However, we do expect to continue to develop new products to complement our existing product lines.

Competition

We compete directly or indirectly with other producers of specialty chemical products with similar uses, most of which are more established companies and have greater resources than we have. Generally, we attempt to compete by offering what we hope to be lower prices and better service. However, our KH-30, KX-100, KX-91 and KH-30S products for the oil industry are often more expensive, and with these products we attempt to compete by emphasizing product effectiveness and environmental safety.

Proprietary Technologies

With respect to our formulations, which are proprietary, we have patented our KH-30 oil well cleaner in the United States, Russia, Venezuela, Argentina, Canada, China, the European Union, Hong Kong, Malaysia and Mexico. We have ten additional country patent applications pending in most of the major oil-producing countries around the world. We also have patents pending with respect to our Aqueous Coating, GSA Gun & Bore Cleaner, and KX-100 products as well as with respect to certain improvements, modifications and enhancements to our S2 system.

We believe our KH-30 patent and our patent applications with respect to Aqueous Coating, GSA Gun & Bore Cleaner, KX-100 and certain improvements, modifications and enhancements to our S2 System are strong and will help our competitive position. However, we are aware that others may try to imitate our product or invalidate our patents. We have in the past vigorously enforced our trade secrets such as the one relating to our Uniproof proofing paper, and intend to continue to do so in the future. However, we recognize that intellectual property rights provide less than complete protection. We believe that no other company is currently producing a product similar to KH-30 or our other products that we have applied for patent protection.

In addition to applying for patent protection on our KH-30 product, we have also registered KH-30 as a trademark. Trademark protection has also been obtained for the Uniproof name for our proofing paper. We anticipate applying for both patent and trademark protection for our other products in those jurisdictions where we deem such protection to be beneficial.

Employees

As of March 31, 2007 we employed thirteen people on a full-time basis and had available the services of four other individuals under consulting or product/production cooperation arrangements. The latter arrangement is meant to include a situation where a chemist, engineer or significant marketing person is engaged by an organization under contract with us to manufacture or market one or more of our products.

None of our employees are represented by a union. We consider our relations with our employees to be good.

Available Information

We file annual, quarterly and current reports, information statements and other information with the Securities and Exchange Commission (the SEC). The public may read and copy any materials we file with the

SEC at the SEC s Public Reference Room at Station Place, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

Subsequent Events.

On May 17, 2007, we entered into an amended and restated non-exclusive distribution agreement with Champion Technologies Inc. for the sale and distribution of our K-Line of patented specialty chemical solutions. The agreement is for a term of three (3) years and grants Champion Technologies Inc. certain rights to blend, dilute and utilize our products to manufacture and sell different products. The agreement amends the former agreement with Champion Technologies Inc. dated March 6, 2006.

ITEM 2. DESCRIPTION OF PROPERTY

We lease 9,600 square feet of office space at 600 Meadowlands Parkway, #20, Secaucus, New Jersey 07094. Under the terms of the lease, which runs through June 2007, the monthly rent is $9,600. In addition, we leased office space of approximately 1,350 square feet in Midland, Texas as a regional sales office at a rate of $759 per month. This lease ran through September 2005 and has not been renewed.

We use independent non-affiliated contract chemical blending and manufacturing facilities in various locations around the United States for the manufacture of our products. We contract the production of our products to independent manufacturers and blenders and our products are therefore produced at the manufacturing facilities of those entities. We do not own any manufacturing facilities.

ITEM 3. LEGAL PROCEEDINGS

In July 2002, an action was commenced against us in the Court of Common Pleas of South Carolina, Pickens County, brought by Quantum International Technology, LLC and Richard J. Barrett. Plaintiffs allege that they were retained as a sales representative of ours and in that capacity made sales of our products to the United States government and to commercial entities. Plaintiffs further allege that we failed to pay to plaintiffs agreed commissions at the rate of 20% of gross sales of our products made by plaintiffs. The complaint seeks an accounting, compensatory damages in the amount of all unpaid commissions plus interest thereon, punitive damages in an amount treble the compensatory damages, plus legal fees and costs. Plaintiffs maintain that they are entitled to receive an aggregate of approximately $350,000 in compensatory and punitive damages, interest and costs. In June 2003, the action was transferred from the court in Pickens County to a Master in Equity sitting in Greenville, South Carolina and was removed from the trial docket. The action, if tried, will be tried without a jury. No trial date has yet been scheduled. We believe we have meritorious defenses to the claims asserted in the action and intend to vigorously defend the case. The outcome of this matter cannot be determined at this time.

In March 2007, we commenced an action against Applied Force and Samuel Miller III in the Superior Court of New Jersey, Law Division - Bergen County for the recovery of two of our vehicles and certain additional claims. The defendants, Applied Force and Samuel Miller III, have filed a counterclaim for recovery of alleged storage fees in the amount of $126,784 and certain alleged service fees in the amount of $1,275. The action is currently in the discovery process. No trial date has yet been scheduled. We believe that we have meritorious claims and defenses to the counterclaims. We intend to vigorously pursue our claims and defend the counterclaims. The outcome of this matter cannot be determined at this time.

No other legal proceedings are currently pending or threatened against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of our fiscal year ended March 31, 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of June 19, 2007, there were approximately 463 record holders of our common stock and there were 31,030,115 shares of our common stock outstanding. We have not previously declared or paid any dividends on our common stock and do not anticipate declaring any dividends in the foreseeable future.

The following table shows the high and low bid prices of our common stock as quoted on the OTC Bulletin Board by quarter during each of our last two fiscal years ended March 31, 2007 and 2006 and for each quarter after March 31, 2007. These quotes reflect inter-dealer prices, without retail markup, markdown or commissions and may not represent actual transactions. The information below was obtained from those organizations, for the respective periods.

Fiscal Year ended March 31	Quarter	High	Low
2006	First Quarter (April-June 2005)	$ 1.81	$ 1.06
	Second Quarter (July-September 2005)	2.85	1.33
	Third Quarter (October-December 2005)	2.70	1.47
	Fourth Quarter (January-March 2006)	2.20	1.41
2007	First Quarter (April-June 2006)	$ 2.08	$ 1.27
	Second Quarter (July-September 2006)	1.40	.64
	Third Quarter (October-December 2006)	1.02	.53
	Fourth Quarter (January-March 2007)	.77	.39
2008	First Quarter (through June 19)	$ .77	$ .42

The high and low bid prices for shares of our common stock on June 19, 2007 were $.55 and $.54 per share, respectively, based upon bids that represent prices quoted by broker-dealers on the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions.

Dividend Policy

While there are no restrictions on the payment of dividends, we have not declared or paid any cash or other dividends on shares of our common stock in the last two years, and we presently have no intention of paying any cash dividends in the foreseeable future. Our current policy is to retain earnings, if any, to finance the expansion of our business. The future payment of dividends will depend on the results of operations, financial condition, capital expenditure plans and other factors that we deem relevant and will be at the sole discretion of our board of directors.

Equity Compensation Plan Information

The following table provides information regarding the status of our existing equity compensation plans at March 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding option, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,502,500	$ 1.17	185,000
Equity compensation plans not approved by security holders	4,375,000	$ 1.88	
Total	7,877,500		185,000

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

You should read the following description of our financial condition and results of operations in conjunction with the financial statements and accompanying notes included in this Annual Report beginning on page F-1.

Overview

We develop and distribute environmentally friendly specialty chemical products with applications in several industries and markets. Our current line of products includes:

o K-Line of Chemical products for the oil industry and related products

Through our wholly owned subsidiary, Green Globe Industries, Inc., we provide the U.S. military with a variety of solvents, paint strippers and cleaners under our trade name Qualchem. Green Globe is a qualified supplier for the U.S. military and has sales contracts currently in place with no minimum purchase requirements which are renewable at the option of the U.S. Military.

We have developed a system referred to as our S2 system, to work with our environmentally friendly paraffin dispersants products. This technology produces high volumes of steam and heat at variable pressures and temperatures to completely dissolve most deposits of paraffin and asphaltene within oil wells, pipelines or storage tanks. The S2 system apparatus is portable, compact and easy to use. We are further developing the process to enhance and support sales of KH-30 and its related products for the oil industry and for other potential applications. Our patent on the S2 system expired in January 2007; however, we have filed a patent application with respect to certain improvements, modifications and enhancements to the S2 System.

A key component of our business strategy is to pursue collaborative joint working and marketing arrangements with established international oil and oil service companies. We intend to enter into these relationships to more rapidly and economically introduce our K-Line of Chemical Products to the worldwide marketplace for refinery, tank and pipeline cleaning services. We have entered into a non-exclusive distribution agreement with Champion Technologies Inc. and a non-exclusive Master Purchase Agreement with Petrobras America Inc. for the sale and distribution of our K-Line of Chemical Products. The agreements do not provide for any minimum amounts to be purchased. We are also currently negotiating potential working arrangements with several other companies however, there can be no assurance that any of these arrangements entered into or, if entered into, (as well as the agreements with Champion Technologies and Petrobras America Inc.) will be successful.

We provide our K-Line of Chemical Products to our customers and generated revenues of $811,893 for the fiscal year ended March 31, 2007 and $385,374 for the fiscal year ended March 31, 2006.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates, including those related to product returns, bad debts, inventories, valuation of options and warrants, intangible assets, long-lived assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Our primary source of revenue is from sales of our products. We recognize revenue upon shipment and transfer of title.

Allowance for Doubtful Accounts

We monitor our accounts and note receivable balances on a monthly basis to ensure they are collectible. On a quarterly basis, we use our historical experience to determine our accounts receivable reserve. Our allowance for doubtful accounts is an estimate based on specifically identified accounts, as well as general reserves. We evaluate specific accounts where we have information that the customer may have an inability to meet its financial obligations. In these cases, management uses its judgment, based upon the best available facts and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are re-evaluated and adjusted as additional information is received that impacts the amount reserved. We also establish a general reserve for all customers based upon a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change, our estimate of the recoverability of amounts due to us could be reduced or increased by a significant amount. A change in estimated recoverability would be accounted for in the period in which the facts that give rise to the change become known.

Discontinued Operations

During the fiscal year ended March 31, 2007, the Company discontinued the sale of its Uniproof proofing paper. Certain amounts in the accompanying March 31, 2006 consolidated financial statements have been reclassified to conform to the current classification of the graphic arts segment.

Results of Discontinued Operations

The financial position and results of these operations are presented as assets and liabilities of discontinued operations in the consolidated balance sheets and discontinued operations in the consolidated statement of operations, for all periods presented in accordance with Statement of Financial Accounting Standards No. 144 (SFAS No. 144), *Accounting for the impairment or disposal of Long-Lived Assets.*

Sales. Sales decreased to $1,310 for the year ended March 31, 2007 from $106,861 for the year ended March 31, 2006. The $105,551 or 99% decrease in sales was due to no orders received from our primary customer, because the use of proofing paper is being phased out due to the paper industry switching to a digital technology.

Cost of Goods Sold. Cost of goods sold decreased to $1,058 or 81% of sales, for the year ended March 31, 2007 from $61,900, or 58% of sales, for the year ended March 31, 2006. The decrease in cost of goods sold was due to no orders received from our primary customer, because the use of proofing paper is being phased out due to the paper industry switching to a digital technology.

Gross Profit. Gross profit decreased to $252 or 19% of sales, for the year ended March 31, 2007 from $44,961, or 42% of sales, for the year ended March 31, 2006. The decrease was due to no orders received from our primary customer, because the use of proofing paper is being phased out due to the paper industry switching to a digital technology.

Results of Operations

Comparison of Fiscal Year Ended March 31, 2007 to Fiscal Year Ended March 31, 2006

Sales. Sales increased to $811,893 for the year ended March 31, 2007 from $385,374 for the year ended March 31, 2006. The $426,519 or 111%, increase was due to higher levels of Specialty Chemicals, which include KH-30 and KX-100, and our Green Globe / Qualchem product line. The increase was primarily related to a 135% increase in sales of our K-Line of oil field dispersant products reflecting a higher level of orders and a 32% increase in the level of U.S. Military sales during the year. Our three largest customers accounted for 64% of revenues for the year ended March 31, 2007 compared with 42% for the comparable period in 2006.

Cost of Goods Sold. Cost of goods sold increased to $363,208 or 45% of sales, for the year ended March 31, 2007 from $239,742, or 62% of sales, for the year ended March 31, 2006. The increase in cost of goods sold was due to the increased sales of K-Line of Chemical Products compared to the prior year. The decrease in cost of goods sold as a percentage of sales is due to an increase in the level of sales of our K-Line of Chemical Products during the year which have a higher gross profit percentage.

Gross Profit. Gross profit increased to $448,685 or 55% of sales, for the year ended March 31, 2007 from $145,632, or 38% of sales, for the year ended March 31, 2006. The increase in gross profit was due to an increase in sales of our K-Line of Chemical Products.

*Selling, General and Administrative Expenses. Selling, g*eneral and administrative expenses decreased to $2,811,970 or 346% of sales, for the year ended March 31, 2007 from $3,584,653, or 930% of sales, for the year ended March 31, 2006. The decrease in selling, general and administrative expenses are primarily related to a decrease in salaries due to the exercise of options in the prior year offset partially by an increase in payroll and the recording of stock-based compensation costs, a decrease in professional fees, lower marketing expenses, and lower travel and entertainment expenses, partially offset by an increase in bad debts.

Depreciation, Amortization and Depletion. Depreciation, amortization and depletion increased to $76,434 for the year ended March 31, 2007 from $70,061 for the year ended March 31, 2006 reflecting a slight increase in fixed assets purchases.

Interest Income. Interest income increased to $169,653 for the year ended March 31, 2007 from $15,510 for the year ended March 31, 2006. The increase was due to the increased cash level in connection with the private placement completed in March 2006.

Interest Expense. Interest expense decreased to $2,725 for the year ended March 31, 2007 compared with $577,589 for the year ended March 31, 2006. The decrease was due to the convertible term note being converted into shares of common stock in August 2005.

Net Loss. For the year ended March 31, 2007, we incurred a net loss of $2,272,539, or $0.07 per share, as compared to a net loss of $4,026,200 for the year ended March 31, 2006, or $0.16 per share. The average number of shares of common stock used in calculating earnings per share increased 5,698,590 shares to 31,029,327 from 25,330,737 shares as a result of 2,000,000 shares issued for the conversion of the note payable, 312,500 shares issued in connection with the exercise of stock options and 5,450,000 shares issued in connection with the private placement.

Liquidity and Capital Resources

Since 1995, operations have been financed primarily through loans, equity contributions from directors and executive officers and from third parties supplemented by funds generated by our business. As of March 31, 2007, we had $2,863,906 in cash and cash equivalents.

Net Cash Used in Continuing Operations. During the fiscal year ended March 31, 2007, net cash used in continuing operations was $2,111,438 compared with $1,727,244 for the fiscal year ended March 31, 2006.

Net Cash Used in Investing Activities. During the fiscal year ended March 31, 2007, net cash used in investing activities decreased to $54,594 compared with $108,407 for the year ended March 31, 2006. The decrease was primarily a result of a decreased level of expenditures for the purchase of fixed assets to support operations and capitalized legal fees required to file patent applications for our KH-30, KX-91 and S2 system.

Net Cash (Used in) Provided by Financing Activities. During the fiscal year ended March 31, 2007, net cash used in financing activities of $187,651 resulting from the payment of related party loans of $200,000 and preferred stock dividends of $1,526, which was partially offset by the proceeds from the exercise of stock options of $13,875. This compares to cash provided financing activities of $6,457,577 for the year ended March 31, 2006 resulting from $6,060,000 of proceeds from the issuance of common stock, proceeds from related parties of $200,000, proceeds from the issuance of preferred stock of $24,000, proceeds from the exercise of stock options of $345,000, and the receipt of stock subscription receivable of $13,333, which was partially offset by the payment of a related party payable of $133,600 and the payment of private placement costs of $51,156.

The Company currently anticipates that its available cash in hand and cash resources from expected revenues will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next twelve months.

Our continued existence is dependent upon several factors, including increased sales volumes, collection of existing receivables and the ability to achieve profitability from the sale of our product lines. In order to increase our cash flow, we are continuing our efforts to stimulate sales and cut back expenses not directly supporting our sales and marketing efforts.

Concentration of Credit Risk

Sales to one of our customers, Petrobras America Inc. accounted for approximately 46% and 0% of our sales for the fiscal years ending March 31, 2007 and 2006.

Contractual Obligations

Below is a table which presents our contractual obligation commitments at March 31, 2007:

Contractual Obligation	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**After 5 Years**
Short-term debt Obligations(1)	$ 244,141	$ 244,141	$	$	$
Operating leases	420,071	130,427	258,444	31,200	
Total contractual cash obligations	$ 664,212	$ 374,568	$ 258,444	$ 31,200	$

(1) Short-term debt obligations include an amount due to Robert Seaman, a shareholder and former director of the Company. The amount due as of March 31, 2006 and 2005 is $244,141. This amount is unsecured, non-interest bearing and due upon demand. The Chairman of the Board and Secretary, Ron Wilen and the President and Chief Executive Officer, Brian King, each loaned the Company $100,000. The loans were both unsecured, non-interest bearing and due upon demand. Each of these loans was repaid in full in April, 2006.

Reporting by Segments

We are a specialty chemicals company because of our determination in fiscal 1998 to close our printing equipment division and focus on our K-Line of chemical and Green Globe products. However, in the past a portion of our revenues has been related to the printing and the graphic arts industry and we have reported each as two segments through fiscal year ended March 31, 2006. During the current fiscal year, the Company classified the graphic arts segment as discontinued operations.

We devote almost all of our time and effort into selling, promoting and developing our K-Line of chemical products and we are continuing to increase our marketing efforts to develop new products as extensions of our original KH-30 product. We believe that in the future our sales will increase.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Inflation

We do not believe that inflation in the cost of our raw materials has had in the past or will have in the future any significant negative impact on our operations. However, no assurance can be given that we will be able to offset such inflationary cost increases in the future.

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Measurements (SFAS 157), which clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value investments. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year s financial statements are materially misstated. SAB 108 is effective for fiscal years ending November 16, 2006. The Company has determined that the provisions of SAB 108 do not have a material impact on its consolidated financial position, results of operations and cash flows.

Quantitative and Qualitative disclosures About Market Risk

The market risk inherent in our market risk sensitive instruments and positions are the potential losses arising from adverse changes in interest rate and foreign currency exchange rates.

Foreign Currency Exchange Rates

Although our business is international in scope, to date our product sales have been all U.S. dollar-denominated. As we expand, we may be affected by exchange rate fluctuations in foreign currencies relative to the U.S. dollar. We do not currently use derivative financial instruments to hedge our exposure to changes in foreign currency exchange rates.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of, among other factors, risks related to the large amount of our outstanding term loan; history of net losses and accumulated deficits; reliance on third parties to market, sell and distribute our products; future capital requirements; competition and technical advances; dependence on the oil services market for pipe and well cleaners; ability to protect our patents and proprietary rights; reliance on a small number of customers for a significant percentage of our revenues; and other risks. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report will in fact occur.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following material risks, before you decide to buy our common stock. If any of the following risks actually occur, our business, results of operations and financial condition would likely suffer. In these circumstances, the market price of our common stock could decline and you may lose all or part of your investment.

WE HAD A CURRENT ACCUMULATED DEFICIT OF $18,698,233 AS OF MARCH 31, 2007 AND IF WE CONTINUE TO INCUR OPERATING LOSSES, WE MAY BE UNABLE TO SUPPORT OUR BUSINESS PLAN, WHICH WILL HAVE A DETRIMENTAL EFFECT ON OUR STOCK.

We have incurred losses in each of our last three fiscal years. As of March 31, 2007, we had an accumulated deficit of $18,698,233. If we continue to incur operating losses and fail to become a profitable company, we may be unable to support our business plan, namely to market our Specialty Chemical Products for the oil and gas industry including our K-Line, and the Green Globe Chemical Products. We incurred net losses of $2,272,539 and $4,026,200 in the fiscal years ended March 31, 2007 and 2006, respectively. Our future profitability depends in large part on our ability to market and support our Specialty Chemical Products which we derive the majority of our revenues. We cannot assure you that we will achieve or sustain significant sales or profitability in the future. This would have a detrimental effect on the long-term capital appreciation of our stock.

THERE ARE SIGNIFICANT OBSTACLES TO ENTERING THE OIL AND GAS PRODUCING INDUSTRY THAT HAVE CONTRIBUTED TO THE SLOW PACE AT WHICH OUR KH-30 PRODUCTS ARE BEING INTRODUCED TO THE MARKET.

Our business plan is focused largely on marketing efforts for Specialty Chemical Products for the oil and gas industry including our K-Line of chemical products. Although we believe that the application of our Specialty Chemical Products for the oil and gas industry on a continuous basis will result in higher production and lower power lease operating costs, the introduction of our K-Line of chemical products included within our Specialty Chemical Products into the oil and gas producing industry has been extremely difficult. Many entrenched players such as the hot oilers and the major oil service companies that benefit from high markups on their proprietary products have no incentive to promote the use of our chemical products. Moreover, oil production engineers are extremely reluctant to risk damage to a well from a product that does not have the endorsement of a major enterprise. Consequently, the pace of introduction of our Specialty Chemical Products including our K-Line of has been much slower than we initially anticipated. If we and our Specialty Chemical Products marketing partners are unable to successfully achieve market acceptance our products, our future results of operations and financial condition will be adversely affected.

BECAUSE WE HAVE DISCONTINUED UNIPROOF, WE MAY NOT BE ABLE TO GENERATE SUBSTANTIAL REVENUES OR ACHIEVE PROFITABILITY.

Our sales to date have been substantially dependent on sales of our Uniproof proofing paper. Sales of Uniproof accounted for approximately 0.0% and 21.5% of revenues for the fiscal years ended March 31, 2007 and 2006, respectively. The decline in the level of proofing paper sales is due to the paper industry switching to a digital technology. We don t expect future sales of this product, and have discontinued these operations. If we fail to develop significant revenue from other products in its stead, our business plan and financial condition will be severely affected.

THE SUCCESS OF OUR SPECIALTY CHEMICAL PRODUCTS WILL BE HIGHLY DEPENDENT UPON THE LEVEL OF ACTIVITY AND EXPENDITURES IN THE OIL AND NATURAL GAS INDUSTRIES AND A DECREASE IN THE LEVELS THEREOF WOULD, IN ALL LIKELIHOOD, ADVERSELY IMPACT SALES OF OUR SPECIALTY CHEMICAL PRODUCTS INCLUDING OUR K-LINE.

We anticipate that demand for our oil and gas cleaning product will depend on the levels of activity and expenditures in the industry, which are directly affected by trends in oil and natural gas prices. We anticipate that demand for our K-Line of chemical sales will be particularly sensitive to the level of development, production and exploration activity of, and corresponding capital spending by, oil and natural gas companies. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty, political stability and a variety of other factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the level of exploration, and development and production activity. Lower levels of activity are expected to result in a corresponding decline in the demand for our oil and gas well products, which could have an adverse impact on our prospects, results of operations and financial condition. Factors affecting the prices of oil and natural gas include:

- worldwide political, military and economic conditions, including the ability of OPEC (the Organization of Petroleum Exporting Countries) to set and maintain production levels and prices for oil and gas;
- overall levels of global economic growth and activity;
- global weather conditions;
- the level of production by non-OPEC countries;
- the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves; and
- actual and perceived changes in the supply of and demand for oil and natural gas.

WE MAY NOT BE ABLE TO GENERATE SUBSTANTIAL REVENUES FROM OUR GREEN GLOBE CHEMICAL PRODUCTS.

Our sales to date have been substantially dependent on sales of specialty chemical products including our K-Line of chemical products. Sales of Green Globe chemical products accounted for approximately 15% of revenues for the fiscal year ended March 31, 2007. The U.S. military represented approximately 60% of such revenues from the sales of our Green Globe Chemical Products for the fiscal year ended March 31, 2007. If we fail to develop significant revenue from Green Globe Chemical Products or the U.S. military ceases or decreases its use of our Green Globe Chemical Products, our business plan and financial condition will be affected.

IF OUR STRATEGIC PARTNERS DO NOT EFFECTIVELY MARKET OUR PRODUCTS, WE WILL NOT GENERATE SIGNIFICANT SALES OR PROFITS AND WE DO NOT CURRENTLY HAVE THE INTERNAL RESOURCES TO MARKET OUR PRODUCTS DIRECTLY.

We utilize third parties to assist in marketing, selling and distributing our products. We believe that the establishment of a network of third party strategic partners, particularly abroad, with extensive and specific knowledge of the various applications in the oil and gas industry and printing market is important for us to succeed in these sectors. We cannot assure you that our current or future strategic partners will purchase our products at sufficient levels or provide us with adequate support. If one or more of our partners underperforms or if any of our strategic relationships are terminated or otherwise disrupted, our operating performance, results of operations and financial condition will be adversely affected.

WE DEPEND ON A SMALL NUMBER OF CUSTOMERS FOR A SUBSTANTIAL PORTION OF OUR REVENUES, BUT WE HAVE NO LONG TERM CONTRACTS OR BINDING PURCHASE COMMITMENTS FROM THESE CUSTOMERS.

We currently have a limited number of recurring customers for our products, none of whom have entered into long-term contracts or binding purchase commitments with us. A portion of our revenue was earned in connection with sales of Uniproof proofing papers to the Alameda Company of Anaheim, California. During the fiscal years ended March 31, 2007 and 2006, sales attributable to Alameda represented approximately 0.0% and 21.5%, respectively, of our total revenues. As a direct result of digital technological advances utilized by the paper industry, chiefly digital technology we don t expect any future revenues from Alameda. Our three largest customers accounted for 64% and 42% of our revenues for the fiscal years ended March 31, 2007 and 2006, respectively.

WE RELY ON THIRD PARTIES FOR THE RAW MATERIALS NECESSARY TO MAKE OUR PRODUCTS, LEAVING US POTENTIALLY VULNERABLE TO SUBSTANTIAL COST INCREASES AND DELAYS.

All of the raw materials necessary for the manufacture of our products are generally available from multiple sources, although we have negotiated favorable arrangements with our current suppliers. If one or more of our current suppliers were no longer able to supply the raw materials that we need, we would be required to negotiate arrangements with alternate suppliers, which would likely include some cost or delay and could be substantial. In addition, no assurance can be given that any alternative arrangements that we secure would be on terms as favorable as our current arrangements.

WE DEPEND ON INDEPENDENT MANUFACTURERS OF OUR PRODUCTS; ANY PROLONGED INTERRUPTION IN THEIR BUSINESS COULD CAUSE US TO LOSE OUR CUSTOMERS.

We do not own any manufacturing facilities. Our chemical products are generally manufactured by contract blenders at a number of different facilities. Chemical blenders are relatively easy to replace. While we believe these facilities have the capacity to meet our current production needs and also meet applicable environmental regulations, we cannot be certain that these facilities will continue to meet our needs or continue to comply with environmental laws. In addition, these facilities are subject to certain risks of damage, including fire, which would disrupt production of our products. To the extent we are forced to find alternate facilities, it would likely involve delays in manufacturing and potentially significant costs.

The chemical blender and independent coater that manufactures our products are bound by confidentiality agreements that obligate them not to disclose or use our proprietary information. A breach of one or more of these agreements could have a detrimental effect on our business and prospects.

ENVIRONMENTAL PROBLEMS AND LIABILITIES COULD ARISE AND BE COSTLY FOR US TO CLEAN UP.

We are subject to various foreign, federal, state and local laws and regulations relating to the protection of the environment, including the Industrial Site Recovery Act, a New Jersey statute requiring clearance by the state prior to the sale of any industrial facility. These laws provide for retroactive strict liability for damages to natural resources or threats to public health and safety, rendering a party liable without regard to its negligence or fault. Sanctions for noncompliance may include revocation of permits, corrective action orders, and administrative or civil penalties or even criminal prosecution. We have not, to date, incurred any serious liabilities under environmental regulations and believe that we are in substantial compliance therewith. Nevertheless, we cannot be certain that we will not encounter environmental problems or incur environmental liabilities in the future that could adversely affect our business.

BECAUSE WE ARE SMALLER AND HAVE FEWER FINANCIAL AND MARKETING RESOURCES THAN MANY OF OUR COMPETITORS, WE MAY NOT BE ABLE TO SUCCESSFULLY COMPETE IN THE EXTREMELY COMPETITIVE CHEMICAL INDUSTRIES.

We compete directly or indirectly with other producers of specialty chemical products, most of which are or have aligned themselves with more established companies, have greater brand recognition and greater financial and marketing resources. Generally, we attempt to compete by offering what we hope to be lower prices and better service. However, the prices for our Specialty Chemical Products including our K-Line and Green Globe Chemical

Products are higher than competing products; therefore, we attempt to compete by emphasizing product effectiveness and environmental safety.

We also believe that our efforts to patent the KH-30, oil well cleaner, included within our Specialty Chemical Products in the principal oil producing countries worldwide will improve our competitive position in this market. However, we are aware that other companies may try to imitate our products or invalidate our patents. In the past we have vigorously enforced our trade secrets and other intellectual property, and intend to continue to do so in the future. We recognize that we may incur significant costs to defend our intellectual property and that intellectual property rights provide less than complete protection.

WE MAY NOT BE ABLE TO RETAIN OUR EXECUTIVE OFFICERS WHO WE NEED TO SUCCEED, AND ADDITIONAL QUALIFIED PERSONNEL ARE EXTREMELY DIFFICULT TO ATTRACT.

Our performance depends, to a significant extent, upon the efforts and abilities of our executive officers. We do not have employment agreements with certain of our executive officers and do not maintain any key man insurance on their lives for our benefit. The loss of the services of our executive officers could have a serious and adverse effect on our business, financial condition and results of operations. Our success will also depend upon our ability to recruit and retain additional qualified senior management personnel. Competition is intense for highly skilled personnel in our industry and, accordingly, no assurance can be given that we will be able to hire or retain sufficient personnel.

OUR MANAGEMENT OWNS A SUBSTANTIAL AMOUNT OF OUR STOCK AND IS CAPABLE OF INFLUENCING OUR BUSINESS AND AFFAIRS.

Our directors and executive officers beneficially own approximately 34.7% of our outstanding common stock. As such, they will be able to significantly influence the election of the members of our board of directors and the outcome of corporate actions that require shareholder approval, such as mergers and acquisitions. This level of ownership, together with particular provisions of our articles of incorporation, bylaws and Nevada law, may have a significant effect in delaying, deferring or preventing any change in control and may adversely affect the voting and other rights of our other shareholders.

IF WE CANNOT PROTECT OUR PROPRIETARY RIGHTS AND TRADE SECRETS OR IF WE WERE FOUND TO BE INFRINGING ON THE PROPRIETARY RIGHTS OF OTHERS, OUR BUSINESS WOULD BE SUBSTANTIALLY HARMED.

Our success depends in large part on our ability to protect the proprietary nature of our products, preserve our trade secrets and operate without infringing the proprietary rights of third parties. If other companies obtain and copy our technology or claim that we are making unauthorized use of their proprietary technology, we may become involved in lengthy and costly disputes. If we are found to be infringing on the proprietary rights of others, we could be required to seek licenses to use the necessary technology. We cannot assure you that we could obtain these licenses on acceptable terms, if at all. In addition, the laws of some foreign countries may not provide adequate protection for our proprietary technology.

To protect our intellectual property, we seek patents and enter into confidentiality agreements with our employees, manufacturers and marketing and distribution partners. We cannot assure you that our patent applications will result in the successful issuance of patents or that any issued patents will provide significant protection for our technology and products. In addition, we cannot assure you that other companies will not independently develop competing technologies that are not covered by our patents. There is also no assurance that confidentiality agreements will provide adequate protection of our trade secrets, know-how or other proprietary information. Any unauthorized disclosure and use of our proprietary technology, whether in breach of an agreement or not, could have an adverse effect on our business, prospects, results of operations and financial condition.

THE PUBLIC MARKET FOR OUR COMMON STOCK HAS BEEN CHARACTERIZED BY A LOW VOLUME OF TRADING AND OUR STOCKHOLDERS MAY NOT BE ABLE TO RESELL THEIR SHARES AT OR ABOVE THE PRICE AT WHICH THEY PURCHASED THEIR SHARES, IF AT ALL.

Historically, the volume of trading in our common stock has been low. A more active public market for our common stock may not develop or, even if it does in fact develop, may not be sustainable. The market price of our common stock may fluctuate significantly in response to factors, some of which are beyond our control. These factors include:

product liability claims and other litigation;

the announcement of new products or product enhancements by us or our competitors;

developments concerning intellectual property rights and regulatory approvals;

quarterly variations in our competitors results of operations;

developments in our industry; and

general market conditions and other factors, including factors unrelated to our own operating performance.

Recently, the stock market in general has experienced extreme price and volume fluctuations. In particular, market prices of securities of specialty chemical products companies have experienced fluctuations that are often unrelated to or disproportionate from the operating results of these companies. Continued market fluctuations could result in extreme volatility in the price of shares of our common stock, which could cause a decline in the value of our shares. Price volatility may be worse if the trading volume of our common stock is low.

OUR COMMON STOCK IS CONSIDERED A PENNY STOCK AND MAY BE DIFFICULT TO SELL WHEN DESIRED.

The SEC has adopted regulations that define a penny stock , generally, to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock has been less than $5.00 per share. This designation requires any broker or dealer selling our securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of stockholders to sell their shares. In addition, since our common stock is currently quoted on the OTC Bulletin Board, stockholders may find it difficult to obtain accurate quotations of our common stock, may experience a lack of buyers to purchase our shares or a lack of market makers to support the stock price.

A SIGNIFICANT NUMBER OF OU