

CHINA WIRELESS COMMUNICATIONS INC  
Form 10-K  
December 17, 2010  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark  
One)

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

For the fiscal year ended December 31, 2007

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: 333-49388

Media Exchange Group, Inc.  
(formerly known as China Wireless Communications, Inc.)  
(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of incorporation or  
organization)

91-1966948  
(I.R.S. Employer Identification No.)

101 Church Street, Suite 14  
Los Gatos, California 95030  
(Address of principal executive offices) (Zip code)

(831) 818-9845  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(Do not check if smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold on the Over The Counter Stock Market ("OTC:BB") was \$2,951,724 of December 15, 2010. For purposes of this calculation, shares of common stock held by each officer and director and by each person who owns 10% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

At December 15, 2010, 249,260,762 shares of our common stock were outstanding.

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## PART I

### Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that reflect our current estimates, expectations and projections about our future results, performance, prospects and opportunities. Forward-looking statements include, without limitation, statements about our market opportunities, our business and growth strategies, our projected revenue and expense levels, possible future consolidated results of operations, the adequacy of our available cash resources, our financing plans, our competitive position and the effects of competition and the projected growth of the industries in which we intend to operate, as well as the following statements:

This Annual Report on Form 10-K also contains forward-looking statements attributed to third parties relating to their estimates regarding the size of the future market for products and systems such as our products and systems, and the assumptions underlying such estimates. Forward-looking statements include all statements that are not historical facts and can be identified by forward-looking statements such as “may,” “might,” “should,” “could,” “will,” “intends,” “estimates,” “predicts,” “projects,” “potential,” “continue,” “believes,” “anticipates,” “plans,” “expects” and similar expressions. Forward-looking statements are only predictions based on our current expectations and projections, or those of third parties, about future events and involve risks and uncertainties.

Although we believe that the expectations reflected in the forward-looking statements contained in this Annual Report on Form 10-K are based upon reasonable assumptions, no assurance can be given that such expectations will be attained or that any deviations will not be material. In light of these risks, uncertainties and assumptions, the forward-looking statements, events and circumstances discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Important factors that could cause our actual results, level of performance or achievements to differ materially from those expressed or forecasted in, or implied by, the forward-looking statements we make in this Annual Report on Form 10-K are discussed under “Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” and elsewhere in this Annual Report on Form 10-K and include:

- our ability to regain the listing of our common stock on the Over The Counter Stock Market (“OTC:BB”); and
- our ability to successfully consider, review, and if appropriate, implement other strategic opportunities.

You should not place undue reliance on any forward-looking statements. In addition, past financial or operating performance is not necessarily a reliable indicator of future performance, and you should not use our historical performance to anticipate future results or future period trends. Except as otherwise required by federal securities laws, we disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this Annual Report on Form 10-K to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based. All forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this Annual Report on Form 10-K.

### ITEM 1. BUSINESS

## The Company

Media Exchange Group, Inc. (formerly known as China Wireless Communications, Inc.) (the “Company”) is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People’s Republic of China (“China”). In March 2008, the Company discontinued its operations in China.

The Company’s current plan of operations consists of acquiring an operating business. The Company identified certain acquisition target(s) but as not reached any final agreements. The Company’s current plan of business is to seek merger or acquisition opportunities. The Company’s information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

Our principal executive offices are located at 101 Church Street, Suite 14, Los Gatos, California, 95030. Our telephone number is (831) 818-9845. Unless the context provides otherwise, when we refer to the “Company,” “we,” “our,” or “us” in this Annual Report on Form 10-K, we are referring to Media Exchange Group, Inc. and its consolidated subsidiaries.

We file or furnish with or to the Securities and Exchange Commission, or SEC, our quarterly reports on Form 10-Q, annual reports on Form 10-K, current reports on Form 8-K, annual reports to stockholders and annual proxy statements and amendments to such filings. Our SEC filings are available to the public on the SEC’s website at <http://www.sec.gov>. These reports are also available free of charge from our website at <http://www.mediaexchange.com> as soon as reasonably practicable after we electronically file or furnish such material with or to the SEC. The information on our website is not incorporated by reference into this Annual Report on Form 10-K or any annual report that incorporates this Annual Report on Form 10-K by reference.

## Overview

Prior to March 2008, the Company was an information technology company seeking to evaluate opportunities to acquire companies in the information technology industry and providing both wireless and wired high-speed data and telecommunication systems to its customers. In addition, the Company and its subsidiaries provided wireless connectivity for data and video surveillance networks.

On May 24, 2005, the Company entered into a letter agreement to acquire 51% of the stock of Tianjin Create IT Company Ltd., a People’s Republic of China company (“Create Co.”), for total consideration of \$53,840, to be comprised of (i) cash in the amount of \$40,379.61 and (ii) \$13,460 in the Company’s common stock (448,665 shares valued at \$0.03 per share). On September 6, 2005, the Company paid \$21,460 towards the acquisition price (\$13,460 in the Company’s common stock and cash in the amount of \$8,000).

On May 18, 2006, the Company entered into an amended letter agreement with the 49% owner of Create Co., whereby the parties agreed to increase the acquisition cost of Create Co. to \$126,767. Because the Company had previously made a payment of \$21,460, the remaining purchase amount owing was \$105,307 as of the May 18, 2006 amendment. The Company agreed to pay the remaining purchase amount owing of \$105,307 in cash no later than August 31, 2006.

On October 25, 2006, the Company and the 49% owner of Create Co. further amended the letter agreement whereby the Company agreed to a final payment of \$105,307 payable in (i) cash in the amount of \$10,531 and (ii) 6,318,404 shares of the Company’s common stock valued at \$94,776, to take place on December 31, 2006. On November 16, 2006, the Company paid \$3,612 to the 49% owner of Create Co., reducing the cash amount due to \$6,919. On January 22, 2007, the Company delivered 6,318,404 shares of the Company’s common stock to the 49% owner of Create Co. On May 4, 2007 the Company and the 49% owner further amended the letter agreement whereby the Company would pay 494,215 shares of the Company’s common stock to the 49% owner. On May 29, 2007, the 49% owner accepted the shares as final payment of the purchase transaction.

Create Co. provided information technology systems integration and internet protocol services to customers. It also provides IP routing equipment and network cabling and its customers are principally in the People’s Republic of China. The Company acquired Create Co., in part, because of its strategic location in Tianjin City, the third largest city in China. Also, as a forward-looking company with a customer base in the education, oil and gas, banking, brokerage, commercial and government sectors, Create Co. provides an opportunity to establish a presence in China.

Additionally, during the third quarter of 2006, the Company formed a wholly owned subsidiary, CW Communications, Inc., a Colorado corporation (“CW Communications”), which operates in north Texas. Through CW



Communications, the Company intended to leverage technical and sales opportunities presented by the information technology side of its business in the areas of video surveillance design, engineering and installation.

The Company marketed its products and services, as well as those of Create Co., and CW Communications, together where possible in order to provide the customer with options in information technology, systems engineering, low voltage power, backup systems for data network equipment, data and video cabling and video surveillance equipment.

During the fourth quarter of 2006, the Company began to investigate other business opportunities within the United States and China. Included in these opportunities are the importation of consumer products and the development of electronic products to fill a need in the law enforcement and security market.

During 2007 the Company continued to investigate other business opportunities in an effort to generate sufficient cash flow to sustain its operations. The Company's declining sales revenue and its inability to attract new capital resulted in discontinuing the operations of CW Communications in November 2007.

Based on our proposed business activities, we are a "blank check" company. The United States Securities and Exchange Commission (the "SEC") defines a blank check company as "any development stage company that is issuing a penny stock, within the meaning of Section 3 (a)(51) of the Exchange Act of 1934, as amended, (the "Exchange Act") and that has no specific business plan or purpose, or has indicated that its business plan is to merge with an unidentified company or companies." Under SEC Rule 12b-2 under the Securities Act of 1933, as amended (the "Securities Act"), we now also qualify as a "shell company," because we have no or nominal assets (other than cash) and no or nominal operations. Many states have enacted statutes, rules and regulations limiting the sale of securities of "blank check" companies in their respective jurisdictions. Management does not intend to undertake any efforts to cause a market to develop in our securities, either debt or equity, until we have successfully concluded a business combination.

We plan to investigate and, if such investigation warrants, acquire a target company or business seeking the perceived advantages of being a publicly held corporation. Our principal business objective for the next 12 months and beyond such time will be to achieve long-term growth potential through a combination with a business rather than immediate, short-term earnings. We will not restrict our potential candidate target companies to any specific business, industry or geographical location and, thus, may acquire any type of business.

Our management will undertake the analysis and supervision of new business opportunities. We have unrestricted flexibility in seeking, analyzing and participating in potential business opportunities. Potentially available business opportunities may occur in many different industries, and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex. Due to our limited capital available for investigation, we may not discover or adequately evaluate adverse facts about the opportunity to be acquired.

The manner in which we participate in an opportunity will depend upon the nature of the opportunity, the respective needs and desires of our company and the promoters of the opportunity, and the relative negotiating strength of our company and such promoters.

It is likely that we will acquire our participation in a business opportunity through the issuance of our common stock or other securities. Although the terms of any such transaction cannot be predicted, it should be noted that in certain circumstances the criteria for determining whether or not an acquisition is a so-called "tax free" reorganization under Section 368(a)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), depends upon whether the owners of the acquired business own 80% or more of the voting stock of the surviving entity. If a transaction were structured to take advantage of these provisions rather than other "tax free" provisions provided under the Code, all prior stockholders would in such circumstances retain 20% or less of the total issued and outstanding shares. Under other circumstances, depending upon the relative negotiating strength of the parties, prior stockholders may retain substantially less than 20% of the total issued and outstanding shares of the surviving entity. This could result in substantial additional dilution to the equity of those who were our stockholders prior to such reorganization.

Our present stockholders will likely not have control of a majority of the voting shares of the surviving company following a reorganization transaction. As part of such a transaction, our sole director may resign and new directors may be appointed without any vote by stockholders.

In the case of an acquisition, the transaction may be accomplished upon the sole determination of management without any vote or approval by stockholders. In the case of a statutory merger or consolidation directly involving our company, it will likely be necessary to call a stockholders' meeting and obtain the approval of the holders of a majority of the outstanding shares. The necessity to obtain such stockholder approval may result in delay and additional expense in the consummation of any proposed transaction and will also give rise to certain appraisal rights to dissenting stockholders. Most likely, management will seek to structure any such transaction so as not to require stockholder approval.

It is anticipated that the investigation of specific business opportunities and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial cost for accountants, attorneys and others. If a decision is made not to participate in a specific business opportunity, the costs theretofore incurred in the related investigation would not be recoverable. Furthermore, even if an agreement is reached for the participation in a specific business opportunity, the failure to consummate that transaction may result in our loss of the related costs incurred.

#### Competition

We are now in a highly competitive market for a small number of business opportunities which could reduce the likelihood of consummating a successful business combination. We are and will continue to be an insignificant participant in the business of seeking mergers with, joint ventures with and acquisitions of small private and public entities. A large number of established and well-financed entities, including small public companies and venture capital firms, are active in mergers and acquisitions of companies that may be desirable target candidates for us. Nearly all these entities have significantly greater financial resources, technical expertise and managerial capabilities than do. Consequently, we will be at a competitive disadvantage in identifying possible business opportunities and successfully completing a business combination. These competitive factors may reduce the likelihood of our identifying and consummating a successful business combination.

#### Employees

We presently have no employees apart from our management. Our Chief Executive Officer and our General Counsel are engaged in outside business activities and anticipates that they will devote to our business limited time until the acquisition of a successful business opportunity has been identified. We expect no significant changes in the number of our employees other than such changes, if any, incident to business combination.

#### Item 1A. Risk Factors

In addition to other information included in this annual report, the following factors should be considered in evaluating our business and future prospects.

As we presently have no operations and have not completed any transaction with any target business with which to complete a business combination, investors are unable to currently ascertain the merits or risks of the target business' operations.

We are a blank check company. Our business plan is to locate and acquire a privately owned operating company. Since we have not completed any definitive agreement with a prospective target business, investors in this offering have no current basis to evaluate the possible merits or risks of the target business' operations. To the extent we complete a business combination with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. Although our management will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors. We also cannot assure you that an investment in our securities will not ultimately prove to be less favorable than a direct investment, if an opportunity were available, in a target business.

We expect to incur losses in the future and may not achieve profitability.

As we have no operations, we have no source of revenues. Accordingly, until we acquire an operating company, we expect to incur expenses without any sources of revenues, which will result in net losses. We cannot be certain that we will ever generate sufficient revenues to achieve or if achieved, sustain profitability.

Because there are numerous companies with a business plan similar to ours seeking to effectuate a business combination, it may be more difficult for us to do so.

There are presently hundreds of public shell companies and blank check companies seeking to acquire private companies through business combinations. We may, therefore, be subject to competition from these and other companies seeking to consummate a business plan similar to ours, which will, as a result, increase demand for privately-held companies to combine with companies structured similarly to ours. Accordingly, such competition may have a negative impact upon our negotiating position and the total consideration we may be required to pay in order to consummate a business combination. Further, there may only be a limited number of attractive target businesses available to such entities or that many privately-held target businesses may not be inclined to enter into business combinations with companies like us. We cannot assure you that we will be able to successfully compete for an attractive business combination.

We may issue shares of our capital stock or debt securities to complete a business combination, which would reduce the equity interest of our stockholders and likely cause a change in control of our ownership.

Our amended and restated certificate of incorporation authorizes the issuance of up to 250,000,000 shares of common stock, par value \$.001 per share, and 1,000,000 shares of preferred stock, par value \$.001 per share. As of the date of the filing of this annual report, we have approximately 249,260,762 issued and outstanding shares of common stock. This leaves approximately 739,238 authorized and unissued shares of our common stock which have not been reserved and accordingly, are available for future issuance and all of the 1,000,000 shares of preferred stock available for issuance. We may issue a substantial number of additional shares of our common stock or preferred stock, or a combination of common and preferred stock, to complete a business combination, to raise capital or to satisfy our obligations under promissory notes. The issuance of additional shares of our common stock or any number of shares of our preferred stock:

- may significantly reduce the equity interest of existing investors;
- will likely cause a change in control if a substantial number of our shares of common stock are issued and most likely also result in the resignation or removal of our present officers and directors; and
- may adversely affect prevailing market prices for our common stock.

Our ability to effect a business combination and to be successful afterward will be totally dependent upon the efforts of our key personnel, some of whom may join us following a business combination and whom we would have only a limited ability to evaluate. It is also possible that our current officers and directors will resign upon the consummation of a business combination.

Our ability to effect a business combination will be totally dependent upon the efforts of our key personnel. The future role of our key personnel following a business combination, however, cannot presently be fully ascertained. Although we expect our Chief Executive Officer, Joseph Cellura, to remain associated with us following a business combination, we may employ other personnel following the business combination. Moreover, our current management will only be able to remain with the combined company after the consummation of a business

combination if they are able to negotiate and agree to mutually acceptable employment terms as part of any such combination, which terms would be disclosed to stockholders in any proxy statement relating to such transaction. If a business combination were structured as a merger or stock purchase whereby the stockholders of the target company were to control the combined company following a business combination, it may be less likely that our current management would remain with the combined company unless it was negotiated as part of the transaction via the acquisition agreement, an employment agreement or other arrangement. In making the determination as to whether current management should remain with us following the business combination, management will analyze the experience and skill set of the target business' management and negotiate as part of the business combination that certain members of current management remain if it is believed that it is in the best interests of the combined company post-business combination. If management negotiates such retention as a condition to any potential business combination, management may look unfavorably upon or reject a business combination with a potential target business whose owners refuse to retain members of our management post-business combination, thereby resulting in a conflict of interest. While we intend to closely scrutinize any additional individuals we engage after a business combination, we cannot assure you that our assessment of these individuals will prove to be correct. These individuals may be unfamiliar with the requirements of operating a public company as well as United States securities laws which could cause us to have to expend time and resources helping them become familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues which may adversely affect our operations.

If we seek to effect a business combination with an entity that is directly or indirectly affiliated with one or more of our existing stockholders, conflicts of interest could arise.

Our existing stockholders either currently have or may in the future have affiliations with various companies. If we were to seek a business combination with a target company with which one or more of our existing stockholders is affiliated, conflicts of interest could arise in connection with negotiating the terms of and completing the business combination. If conflicts arise, they may not necessarily be resolved in our favor.

Our officers and directors may allocate their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs. This could have a negative impact on our ability to consummate a business combination.

Our officers and directors are not required to, and do not intend to, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and other businesses. We do not intend to have any full time employees prior to the consummation of a business combination. Our Chief Executive Officer is engaged in several other business endeavors and is not obligated to contribute any specific number of hours per week to our affairs. If our Chief Executive Officer's other business affairs require him to devote more substantial amounts of time to such affairs, it could limit his ability to devote time to our affairs and could have a negative impact on our ability to consummate a business combination. We cannot assure you that these conflicts will be resolved in our favor.

Our officers and directors may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us and accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

Our officers and directors may in the future become affiliated with entities, including other public shell companies, engaged in business activities similar to those intended to be conducted by us. Additionally, our officers and directors may become aware of business opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Further, certain of our officers and directors are currently involved in other businesses that are similar to the business activities that we intend to conduct following a business combination. Due to these existing affiliations, they may have fiduciary obligations to present potential business opportunities to those entities prior to presenting them to us which could cause additional conflicts of interest. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

It is possible that our initial business combination will be with a single target business, which may cause us to be solely dependent on a single business and a limited number of services.

We may not be able to acquire more than one target business. Accordingly, the prospects for our success may be:

- solely dependent upon the performance of a single business, or
- dependent upon the development or market acceptance of a single or limited number of processes or services.

In this case, we will not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several business combinations in different industries or different areas of a single industry.

Because of our limited resources and the significant competition for business combination opportunities, we may not be able to consummate an attractive business combination.

We expect to encounter intense competition from other entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses competing for acquisitions. Many of these entities are well established and have extensive experience in identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe that there are numerous potential target businesses that we could acquire with the net proceeds of this offering, our ability to compete in acquiring certain sizable target businesses will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses.



We may be unable to obtain additional financing, if required, to complete a business combination or to fund the operations and growth of the target business, which could compel us to restructure the transaction or abandon a particular business combination.

As we have not yet consummated a transaction with any prospective target business, we cannot ascertain the capital requirements for any target business subsequent to a business combination. We cannot assure you that such financing would be available on acceptable terms, if at all. If we were unable to secure additional financing, we would most likely fail to consummate a business combination in the allotted time and would dissolve and liquidate our assets as part of our plan of dissolution and liquidation. In addition, if we consummate a business combination, we may require additional financing to fund the operations or growth of the target business. The failure to secure additional financing could have a material adverse effect on the continued development or growth of the target business. None of our officers, directors or existing stockholders is required to provide any financing to us in connection with or after a business combination.

We may grant stock options to certain members of our management, which could have a negative impact on our results of operations.

As we do not have adequate cash resources to pay them salaries or fees, we may grant options to purchase shares of our common stock to members of our management. Because any grant of the options will be deemed to be stock-based compensation, commencing on the date of grant, we will be required to record a charge to earnings in an amount equal to the fair value of such options, which will be estimated using the Black-Scholes formula or other similar valuation methodology. Any such charge to earnings could have a negative impact on our results of operations, particularly when we expect to have operating revenues following a business combination. Although there can be no assurance, we do not believe the grant of such options will have a material impact on our ability to effect a business combination.

We have approximately \$125,000 in accounts payable and accrued expenses and \$390,000 in promissory notes. If we are unable to satisfy these obligations, then our business will be adversely effected.

At December 31, 2007, we had accounts payable and accrued expenses of approximately \$125,000 and promissory notes of \$390,000. If we are unable to satisfy these obligations, it may be more difficult and more costly for us to couple to the acquisition of an operating company.

The time and cost of preparing a private company to become a public reporting company may preclude us from entering into a merger or acquisition with the most attractive private companies.

Target companies that fail to comply with SEC reporting requirements may delay or preclude acquisition. Sections 13 and 15(d) of the Exchange Act require reporting companies to provide certain information about significant acquisitions, including certified financial statements for the company acquired, covering one, two, or three years, depending on the relative size of the acquisition. The time and additional costs that may be incurred by some target entities to prepare these statements may significantly delay or essentially preclude consummation of an acquisition. Otherwise suitable acquisition prospects that do not have or are unable to obtain the required audited statements may be inappropriate for acquisition so long as the reporting requirements of the Exchange Act are applicable.

The Company may be subject to further government regulation which would adversely affect our operations.

Although we will be subject to the reporting requirements under the Exchange Act, management believes we will not be subject to regulation under the Investment Company Act of 1940, as amended (the "Investment Company Act"), since we will not be engaged in the business of investing or trading in securities. If we engage in business

combinations which result in our holding passive investment interests in a number of entities, we could be subject to regulation under the Investment Company Act. If so, we would be required to register as an investment company and could be expected to incur significant registration and compliance costs. We have obtained no formal determination from the SEC as to our status under the Investment Company Act and, consequently, violation of the Investment Company Act could subject us to material adverse consequences.

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Because we may acquire a company located outside of the United States, we may be subject to various risks of the foreign jurisdiction in which we ultimately operate.

If we acquire a company that has sales or operations outside the United States, we could be exposed to risks that negatively impact our future sales or profitability following a business combination, especially if the acquired company is in a developing country or a country that is not fully market-oriented. If we were to acquire a business that operates in such a country, our operations might not develop in the same way or at the same rate as might be expected in the United States or another country with an economy similar to the market-oriented economies of member countries which are members of the Organization for Economic Cooperation and Development, or the OECD (an international organization helping governments through the economic, social and governance challenges of a globalized economy).