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VIASPACE INC.

(OTC BB: VSPC.OB)

Current Price: \$0.0255

Current Recommendation: BUY

Price Range: \$0.08-\$0.10

VIASPACE INC. is an exciting high-growth alternative energy company transformed and restructured to focus on renewable energy—through its license for a fast-growing grass as a feedstock for nonfood crop biofuels –and clean energy—through its fuel-cell cartridge business and portfolio of direct methanol fuel-cell patents licensed from Caltech, which manages NASA's Jet Propulsion Laboratory where the direct methanol fuel cell was invented.

The Company recently acquired Inter-Pacific Arts (IPA), which has a license for a fast-growing high yield hybrid grass called Giant King Grass that has the potential to be used in the production of nonfood biofuels and, in the more immediate term, animal feedstock for dairy cows, pigs, sheep, goats, fish and other animals. IPA also operates a profitable framed-art business with positive cash flows that will enable the Company to develop and expand its alternative energy businesses.



Sales Estimates

All figures in US \$ million	2009	2010	2011	2012	2013
Optimistic Case	9.50	18.42	30.86	53.99	96.85
Base Case	8.63	16.75	27.56	48.21	88.05
Pessimistic Case	7.34	14.40	24.25	43.38	79.24

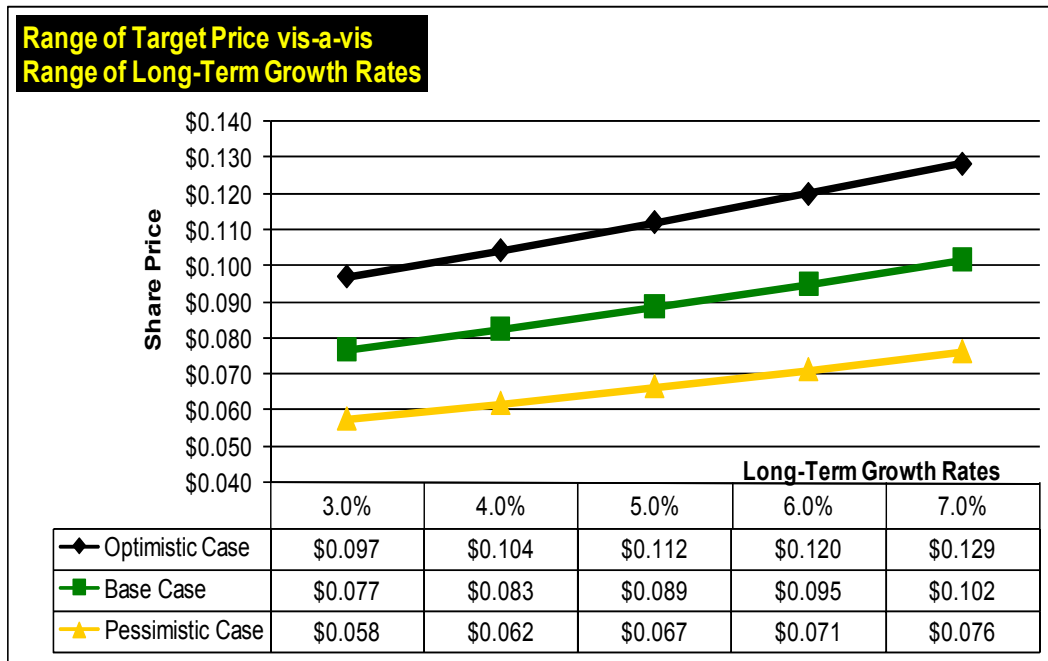
Operating Profit Estimates

All figures in US \$ million	2009	2010	2011	2012	2013
Optimistic Case	1.53	6.90	14.27	28.83	58.27
Base Case	1.39	6.27	12.74	25.75	52.97
Pessimistic Case	1.18	5.39	11.21	23.17	47.67

Earnings Per Share (EPS) Estimates

All figures in US \$	2009	2010	2011	2012	2013
Optimistic Case	0.001	0.004	0.008	0.016	0.033
Base Case	0.001	0.003	0.006	0.012	0.026
Pessimistic Case	0.001	0.002	0.005	0.009	0.020

Price Targets (vs. Range of Growth Rates)





Price and Volume



	Open	High	Low	Close	Volume
2009/09/10	0.02	0.02	0.02	0.02	1,049,800

	Last Month	Last 3 Months	Last 6 Months	Last 9 Months	Last 12 Months
High Price	0.02	0.03	0.05	0.05	0.05
Low Price	0.02	0.02	0.01	0.01	0.01
Close Price	0.02	0.02	0.01	0.01	0.02
Total Volume	10,380,100	76,677,700	316,182,700	396,201,200	518,514,100
Average Daily Volume	1,482,900	1,533,600	2,798,100	2,277,000	2,178,600
Price Change vs Market (%)	98	88	153	173	112

**Price and Volume (continued)**

	Last 4 Weeks	Last 13 Weeks	Last 26 Weeks	Last 52 Weeks
High Price	0.02	0.03	0.05	0.05
Low Price	0.02	0.02	0.01	0.01
Close Price	0.02	0.02	0.01	0.03
Total Volume	33,212,600	101,443,100	337,159,000	533,488,500
Average Daily Volume	1,845,100	1,636,200	2,697,300	2,134,000
Price Change (%)	0.0	0.0	100.0	-33.3
Price Change vs Market (%)	96	91	145	80

Current Market Value	19,336,563
Market Value As % Of Revenues	545
Reported Shares Out. (2009/08/10) (#)	878,934,693
Balance Sheet Shares Out. (2009/06) (#)	878,935,000
Float (#)	507,656,940
Float As % Of Shares Outstanding	57.8

Daily Vol. As % Of 10 Day Avg. Vol.	0
This Week Vol. Times Week's \$ Change (\$000s)	0
This Week's Dollar Volume (\$000s)	88
Weekly Volume As % Of Shares Out.	0.59
Liquidity Ratio (\$000s)	11.70
On-Balance Volume Index Last 4 Weeks (%)	162

5 Day Moving Average	0.02
10 Day Moving Average	0.02
10 Week Moving Average	0.02
30 Week Moving Average	0.02
200 Day Moving Average	0.02

200 Day Price Index vs Market (%)	120
Price Momentum This Week (%)	108
Price Momentum Prior Week (%)	114
Beta (60 Month)	7.45
Beta (36 Month) Average	1.26



Insiders and Institutional Holdings

Insiders are currently holding 45.1% of shares outstanding

Date	Shares Bought	Shares Sold	Transactions
2009/07	0	0	0
2009/06	0	0	0
2009/05	0	0	0
2009/04	0	0	0
2009/03	0	0	0
2009/02	0	0	0
2009/01	0	0	0
2008/12	0	0	0
2008/11	0	0	0
2008/10	0	0	0
2008/09	0	0	0
2008/08	0	0	0



OVERVIEW OF COMPANY OPERATIONS

VIASPACE, Inc. is a clean energy company focusing on:

- *Renewable Energy through its license to cultivate a unique fast-growing grass as a feedstock for non-food crop biofuels. This grass can be used for the production of cellulosic biofuels such as ethanol, methanol biocrude and green gasoline. The grass is also used as an animal feed.*
- *Alternative Energy through the Company's disposable fuel cartridges for fuel cell powered notebook computers and mobile phones; and rechargeable lithium-ion batteries*

VIASPACE, Inc. also develops high performance chemical sensing systems for detecting hazardous chemicals, explosives, industrial toxic gases, drugs and the chemical components of improvised explosive devices (IEDs).

VIASPACE, Inc. owns a strategic non-core framed art business that is growing and profitable and generating cash flows that are being used to support expansion of its renewable energy business.

VIASPACE Inc was founded in 1998 to commercialize proven technology from NASA and the Department of Defense Technology originally developed at the NASA Jet Propulsion Laboratory (JPL). This relationship resulted in the Company's entry into alternative energy and development of fuel cartridges based on fuel cell technology licensed from the Caltech which manages JPL for NASA. In 2008 VIASPACE entered the renewable energy business to broaden its base of potential revenues and growth. The Company's presence in the fast-growing markets for clean energy, along with its experienced management team, makes it an exciting investment opportunity

VIASPACE is likely to gain a significant competitive advantage in the market due to the following factors:

- *A license to cultivate Giant King Grass is likely to enhance its position in the renewable energy industry, as this grass can be used as a non-food cellulosic low-carbon feedstock for biofuels. In the near term, the Company will benefit from the sale of this grass as animal feedstock.*
- *DMFCCs expertise in fuel cell cartridge safety and design, coupled with its business model to partner with leading OEMs such as Samsung and other manufacturers by offering them patent protection, will make the Company a partner of first choice for large fuel cell manufacturers. This not only lays the foundation for a long term relationship with key players in the industry but also ensures the Company a recurring revenue stream.*



- The Company's framed art business is a self-sufficient and positive cash flow business segment. This segment is likely to generate significant cash flows for the Company; thus feeding the nearer-term capital requirements of the Company's core business segments, reducing the Company's dependence on external funds and significantly reducing VIASPACE's financial risks.

These factors representing VIASPACE's diversified business model targeting multi-billion dollar alternative energy markets makes it an exciting long-term investment story.



KEY CORPORATE DEVELOPMENTS

Potential of Giant King Grass reflected through signing of Agreement with DP CleanTech, a world leader in biomass power plants

Today, VIASPACE announced the signing of a Memorandum of Understanding (MOU) with Beijing-based DP CleanTech Company Limited, a world leader in design, manufacture and building of biomass power plants. DP CleanTech is the largest biomass electric power provider in China where it already built, owns and operates 19 power plants with over 400 MW installed capacity.

Post due-diligence and thorough testing by both, VIASPACE and DP CleanTech, it has been agreed to test the viability and potential use of Giant King Grass in DP CleanTech's existing power plants to produce biomass. An independent test of Giant King Grass, conducted by DP CleanTech, confirmed its suitability for burning using the latter's unique technology. The second phase of the agreement is to carry out live trial to examine the efficiency of Giant King Grass in one of DP CleanTech's existing power plants, which is expected to be concluded by end of 2009.

Biomass is a rapidly growing global market, because of the enormous potential to source biomass for power generation and the production of liquid biofuels. Large quantities of biomass are available from not only the waste products of agriculture and forestry, but also dedicated energy crops like Giant King Grass, many of which can be grown on marginal lands.

This agreement, in our view reiterates the huge potential of Giant King Grass in the generation of biomass, globally. The high energy content and much higher crop yield than competing grasses such as Switchgrass, Silvereed or Giant Reed makes it the ideal raw material. Exploring new and effective ways to expand the deployment of low carbon and renewable biomass power projects has been the focus area for economies around the world as it reduces dependence on depleting fossil fuels and protects environment. Further, this MOU reiterates the Company's strategy to pursue global opportunities to grow and commercialize Giant King Grass as a low carbon renewable energy source and as animal feed in the near term.



Company issues Corporate Update, progress on track and opportunities expanding significantly

Recently, VIASPACE released a corporate update regarding the progress made by the Company during the last few months along with new opportunities currently being explored. The significant highlight of the update was the development in the plantations and positive results of the study on the potential of Giant King Grass as a biomass feedstock.

The Giant King Grass crop that was planted by the Company in April 2009 in Guangdong province is now more than seven feet tall. VIASPACE expects to use the crop to produce seedlings for an expected large planting early next year. Secondly, the Company reported that an independent analysis of Giant King Grass as an energy crop undertaken by the China National Center for Quality Supervision and Test of Coal confirmed that this type of grass has an energy content of 18.4 MJ per dry kilogram (4402 kcal per kilogram) and is therefore suitable as a feedstock for renewable energy production.

Figure 1: Giant King Grass Plantations



Financial Results Second Quarter ending July 30, 2009

Revenues for the quarter ended June 30, 2009 were \$1.47 million, much higher than the same period previous year. This significant growth in revenues is attributed to the Company's acquisition of Inter-Pacific Arts, Inc. (IPA) during the fourth quarter of previous year. IPA contributed \$1.28 million to the



total revenues and \$190,000 were reported from military contracts for monitoring and detection systems, humidity sensor products and a fuel cell cartridge development contract with Samsung. Gross profit for the quarter was \$613,000, as compared to \$10,000 for second-quarter 2008.

Operating expenses for the quarter declined to \$1.2 million, compared to \$1.9 million in second-quarter 2008, due to lower research and development (R&D) expense and lower selling, general and administrative (SG&A) expense. This decline in R&D and SG&A expenses is attributed to Company's restructuring activities focused on selling non-core businesses. Operating loss for the quarter was \$614,000, compared to an operating loss of \$1.9 million in same period previous year.

Including other expenses and loss from discontinued operations, Company reported a net loss of \$551,000, or \$(0.00) per share in second quarter, 2009, compared to a net loss of \$1.9 million, or \$(0.01) per share for the same period in 2008.



CONCLUSION

We reiterate our BUY rating for VIASPACE, Inc. (OTC BB: VSPC.OB), with a target price range of \$0.08-\$0.10, as per our Base Case forecast. We are excited and optimistic about VIASPACE'S long-term prospects. The Company's agreement with DP CleanTech is a first step towards successful commercialization of its grass as the most preferred source of biomass feedstock. This coupled with significant positive result from the initial plantations reiterates our belief in its potential. Post the acquisition of IPA, VSPC has significantly streamlined its business operations to focus primarily on Green Energy. This has been reflected in the Company's reported financials, which has enabled it to aggressively target the renewable energy market. The Company is also making significant progress in development of its other key growth segment of DMFCC. Both these industries represent significant growth opportunities. Hence, we recommend the purchase of VIASPACE's common stock for long term investors who want to participate in the potentially multi-billion dollar industries of Fuel Cells, Agriculture and Alternative/Green Energy.

RS/Cohen Independent Research Group, Inc.



LATEST NEWS

- 08/26 08:43 [VIASPACE Provides Update on Giant King Grass](#) VIASPACE Inc., a clean energy company providing products and technology for renewable and alternative energy, issued the following update on its renewable, low-carbon energy crop, Giant King Grass. ...
- 08/17 09:07 [VIASPACE Reports Second-Quarter 2009 Financial Results](#) VIASPACE Inc., a clean energy company providing products and technology for renewable and alternative energy, announced financial results for the second quarter ended June 30, 2009. ...
- 08/11 09:19 [Independent Analysis Confirms VIASPACE Giant King Grass as Renewable Energy Crop](#) VIASPACE Inc., a clean energy company providing products and technology for renewable and alternative energy, today announced that an independent analysis of Giant King Grass as an energy crop by the China National Center for Quality Supervision and...
- 08/04 07:30 [VIASPACE Pursuing Renewable Energy Business in Asia](#) VIASPACE, Inc., a clean energy company providing products and technology for renewable and alternative energy, is in discussions with potential customers in Asia and other regions seeking renewable and reliable sources of biomass for electric power ...
- 07/28 07:30 [VIASPACE Sells Battery Analyzer Instrument to Top Research Group at University of South Carolina](#) VIASPACE, Inc., a clean energy company providing products and technology for renewable and alternative energy, announced that it has completed the sale and delivered one of its BA-1000 Battery Electrode Health Analyzer products to University of Sout...
- 07/07 07:30 [VIASPACE Discusses Giant King Grass at Biofuels Conference in Jakarta, Indonesia](#) VIASPACE, Inc., a clean energy company providing products and technology for renewable and alternative energy, announced that Chief Executive Dr. C...
- 06/29 09:41 [VIASPACE Appoints China Agriculture University Professor to Advisory Board](#) VIASPACE, Inc., a clean energy company providing products and technology for renewable and alternative energy, announced the appointment to its advisory board of Professor Yingjun Zhang of China Agricultural University, a respected expert in the sci...
- 06/24 07:30 [VIASPACE CEO to Discuss Giant King Grass as Renewable Energy Crop in Biofuels Presentations in China and Indonesia](#) VIASPACE, Inc., a clean energy company providing products and technology for renewable and alternative energy, announced that Chief Executive Dr. C...
- 06/22 07:30 [VIASPACE Clean Energy, Other Businesses in Cohen Research Update](#) VIASPACE, Inc., a clean energy company providing products and technology for renewable and alternative energy, is covered in a research update issued June 15, 2009, by Cohen Independent Research Group . T...
- 06/15 09:56 [VIASPACE Subsidiary Ionfinity Demonstrates New System for Detecting Chemicals, Explosives, Toxic Gases and Drugs](#) VIASPACE Inc. a clean energy company with subsidiary operations in security-related systems and technology, announced that its subsidiary Ionfinity successfully completed a key step in two phase II contracts awarded by the U.S. Army and the U.S. N...
- 06/08 07:30 [VIASPACE CEO Interviewed by Green Baron Report](#) VIASPACE Inc., a clean energy company providing products and technology for renewable and alternative energy, announced that Chief Executive Carl Kukkonen reported on the Company's clean energy strategy, recent developments and business outlook duri...



APPENDIX

ANNUAL INCOME STATEMENT

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
Sales	1,429,000	553,000	962,000	432,000
Sequential Sales Growth	158.4%	-42.5%	122.7%	194.1%
EXPENSES				
Cost of Goods Sold (COGS)	498,000	-144,000	442,000	340,000
COGS Sequential Growth %	-	-	30.0%	258.7%
COGS as % of Sales	34.8%	-26.0%	45.9%	78.7%
Gross Margin	-	114,000	196,000	77,000
Gross Operating Profit	931,000	697,000	520,000	92,000
Gross Profit Sequential Growth %	33.6%	34.0%	465.2%	76.6%
Research & Development (R&D) Expense	1,148,000	1,559,000	1,020,000	630,000
R&D Sequential Growth %	-26.4%	52.8%	61.9%	-
R&D as % of Sales	80.3%	281.9%	106.0%	145.8%
Selling, General & Administrative (SG&A) Expense	8,721,000	6,198,000	5,395,000	1,778,000
SG&A Sequential Growth %	40.7%	14.9%	203.4%	-
SG&A as % of Sales	610.3%	-	560.8%	411.6%
EBITDA	-8,938,000	-7,060,000	-5,895,000	-2,316,000
EBITDA Sequential Growth %	26.6%	19.8%	154.5%	-
EBITDA Margin %	-	-	-	-
Depreciation	119,000	583,000	324,000	15,000
Interest Income	7,000	47,000	85,000	81,000
Other Income - Net	306,000	2,213,000	3,073,000	-
EBIT	-8,744,000	-5,383,000	-3,061,000	-2,250,000
EBIT Sequential Growth %	62.4%	75.9%	36.0%	-
EBIT Margin %	-	-	-	-

**ANNUAL INCOME STATEMENT (CONTINUED)**

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
Interest Expense	37,000	3,527,000	6,539,000	-
Pretax Income	-8,781,000	-8,910,000	-9,600,000	-2,250,000
Pre-Tax Income Sequential Growth %	-1.4%	-7.2%	326.7%	-
Pre-Tax Income Margin	-	-	-	-
Income Taxes	10,000	-	-	-
Minority Interest	42,000	-1,000	1,000	61,000
Net Income from Continuing Operations	-8,833,000	-8,909,000	-9,601,000	-2,311,000
Net Income from Discontinued Operations	-932,000	-	-	-
Net Income from Total Operations	-9,765,000	-8,909,000	-9,601,000	-2,311,000
Extraordinary Income Losses	-	-	-	-
Other Gains Losses	-52,000	-	-	-
NET INCOME				
Total Net Income	-9,817,000	-8,909,000	-9,601,000	-2,311,000
Net Income Sequential Growth %	10.2%	-7.2%	315.4%	-
Net Income Margin %	-	-	-	-
EARNINGS PER SHARE				
Basic EPS Total	-0.02	-0.03	-0.03	-0.01
Basic EPS Sequential Growth %	-33.3%	-	200.0%	-
Diluted EPS - Total	-0.02	-0.03	-0.03	-0.01
Diluted EPS Sequential Growth %	-33.3%	-	200.0%	-
Dividends per Share	-	-	-	-



QUARTERLY INCOME STATEMENT

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
Sales	1,470,000	837,000	1,073,000	166,000
Sequential Sales Growth	75.6%	-22.0%	546.4%	147.8%
Sales Growth Over Past 4 Quarters	-	580.5%	-	88.6%
EXPENSES				
Cost of Goods Sold (COGS)	766,000	509,000	378,000	82,000
COGS Sequential Growth %	50.5%	34.7%	361.0%	-
COGS Over Past 4 Quarters %	-	-	490.6%	-
COGS as % of Sales	52.1%	60.8%	35.2%	49.4%
Gross Margin	-	-	-165,000	59,000
Gross Operating Profit	704,000	328,000	695,000	84,000
Gross Profit Sequential Growth %	114.6%	-52.8%	727.4%	29.2%
Gross Profit Growth Over Past 4 Quarters %	983.1%	277.0%	-	-52.3%
Research & Development (R&D) Expense	9,000	9,000	-594,000	997,000
R&D Sequential Growth %	-	-	-	486.5%
R&D Growth Over Past 4 Quarters %	-94.7%	-98.4%	-	161.7%
R&D as % of Sales	0.6%	1.1%	-55.4%	600.6%
Selling, General & Administrative (SG&A) Expense	1,218,000	1,066,000	2,327,000	2,651,000
SG&A Sequential Growth %	14.3%	-54.2%	-12.2%	38.4%
SG&A Growth Over Past 4 Quarters %	-36.4%	-41.7%	64.6%	92.4%
SG&A as % of Sales	82.9%	127.4%	216.9%	-
EBITDA	-523,000	-747,000	-1,038,000	-3,564,000
EBITDA Sequential Growth %	-30.0%	-28.0%	-70.9%	76.4%
EBITDA Growth Over Past 4 Quarters %	-74.1%	-67.7%	-40.9%	125.1%
EBITDA Margin %	-35.6%	-89.2%	-96.7%	-
Depreciation	91,000	27,000	48,000	25,000
Interest Income	-	-	1,000	-
Other Income - Net	263,000	-43,000	65,000	70,000
EBIT	-351,000	-817,000	-1,020,000	-3,519,000
EBIT Sequential Growth %	-57.0%	-19.9%	-71.0%	86.2%
EBIT Growth Over Past 4 Quarters %	-81.4%	-64.7%	-22.8%	124.0%
EBIT Margin %	-23.9%	-97.6%	-95.1%	-

**QUARTERLY INCOME STATEMENT (CONTINUED)**

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
Interest Expense	155,000	130,000	1,000	13,000
Pretax Income	-506,000	-947,000	-1,021,000	-3,532,000
Pre-Tax Income Sequential Growth %	-46.6%	-7.2%	-71.1%	85.9%
Pre-Tax Income Growth Over Past 4 Quarters	-73.4%	-59.3%	-23.3%	124.5%
Pre-Tax Income Margin	-	-	-	-
Income Taxes	2,000	-	10,000	-
Minority Interest	25,000	-48,000	38,000	5,000
Net Income from Continuing Operations	-533,000	-899,000	-1,069,000	-3,537,000
Net Income from Discontinued Operations	5,000	-	-932,000	-
Net Income from Total Operations	-528,000	-899,000	-2,001,000	-3,537,000
Extraordinary Income Losses	-	-	-	-
Other Gains Losses	-27,000	48,000	-52,000	-
NET INCOME				
Total Net Income	-555,000	-851,000	-2,053,000	-3,537,000
Net Income Sequential Growth %	-34.8%	-58.5%	-42.0%	86.1%
Net Income Growth Over Past 4 Quarters %	-70.8%	-63.4%	57.1%	123.7%
Net Income Margin %	-	-	-	-
EARNINGS PER SHARE				
Basic EPS Total	-	-	-	-0.01
Basic EPS Sequential Growth %	-	-	-	-
Basic EPS Growth Over Past 4 Quarters %	-	-	-	-
Diluted EPS - Total	-	-	-	-0.01
Diluted EPS Sequential Growth %	-	-	-	-
Diluted EPS Growth Over Past 4 Quarters %	-	-	-	-
Dividends per Share	-	-	-	-



ANNUAL BALANCE SHEET

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
ASSETS				
Cash and Equivalents	2,666,000	608,000	1,861,000	2,130,000
Marketable Securities	-	78,000	419,000	-
Cash & Marketable Securities Sequential Growth %	-	-81.4%	-	-
Cash & Marketable Sec. as % of Total Assets	-	5.6%	10.5%	-
Accounts Receivable	279,000	108,000	231,000	71,000
Accounts Receivable Sequential Growth %	158.3%	-53.2%	225.4%	658.5%
Accounts Receivable as % of Total Assets	1.4%	7.8%	5.8%	3.1%
Other Short Term Receivables	-	-	-	-
Inventories	377,000	43,000	-	-
Inventories Sequential Growth %	776.7%	-	-	-
Inventories as % of Total Assets	1.9%	3.1%	-	-
Prepaid Expenses	797,000	161,000	99,000	53,000
Current Deferred Income Taxes	-	-	-	-
Other Current Assets	6,000	-	-	-
Total Current Assets	5,046,000	998,000	2,610,000	2,254,000
Net Fixed Assets	793,000	155,000	207,000	21,000
Net Fixed Assets Sequential Growth %	411.6%	-25.1%	885.7%	-
Net Fixed Assets as % of Total Assets	4.1%	11.2%	5.2%	0.9%
Intangibles	1,196,000	217,000	-	-
Intangibles Sequential Growth %	451.2%	-	-	-
Intangibles as % of Total Assets	6.2%	15.7%	-	-
Non Current Deferred Income Taxes	-	-	-	-
Other Non Current Assets	13,000	13,000	1,182,000	40,000
Total Assets	19,370,000	1,383,000	3,999,000	2,315,000

**ANNUAL BALANCE SHEET (CONTINUED)**

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
LIABILITIES				
Accounts Payable	1,200,000	257,000	286,000	186,000
Accounts Payable Sequential Growth %	366.9%	-10.1%	53.8%	275.6%
Accounts Payable as % of Total Assets	-	-	-	-
Notes Payable	-	-	-	-
Debt Payable	4,844,000	280,000	279,000	27,000
Debt Payable Sequential Growth %	-	0.4%	933.3%	283.7%
Debt Payable as % of Total Assets	-	-	-	-
Accrued Expenses	-	313,000	260,000	277,000
Accrued Liabilities	161,000	-	-	-
Deferred Revenues	-	-	-	100,000
Current Deferred Income Taxes	-	-	-	-
Other Current Liabilities	-	185,000	213,000	20,000
Total Current Liabilities	6,205,000	1,035,000	1,038,000	610,000
Current Liabilities Sequential Growth %	499.5%	-0.3%	70.2%	912.2%
Current Liabilities as % of Total Assets	-	-	-	-
Long Term Debt	-	291,000	2,478,000	100,000
Long Term Debt Sequential Growth %	-	-88.3%	-	-
Long Term Debt as % of Total Assets	-	-	-	-
Deferred Income Taxes	-	-	-	-
Other Non Current Liabilities	-	9,000	3,126,000	-
Total Liabilities	13,192,000	1,890,000	7,198,000	1,261,000
Total Liabilities Sequential Growth %	598.0%	-73.7%	470.8%	-
Total Liabilities as % of Total Assets	-	-	-	-

**ANNUAL BALANCE SHEET (CONTINUED)**

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
E Q U I T Y				
Preferred Stock	-	-	-	-
Common Stock Par Value	6,178,000	-507,000	-3,199,000	1,054,000
Capital Surplus	814,000	316,000	293,000	285,000
Additional Paid in Capital	35,168,000	19,040,000	7,104,000	2,200,000
Retained Earnings	-29,804,000	-19,941,000	-11,032,000	-1,431,000
Treasury Stock	-	-	-	-
Other Equity Adjustments	-	78,000	436,000	-
Total Equity	6,178,000	-507,000	-3,199,000	1,054,000
Total Equity Sequential Growth %	-	-84.2%	-	-
Total Equity as % of Total Assets	-	-	-	-
Total Liabilities and Stock Equity	19,370,000	1,383,000	3,999,000	2,315,000
S H A R E H O L D I N G S / E M P L O Y E E S				
Total Common Shares Outstanding	846,931,000	316,452,598	292,512,205	284,506,430
Shares Outstanding Sequential Growth %	167.6%	8.2%	2.8%	50.8%
Treasury Shares	-	-	-	-
Basic Weighted Shares Outstanding	507,428,000	303,670,085	290,157,000	282,246,000
Diluted Weighted Shares Outstanding	507,428,000	303,670,085	290,157,000	282,246,000
Diluted Shares Outstanding Sequential Growth %	67.1%	4.7%	2.8%	-99.9%
Number of Employees	94	16	18	16
Number of Part Time Employees	-	2	1	-



QUARTERLY BALANCE SHEET

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
ASSETS				
Cash and Equivalents	1,558,000	1,760,000	2,666,000	36,000
Marketable Securities	-	-	-	-
Cash & Marketable Securities Sequential Growth %	-	-	-	-
Cash & Marketable Sec. Growth Over Past 4 Quarters %	-	-	-	-
Cash & Marketable Sec. as % of Total Assets	-	-	-	-
Accounts Receivable	591,000	445,000	279,000	101,000
Accounts Receivable Sequential Growth %	32.8%	59.5%	176.2%	-19.8%
Accounts Receivable Growth Over Past 4 Quarters %	369.0%	253.2%	158.3%	7.4%
Accounts Receivable as % of Total Assets	3.1%	2.4%	1.4%	3.3%
Other Short Term Receivables	-	-	-	-
Inventories	456,000	424,000	377,000	38,000
Inventories Sequential Growth %	7.5%	12.5%	892.1%	-7.3%
Inventories Growth Over Past 4 Quarters %	-	802.1%	776.7%	-24.0%
Inventories as % of Total Assets	2.4%	2.3%	1.9%	1.2%
Prepaid Expenses	705,000	524,000	797,000	2,513,000
Current Deferred Income Taxes	-	-	-	-
Other Current Assets	35,000	14,000	6,000	47,000
Total Current Assets	4,804,000	4,319,000	5,046,000	2,735,000
Net Fixed Assets	734,000	768,000	793,000	105,000
Net Fixed Assets Sequential Growth %	-4.4%	-3.2%	655.2%	-13.9%
Net Fixed Assets Growth Over Past 4 Quarters %	501.6%	452.5%	411.6%	-38.6%
Net Fixed Assets as % of Total Assets	3.9%	4.1%	4.1%	3.4%
Intangibles	1,188,000	1,206,000	1,196,000	199,000
Intangibles Sequential Growth %	-1.5%	0.8%	501.0%	-3.4%
Intangibles Growth Over Past 4 Quarters %	476.7%	471.6%	451.2%	-10.8%
Intangibles as % of Total Assets	6.2%	6.5%	6.2%	6.5%
Non Current Deferred Income Taxes	-	-	-	-
Other Non Current Assets	15,000	15,000	13,000	13,000
Total Assets	19,063,000	18,630,000	19,370,000	3,052,000

**QUARTERLY BALANCE SHEET (CONTINUED)**

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
LIABILITIES				
Accounts Payable	946,000	850,000	1,200,000	202,000
Accounts Payable Sequential Growth %	11.3%	-29.2%	494.1%	14.1%
Accounts Payable Growth Over Past 4 Quarters %	434.5%	327.1%	366.9%	-42.6%
Accounts Payable as % of Total Assets	-	-	-	-
Notes Payable	-	-	-	-
Debt Payable	4,844,000	4,844,000	4,844,000	304,000
Debt Payable Sequential Growth %	-	-	-	186.8%
Debt Payable Growth Over Past 4 Quarters %	-	-	-	913.3%
Debt Payable as % of Total Assets	-	-	-	-
Accrued Expenses	-	-	-	189,000
Accrued Liabilities	442,000	289,000	161,000	-
Deferred Revenues	-	-	-	-
Current Deferred Income Taxes	-	-	-	-
Other Current Liabilities	-	-	-	458,000
Total Current Liabilities	6,232,000	5,983,000	6,205,000	1,153,000
Current Liabilities Sequential Growth %	4.2%	-3.6%	438.2%	44.7%
Current Liabilities Growth Over Past 4 Quarters %	681.9%	604.7%	499.5%	-1.8%
Current Liabilities as % of Total Assets	-	-	-	-
Long Term Debt	-	-	-	-
Long Term Debt Sequential Growth %	-	-	-	-
Long Term Debt Growth Over Past 4 Quarters %	-	-	-	-
Long Term Debt as % of Total Assets	-	-	-	-
Deferred Income Taxes	-	-	-	-
Other Non Current Liabilities	-	-	-	-
Total Liabilities	13,195,000	12,922,000	13,192,000	1,658,000
Total Liabilities Sequential Growth %	2.1%	-2.0%	695.7%	5.4%
Total Liabilities Growth Over Past 4 Quarters %	738.8%	664.6%	598.0%	-8.7%
Total Liabilities as % of Total Assets	-	-	-	-

**QUARTERLY BALANCE SHEET (CONTINUED)**

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
E Q U I T Y				
Preferred Stock	-	-	-	-
Common Stock Par Value	5,868,000	5,708,000	6,178,000	1,394,000
Capital Surplus	875,000	847,000	814,000	509,000
Additional Paid in Capital	36,203,000	35,516,000	35,168,000	28,636,000
Retained Earnings	-31,210,000	-30,655,000	-29,804,000	-27,751,000
Treasury Stock	-	-	-	-
Other Equity Adjustments	-	-	-	-
Total Equity	5,868,000	5,708,000	6,178,000	1,394,000
Total Equity Sequential Growth %	2.8%	-7.6%	343.2%	-46.1%
Total Equity Growth Over Past 4 Quarters %	126.7%	55.6%	-	259.3%
Total Equity as % of Total Assets	-	-	-	-
Total Liabilities and Stock Equity	19,063,000	18,630,000	19,370,000	3,052,000
S H A R E H O L D I N G S / E M P L O Y E E S				
Total Common Shares Outstanding	878,935,000	870,834,000	846,931,000	508,830,743
Shares Outstanding Sequential Growth %	0.9%	2.8%	66.4%	14.7%
Shares Outstanding Growth Over Past 4 Quarters %	98.1%	92.7%	167.6%	66.3%
Treasury Shares	-	-	-	-
Basic Weighted Shares Outstanding	849,565,000	829,975,000	507,428,000	458,693,837
Diluted Weighted Shares Outstanding	849,565,000	829,975,000	507,428,000	458,693,837
Diluted Shares Outstanding Sequential Growth %	2.4%	63.6%	10.6%	3.4%
Diluted Shares Outstanding Growth Over Past 4 Quarters %	91.4%	141.1%	67.1%	50.9%
Number of Employees	NA	NA	NA	NA
Number of Part Time Employees	NA	NA	NA	NA

**ANNUAL CASH FLOW STATEMENT**

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
CASH FLOW FROM OPERATING ACTIVITIES				
Net Income/Loss	-9,817,000	-8,909,000	-9,601,000	-2,311,000
Depreciation	88,000	71,000	38,000	15,000
Amortization	-	354,000	250,000	-
Amortization of Intangibles	31,000	158,000	36,000	-
Deferred Income Taxes	-	-	-	-
Operating Gains Losses	-493,000	-716,000	-	280,000
Extraordinary Gains Losses	-	-	-	-
Increase Decrease - Receivables	785,000	123,000	-181,000	294,000
Increase Decrease - Inventories	72,000	-43,000	-	-
Increase Decrease - Prepaid Expenses	-2,000	-62,000	-59,000	-53,000
Increase Decrease - Other Current Assets	-	-	-	-
Increase Decrease - Payables	-44,000	-29,000	118,000	-207,000
Increase Decrease - Other Current Liabilities	-131,000	67,000	79,000	60,000
Increase Decrease - Other Working Capital	229,000	-1,000	-3,068,000	59,000
Other Non Cash Items	9,306,000	5,254,000	8,169,000	-
Net Cash - Continuing Operations	24,000	-3,733,000	-4,219,000	-1,863,000
Net Cash - Discontinued Operations	-	-	-	-
Net Cash - Operating Activities	24,000	-3,733,000	-4,219,000	-1,863,000
Net Cash - Operations Sequential Growth %	-	-11.5%	126.5%	-
Net Cash - Operations as % of Change in Cash	-	-	-	-



ANNUAL CASH FLOW STATEMENT (CONTINUED)

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
CASH FLOW FROM INVESTING ACTIVITIES				
Sale of Property Plant Equipment	-	-	-	-
Sale of Long Term Investments	-	-	-	-
Sale of Short Term Investments	29,000	716,000	-	-
Purchase of Property Plant Equipment	-5,000	-19,000	-224,000	-44,000
Acquisitions	200,000	-	-	148,000
Purchase of Long Term Investments	-	-	-	-
Purchase of Short Term Investments	-	-	-	-
Other Investing Changes Net	-	-	-	-
Cash - Discontinued Investing Activities	-	-	-	-
Net Cash - Investing Activities	224,000	697,000	-224,000	104,000
Net Cash - Investing Sequential Growth %	-67.9%	-	-	606.8%
Net Cash - Investing as % of Change in Cash	10.9%	-55.6%	83.3%	52.8%
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of Debt	300,000	1,761,000	2,201,000	-
Issuance of Capital Stock	325,000	51,000	2,000,000	1,000,000
Repayment of Long Term Debt	-402,000	-29,000	-27,000	-19,000
Repurchase of Capital Stock	-	-	-	-
Dividends Paid	-	-	-	-
Other Financing Charges Net	1,587,000	-	-	975,000
Cash - Discontinued Financing Activities	-	-	-	-
Net Cash - Financing Activities	1,810,000	1,783,000	4,174,000	1,956,000
Net Cash - Financing Sequential Growth %	1.5%	-57.3%	113.4%	-
Net Cash - Financing as % of Change in Cash	87.9%	-	-	992.9%
Effect of Exchange Rate Changes	-	-	-	-
Net Change - Cash and Cash Equivalents	2,058,000	-1,253,000	-269,000	197,000
Cash at Beginning of Period	608,000	1,861,000	2,130,000	1,933,000
Cash at End of Period	2,666,000	608,000	1,861,000	2,130,000
Cash Sequential Growth %	338.5%	-67.3%	-12.6%	-

**QUARTERLY CASH FLOW STATEMENT**

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
CASH FLOW FROM OPERATING ACTIVITIES				
Net Income/Loss	-1,406,000	-851,000	-9,817,000	-7,764,000
Depreciation	85,000	11,000	88,000	53,000
Amortization	-	-	-	-
Amortization of Intangibles	33,000	16,000	31,000	18,000
Deferred Income Taxes	-	-	-	-
Operating Gains Losses	-200,000	-48,000	-493,000	-79,000
Extraordinary Gains Losses	-	-	-	-
Increase Decrease - Receivables	-325,000	-111,000	785,000	7,000
Increase Decrease - Inventories	-79,000	-47,000	72,000	5,000
Increase Decrease - Prepaid Expenses	90,000	14,000	-2,000	-
Increase Decrease - Other Current Assets	-	-	-	25,000
Increase Decrease - Payables	-175,000	-283,000	-44,000	118,000
Increase Decrease - Other Current Liabilities	244,000	143,000	-131,000	-33,000
Increase Decrease - Other Working Capital	-131,000	-353,000	229,000	-
Other Non Cash Items	1,145,000	630,000	9,306,000	6,819,000
Net Cash - Continuing Operations	-719,000	-879,000	24,000	-831,000
Net Cash - Discontinued Operations	-	-	-	-
Net Cash - Operating Activities	-719,000	-879,000	24,000	-831,000
Net Cash - Operations Sequential Growth %	-18.2%	-	-	-4.6%
Net Cash - Operations Growth Over Past 4 Quarters %	-17.5%	10.6%	-	-71.8%
Net Cash - Operations as % of Change in Cash	-	-	-	-

**QUARTERLY CASH FLOW STATEMENT (CONTINUED)**

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
CASH FLOW FROM INVESTING ACTIVITIES				
Sale of Property Plant Equipment	-	-	-	-
Sale of Long Term Investments	-	-	-	-
Sale of Short Term Investments	-	-	29,000	29,000
Purchase of Property Plant Equipment	-51,000	-27,000	-5,000	-3,000
Acquisitions	-	-	200,000	-
Purchase of Long Term Investments	-	-	-	-
Purchase of Short Term Investments	-	-	-	-
Other Investing Changes Net	210,000	-	-	-
Cash - Discontinued Investing Activities	-	-	-	-
Net Cash - Investing Activities	159,000	-27,000	224,000	26,000
Net Cash - Investing Sequential Growth %	-	-	761.5%	-3.7%
Net Cash - Investing Growth Over Past 4 Quarters %	488.9%	-	-67.9%	-87.1%
Net Cash - Investing as % of Change in Cash	-14.4%	3.0%	10.9%	-4.5%
CASH FLOW FROM FINANCING ACTIVITIES				
Issuance of Debt	-	-	300,000	300,000
Issuance of Capital Stock	-	-	325,000	325,000
Repayment of Long Term Debt	-	-	-402,000	-392,000
Repurchase of Capital Stock	-	-	-	-
Dividends Paid	-	-	-	-
Other Financing Charges Net	-550,000	-	1,587,000	-
Cash - Discontinued Financing Activities	-	-	-	-
Net Cash - Financing Activities	-550,000	-	1,810,000	233,000
Net Cash - Financing Sequential Growth %	-	-	676.8%	-24.8%
Net Cash - Financing Growth Over Past 4 Quarters %	-	-	1.5%	-79.6%
Net Cash - Financing as % of Change in Cash	49.6%	-	87.9%	-40.7%
Effect of Exchange Rate Changes	2,000	-	-	-
Net Change - Cash and Cash Equivalents	-1,108,000	-906,000	2,058,000	-572,000
Cash at Beginning of Period	2,666,000	2,666,000	608,000	608,000
Cash at End of Period	1,558,000	1,760,000	2,666,000	36,000
Cash Sequential Growth %	-11.5%	-34.0%	-	-51.4%
Cash Growth Over Past 4 Quarters %	-	530.8%	338.5%	-85.7%

**ANNUAL RATIOS**

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
Receivables / Sales (%)	84.0	19.5	24.0	16.4
Inventory / Sales (%)	26.4	7.8	-	-
Sales per Dollar of Inventory	3.79	12.86	NC	NC
Sales per Dollar of Net Plant	1.80	3.57	4.65	20.57
Receivables per day of Sales	302.31	70.31	86.44	59.17
PROFITABILITY METRICS				
Gross Profit Margin	65.2	NC	54.1	21.3
Pre Tax Profit Margin	NC	NC	NC	NC
Net Profit Margin	NC	NC	NC	NC
Payout Ratio	NE	NE	NE	NE
Interest Coverage	NC	NC	NC	NC
Tax Rate	NA	-	-	-
PERFORMANCE METRICS				
Return on Equity (ROE)	NE	NE	NE	NE
Return on Assets (ROA)	-50.4	-644.2	-240.1	-99.8
Return on Invested Capital (ROI)	-158.1	4124.5	1331.6	-200.3
Sales per Employee	15,202	34,563	53,444	27,000
Income per Employee	-103,883	-556,813	-533,389	-144,438
EFFICIENCY RATIOS				
Receivable Turnover	2.2	3.3	6.4	10.8
Inventory Turnover	2.4	-6.7	NC	NC
Total Asset Turnover	0.1	0.2	0.3	0.4
Days of COGS in Inventory	152	-54	-	-
Sales per Dollar of Receivables	1.19	5.12	4.16	6.08

**ANNUAL RATIOS (CONTINUED)**

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
PER SHARE DATA				
Sales per Share	-	-	-	-
Cash - per Share	-	-	0.01	0.01
Current Assets per Share	0.01	-	0.01	0.01
Total Assets per Share	0.02	-	0.01	0.01
Tangible Book Value per Share	-0.01	-	-0.01	-
Long Term Debt - per Share	-	-	0.01	-
Working Capital per Share	-	-	0.01	0.01
Cash Flow per Share	-0.01	-0.03	-0.03	-0.01
Free Cash Flow per Share	-	-0.01	-0.02	-0.01
PRICE/EARNINGS				
Price Earnings Ratio - Closing Price	NE	NE	NE	NE
VALUATION METRICS				
Price to Sales	NC	NC	NC	NC
Price to Tangible Book Value - Ratio	-1.10	NC	-60.00	NC
Price to Cash Flow - Ratio	-1.1	-1.7	-20.0	-86.0
Price to Free Cash Flow - Ratio	NC	-5.2	-30.0	-86.0
Price to Equity	1.10	NS	NS	NC



QUARTERLY RATIOS

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
Receivables / Sales (%)	57.8	74.5	84.0	22.4
Inventory / Sales (%)	12.9	19.8	26.4	8.4
Sales per Dollar of Inventory	7.78	5.05	3.79	11.84
Sales per Dollar of Net Plant	4.83	2.79	1.80	4.29
Receivables per day of Sales	208.12	268.28	302.31	80.80
PROFITABILITY METRICS				
Gross Profit Margin	51.1	54.7	65.2	59.1
Pre Tax Profit Margin	NC	NC	NC	NC
Net Profit Margin	NC	NC	NC	NC
Payout Ratio	NE	NE	NE	NE
Interest Coverage	NC	NC	NC	NC
Tax Rate	NA	NA	NA	-
PERFORMANCE METRICS				
Return on Equity (ROE)	NE	NE	NE	NE
Return on Assets (ROA)	-36.5	-44.8	-50.4	-297.3
Return on Invested Capital (ROI)	-118.7	-146.1	-158.1	-650.9
Sales per Employee	NA	NA	15,202	NA
Income per Employee	NA	NA	-103,883	NA
EFFICIENCY RATIOS				
Receivable Turnover	3.3	2.5	2.2	4.6
Inventory Turnover	7.0	4.1	2.4	4.2
Total Asset Turnover	0.3	0.2	0.1	0.2
Days of COGS in Inventory	52	87	152	86
Sales per Dollar of Receivables	1.73	1.34	1.19	4.46

**QUARTERLY RATIOS (CONTINUED)**

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
PER SHARE DATA				
Sales per Share	-	-	-	-
Cash - per Share	-	-	-	-
Current Assets per Share	0.01	-	0.01	0.01
Total Assets per Share	0.02	0.02	0.02	0.01
Tangible Book Value per Share	-0.01	-0.01	-0.01	-
Long Term Debt - per Share	-	-	-	-
Working Capital per Share	-	-	-	-
Cash Flow per Share	-0.01	-0.01	-0.01	-0.02
Free Cash Flow per Share	-	-	-	-
PRICE/EARNINGS				
Price Earnings Ratio - Closing Price	NE	NE	NE	NE
VALUATION METRICS				
Price to Sales	NC	NC	NC	NC
Price to Tangible Book Value - Ratio	-2.20	-1.15	-1.10	NC
Price to Cash Flow - Ratio	-2.2	-1.2	-1.1	-1.1
Price to Free Cash Flow - Ratio	NC	NC	NC	NC
Price to Equity	2.20	1.15	1.10	NC



ANNUAL LIQUIDITY AND LEVERAGE

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
LIQUIDITY METRICS				
Quick Ratio	0.6	0.8	2.4	3.6
Current Ratio	0.8	1.0	2.5	3.7
Payout Ratio	NE	NE	NE	NE
Leverage Ratio	3.1	NS	NS	2.2
Total Asset Turnover	0.1	0.2	0.3	0.4
Total Liabilities to Total Assets %	68.1	136.7	180.0	54.5
DEBT METRICS				
Debt Payable	4,844,000	280,000	279,000	27,000
Debt Payable Sequential Growth %	-	0.4%	933.3%	283.7%
Debt Payable as % of Total Assets	-	-	-	-
Total Debt / Equity	0.78	NS	NS	0.12
Long Term Debt	-	291,000	2,478,000	100,000
Long Term Debt Sequential Growth %	-	-88.3%	-	-
Long Term Debt as % of Total Assets	-	-	-	-
Long Term Debt / Total Capital	-	NC	NC	0.09
Long Term Debt - per Share	-	-	0.01	-
Long Term Debt / Equity	-	NS	NS	0.09
Long Term Debt as % of Invested Capital	-	NC	NC	8.7
Long Term Debt to Total Liabilities %	-	15.4	34.4	7.9
CASH METRICS				
Cash as % of Revenue	186.6	109.9	193.5	493.1
Revenue per Dollar Cash	0.54	0.91	0.52	0.20
Cash Flow	-9,646,000	-8,326,000	-9,277,000	-2,296,000
Cash Flow per Share	-0.01	-0.03	-0.03	-0.01
Price to Cash Flow - Ratio	-1.1	-1.7	-20.0	-86.0
Free Cash Flow	219,000	-3,752,000	-4,443,000	-1,759,000
Free Cash Flow per Share	-	-0.01	-0.02	-0.01
Price to Free Cash Flow - Ratio	NC	-5.2	-30.0	-86.0



ANNUAL LIQUIDITY AND LEVERAGE (CONTINUED)

	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
ASSETS				
Cash and Equivalents	2,666,000	608,000	1,861,000	2,130,000
Other Non Cash Items	9,306,000	5,254,000	8,169,000	-
Net Cash - Continuing Operations	24,000	-3,733,000	-4,219,000	-1,863,000
Net Cash - Discontinued Operations	-	-	-	-
Net Cash - Operating Activities	24,000	-3,733,000	-4,219,000	-1,863,000
Net Cash - Operations Sequential Growth %	-	-11.5%	126.5%	-
Net Cash - Operations as % of Change in Cash	-	-	-	-
Cash at Beginning of Period	608,000	1,861,000	2,130,000	1,933,000
Cash at End of Period	2,666,000	608,000	1,861,000	2,130,000
Cash Sequential Growth %	338.5%	-67.3%	-12.6%	-
Working Capital to Equity \$	-18.8	7.3	-49.1	156.0
Working Capital As % of Price	-	-	1.7	1.2
Working Capital per Share	-	-	0.01	0.01
Increase Decrease - Receivables	785,000	123,000	-181,000	294,000
Increase Decrease - Inventories	72,000	-43,000	-	-
Increase Decrease - Prepaid Expenses	-2,000	-62,000	-59,000	-53,000
Increase Decrease - Other Current Assets	-	-	-	-
Increase Decrease - Payables	-44,000	-29,000	118,000	-207,000
Increase Decrease - Other Current Liabilities	-131,000	67,000	79,000	60,000
Increase Decrease - Other Working Capital	229,000	-1,000	-3,068,000	59,000



QUARTERLY LIQUIDITY AND LEVERAGE

	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
LIQUIDITY METRICS				
Quick Ratio	0.6	0.6	0.6	0.1
Current Ratio	0.8	0.7	0.8	2.4
Payout Ratio	NE	NE	NE	NE
Leverage Ratio	3.2	3.3	3.1	2.2
Total Asset Turnover	0.3	0.2	0.1	0.2
Total Liabilities to Total Assets %	69.2	69.4	68.1	54.3
DEBT METRICS				
Debt Payable	4,844,000	4,844,000	4,844,000	304,000
Debt Payable Sequential Growth %	-	-	-	186.8%
Debt Payable Growth Over Past 4 Quarters %	-	-	-	913.3%
Debt Payable as % of Total Assets	-	-	-	-
Total Debt / Equity	0.83	0.85	0.78	0.22
Long Term Debt	-	-	-	-
Long Term Debt Sequential Growth %	-	-	-	-
Long Term Debt Growth Over Past 4 Quarters %	-	-	-	-
Long Term Debt as % of Total Assets	-	-	-	-
Long Term Debt / Total Capital	-	-	-	-
Long Term Debt - per Share	-	-	-	-
Long Term Debt / Equity	-	-	-	-
Long Term Debt as % of Invested Capital	-	-	-	-
Long Term Debt to Total Liabilities %	-	-	-	-
CASH METRICS				
Cash as % of Revenue	43.9	82.1	186.6	8.0
Revenue per Dollar Cash	2.28	1.22	0.54	12.50
Cash Flow	-6,774,000	-8,216,000	-9,646,000	-8,978,000
Cash Flow per Share	-0.01	-0.01	-0.01	-0.02
Price to Cash Flow - Ratio	-2.2	-1.2	-1.1	-1.1
Free Cash Flow	-770,000	-906,000	219,000	-834,000
Free Cash Flow per Share	-	-	-	-
Price to Free Cash Flow - Ratio	NC	NC	NC	NC

**QUARTERLY LIQUIDITY AND LEVERAGE (CONTINUED)**

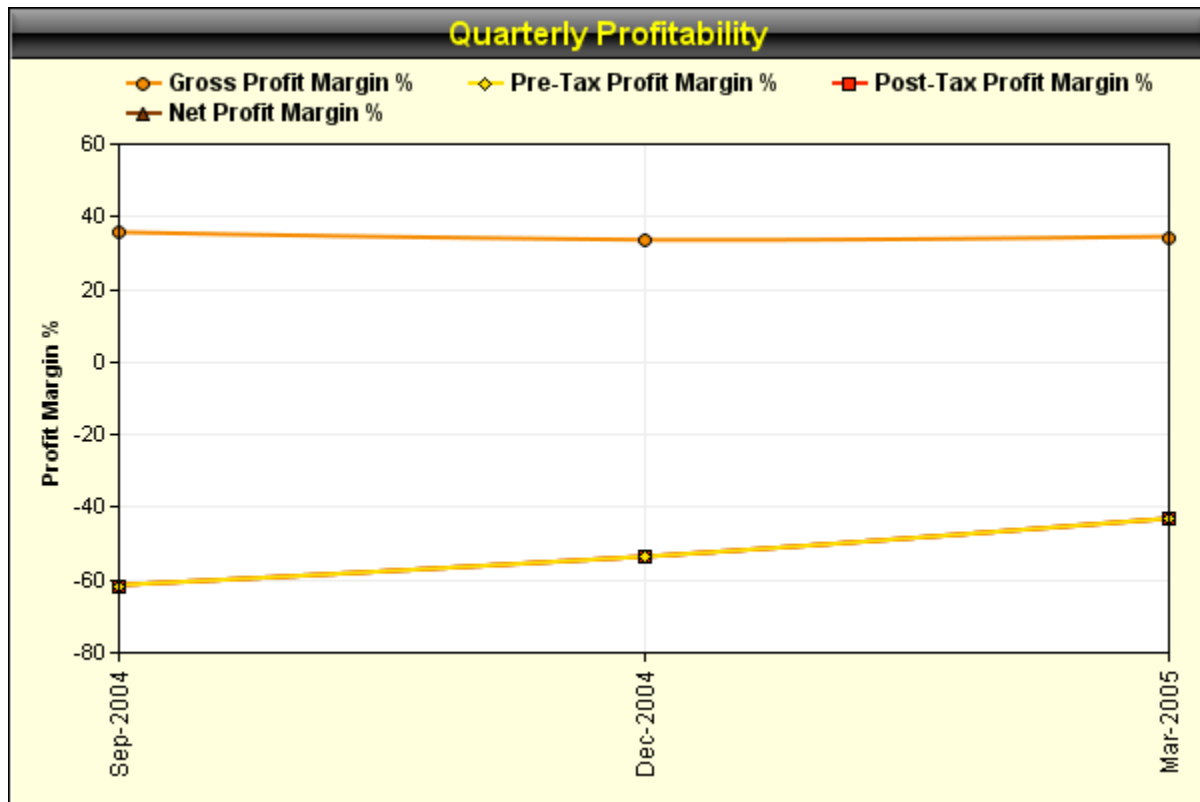
	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
ASSETS				
Cash and Equivalents	1,558,000	1,760,000	2,666,000	36,000
Other Non Cash Items	1,145,000	630,000	9,306,000	6,819,000
Net Cash - Continuing Operations	-719,000	-879,000	24,000	-831,000
Net Cash - Discontinued Operations	-	-	-	-
Net Cash - Operating Activities	-719,000	-879,000	24,000	-831,000
Net Cash - Operations Sequential Growth %	-18.2%	-	-	-4.6%
Net Cash - Operations Growth Over Past 4 Quarters %	-17.5%	10.6%	-	-71.8%
Net Cash - Operations as % of Change in Cash	-	-	-	-
Cash at Beginning of Period	2,666,000	2,666,000	608,000	608,000
Cash at End of Period	1,558,000	1,760,000	2,666,000	36,000
Cash Sequential Growth %	-11.5%	-34.0%	-	-51.4%
Cash Growth Over Past 4 Quarters %	-	530.8%	338.5%	-85.7%
Working Capital to Equity \$	-24.3	-29.2	-18.8	113.5
Working Capital As % of Price	-	-	-	-
Working Capital per Share	-	-	-	-
Increase Decrease - Receivables	-325,000	-111,000	785,000	7,000
Increase Decrease - Inventories	-79,000	-47,000	72,000	5,000
Increase Decrease - Prepaid Expenses	90,000	14,000	-2,000	-
Increase Decrease - Other Current Assets	-	-	-	25,000
Increase Decrease - Payables	-175,000	-283,000	-44,000	118,000
Increase Decrease - Other Current Liabilities	244,000	143,000	-131,000	-33,000
Increase Decrease - Other Working Capital	-131,000	-353,000	229,000	-

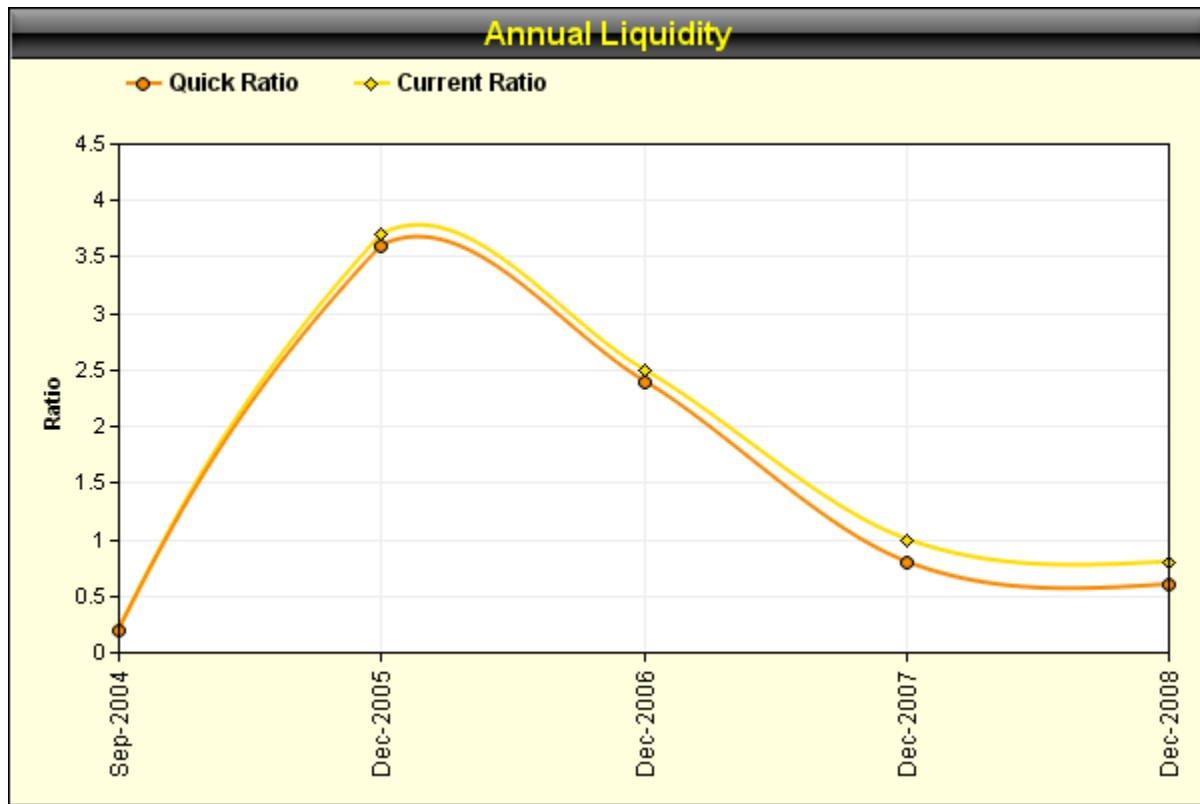
**ANNUAL INDUSTRY COMPARISON**

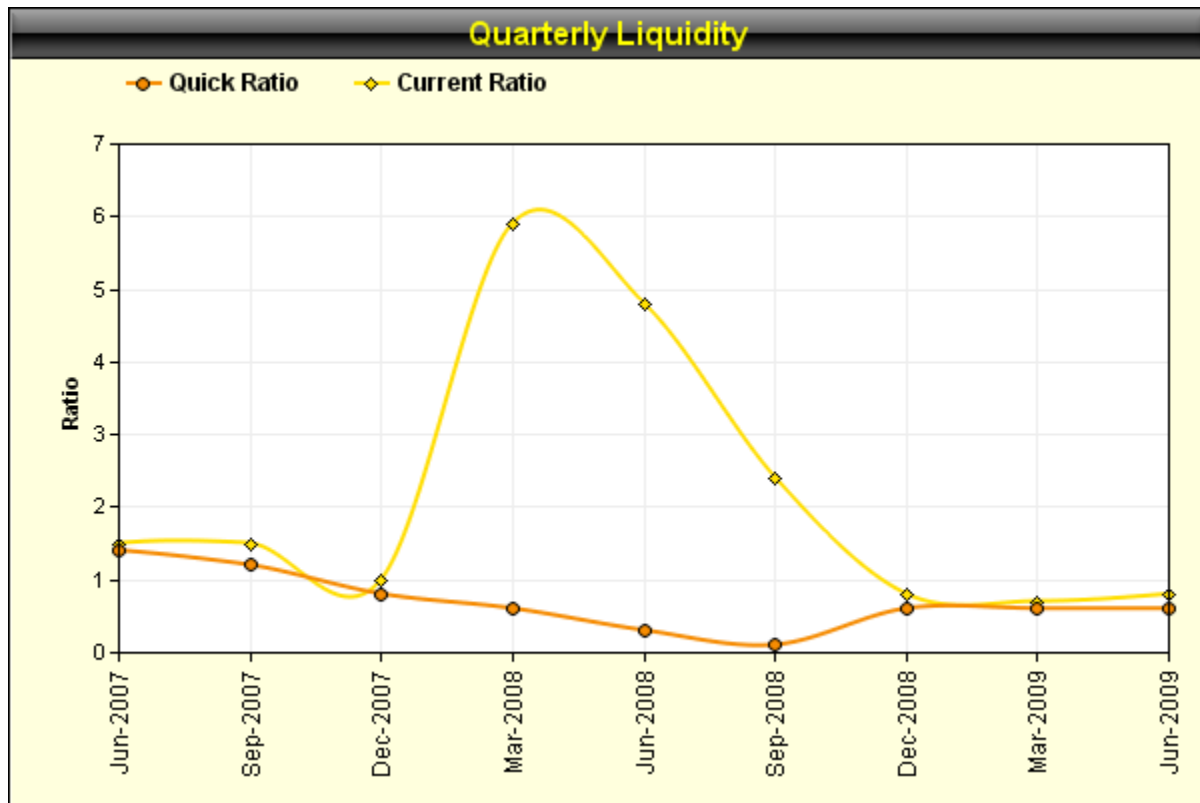
	31-Dec-2008	31-Dec-2007	31-Dec-2006	31-Dec-2005
All values are % compared to industry				
Sales	-	-	-	-
Earnings	-0.2	-0.2	-0.2	-0.1
EPS	-4.1	-5.4	-5.0	-1.7
Price	0.1	0.2	3.6	5.3
P/E	NC	NC	NC	NC
Price to Book Ratio	46.6	NC	NC	NC
Price to Sales Ratio	NC	NC	NC	NC
Price to Cash Flow Ratio	-9.9	-8.5	-117.6	-483.1
Price to Free Cash Flow Ratio	NC	-13.4	-116.3	-289.6
Debt to Equity Ratio	-	NC	NC	69.2
Current Ratio	61.5	55.6	125.0	194.7
Gross Profit Margin	139.3	NC	114.9	41.5
Pre-Tax Profit Margin	NC	NC	NC	NC
Post-Tax Profit Margin	NC	NC	NC	NC
Net Profit Margin	NC	NC	NC	NC
Return on Equity	NC	NC	NC	NC
Leverage Ratio	129.2	NC	NC	91.7
Asset Turnover	16.7	33.3	50.0	100.0

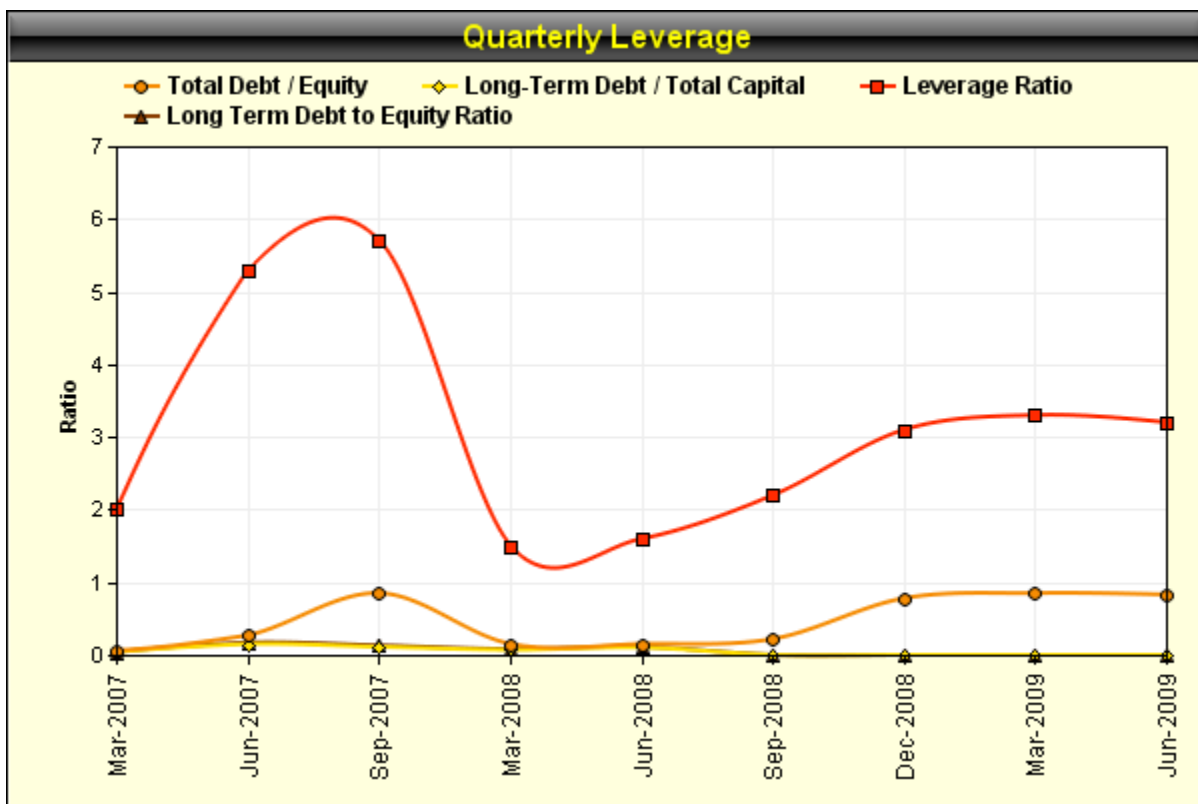
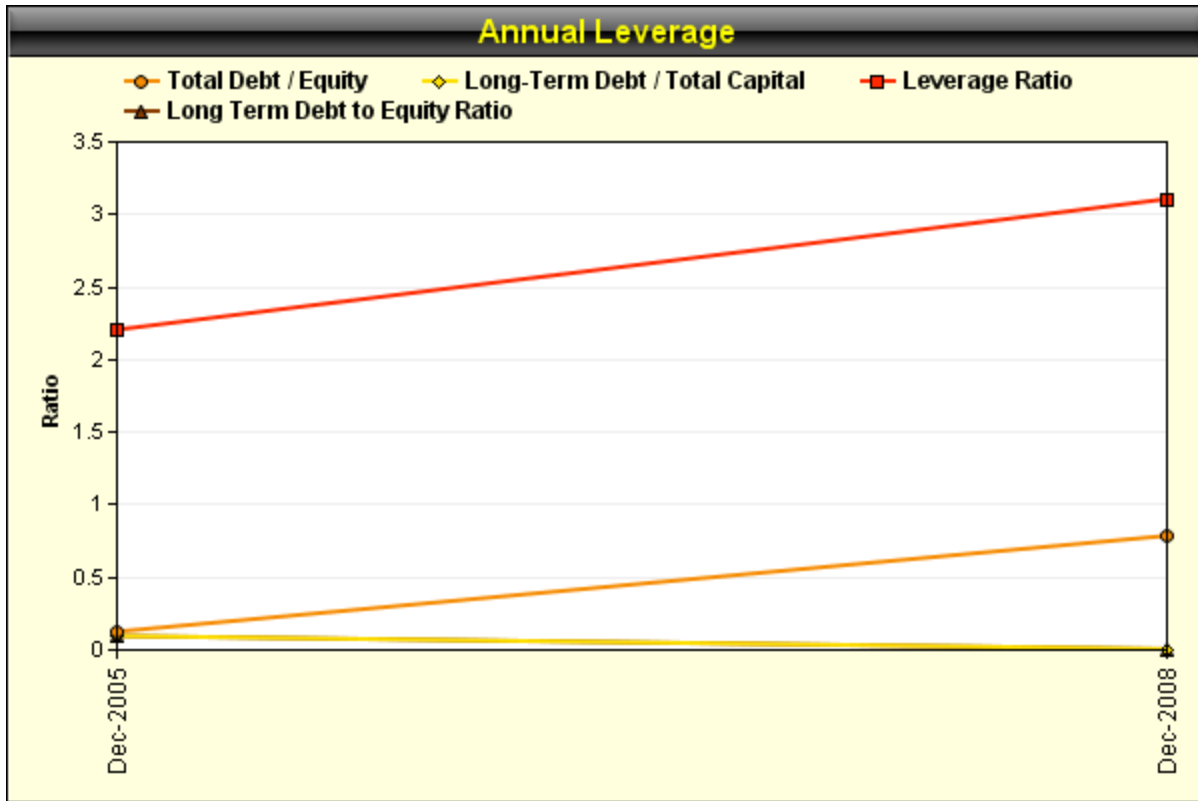
**QUARTERLY INDUSTRY COMPARISON**

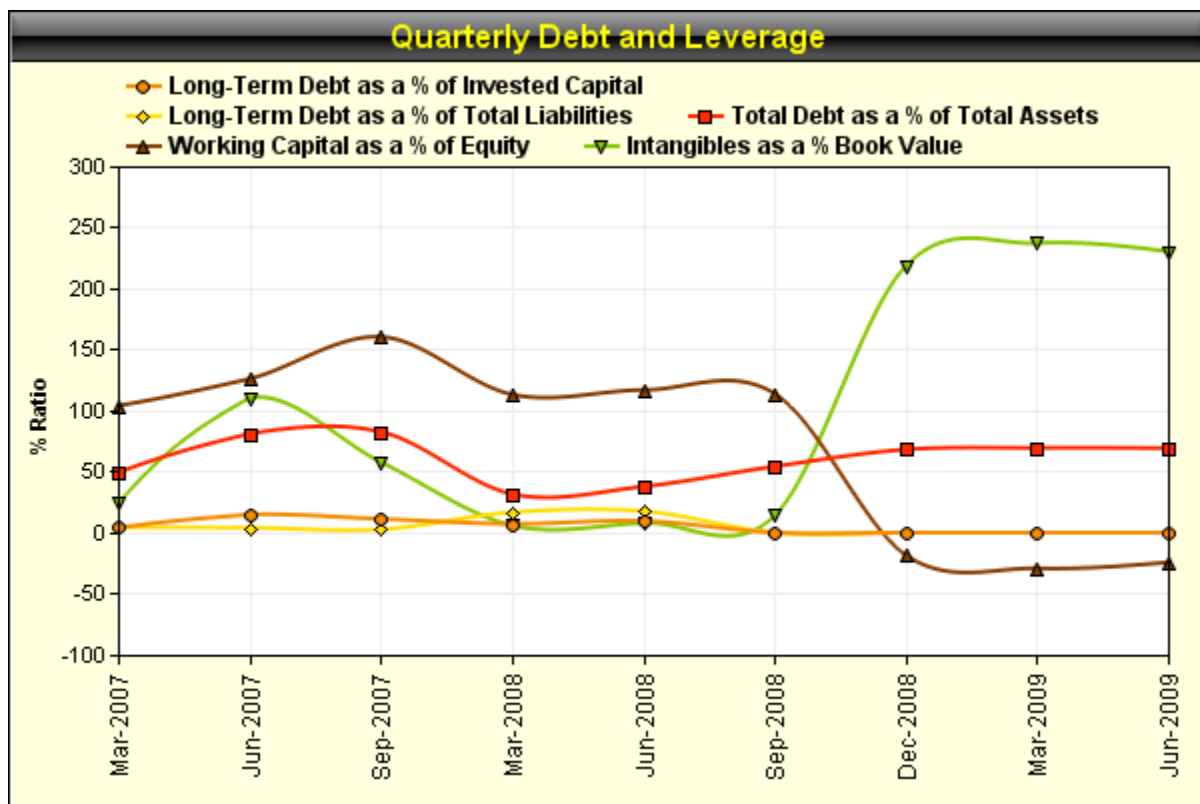
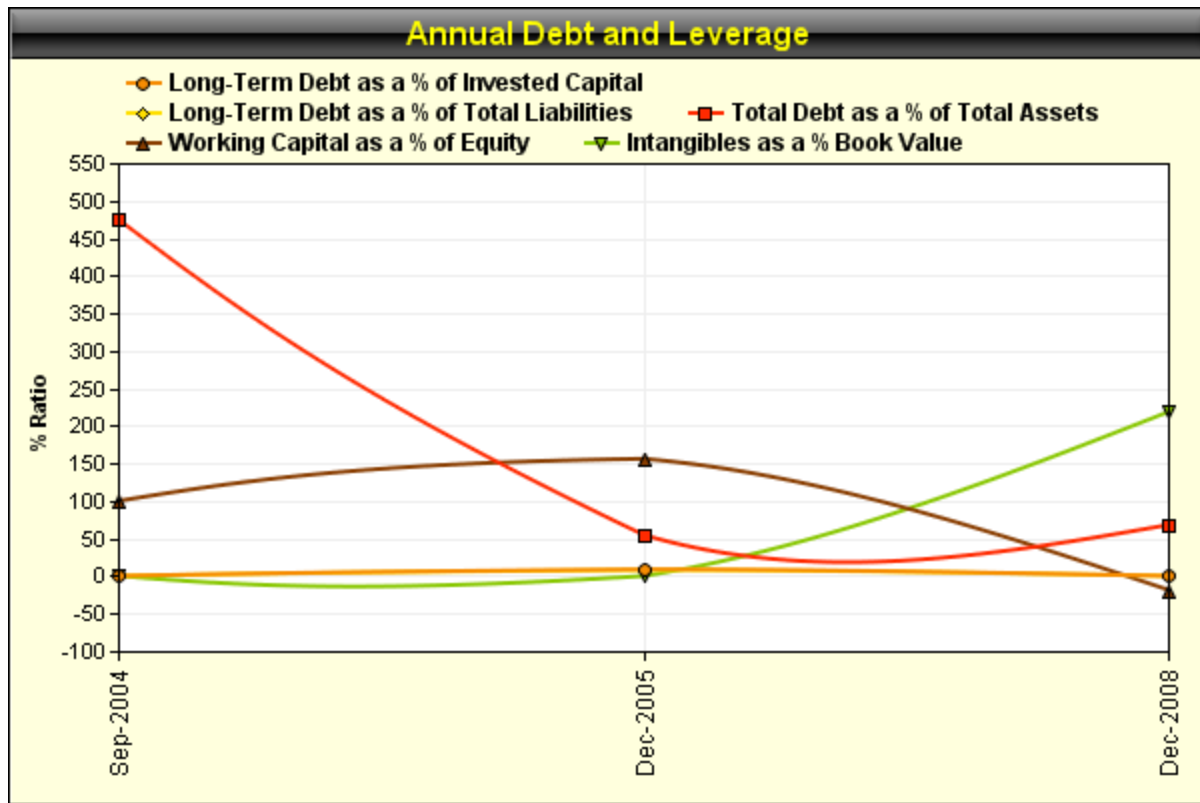
	30-Jun-2009	31-Mar-2009	31-Dec-2008	30-Sep-2008
All values are % compared to industry				
Sales	-	-	-	-
Earnings	-0.2	-0.2	-0.2	-0.2
EPS	100.0	-10.0	-4.1	-4.9
Price	0.1	0.1	0.1	0.1
P/E	NC	NC	NC	NC
Price to Book Ratio	76.1	48.7	46.6	NC
Price to Sales Ratio	NC	NC	NC	NC
Price to Cash Flow Ratio	-14.9	-10.2	-9.9	-7.5
Price to Free Cash Flow Ratio	NC	NC	NC	NC
Debt to Equity Ratio	-	-	-	-
Current Ratio	57.1	53.8	61.5	300.0
Gross Profit Margin	108.7	115.9	139.3	126.0
Pre-Tax Profit Margin	NC	NC	NC	NC
Post-Tax Profit Margin	NC	NC	NC	NC
Net Profit Margin	NC	NC	NC	NC
Return on Equity	NC	NC	NC	NC
Leverage Ratio	133.3	126.9	129.2	91.7
Asset Turnover	50.0	33.3	16.7	33.3

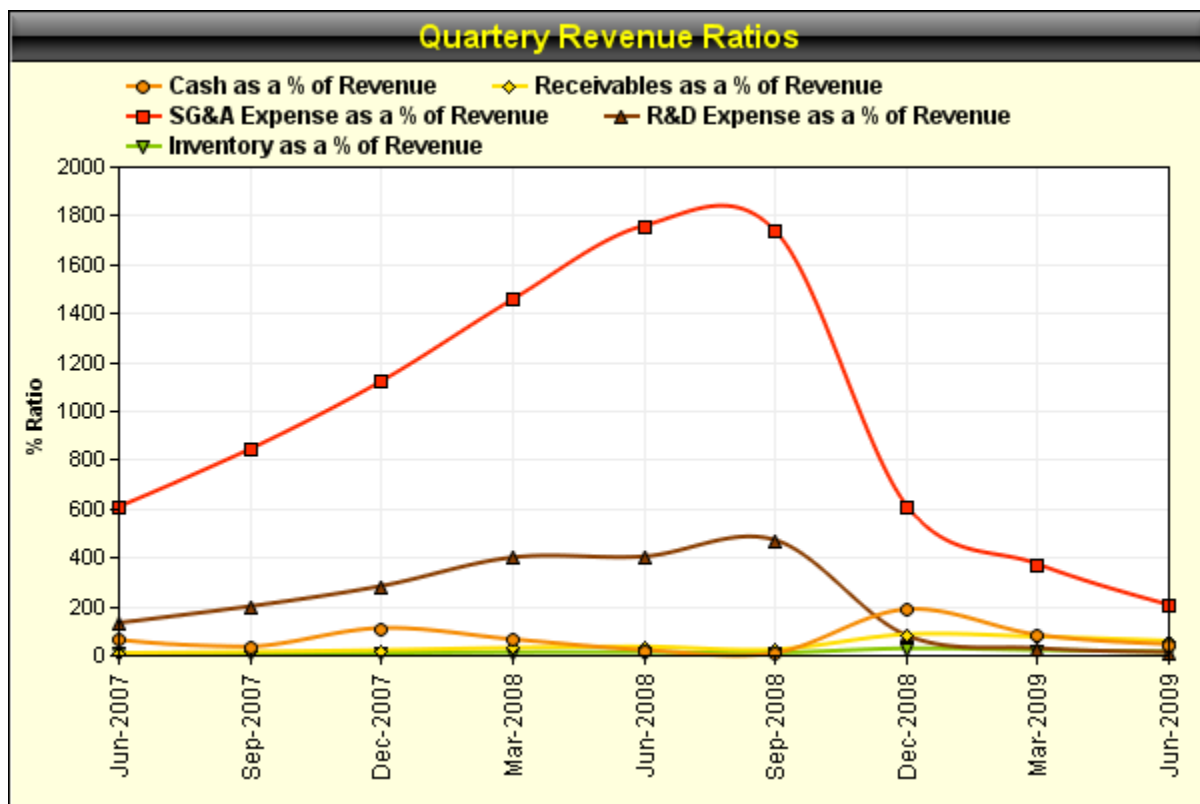
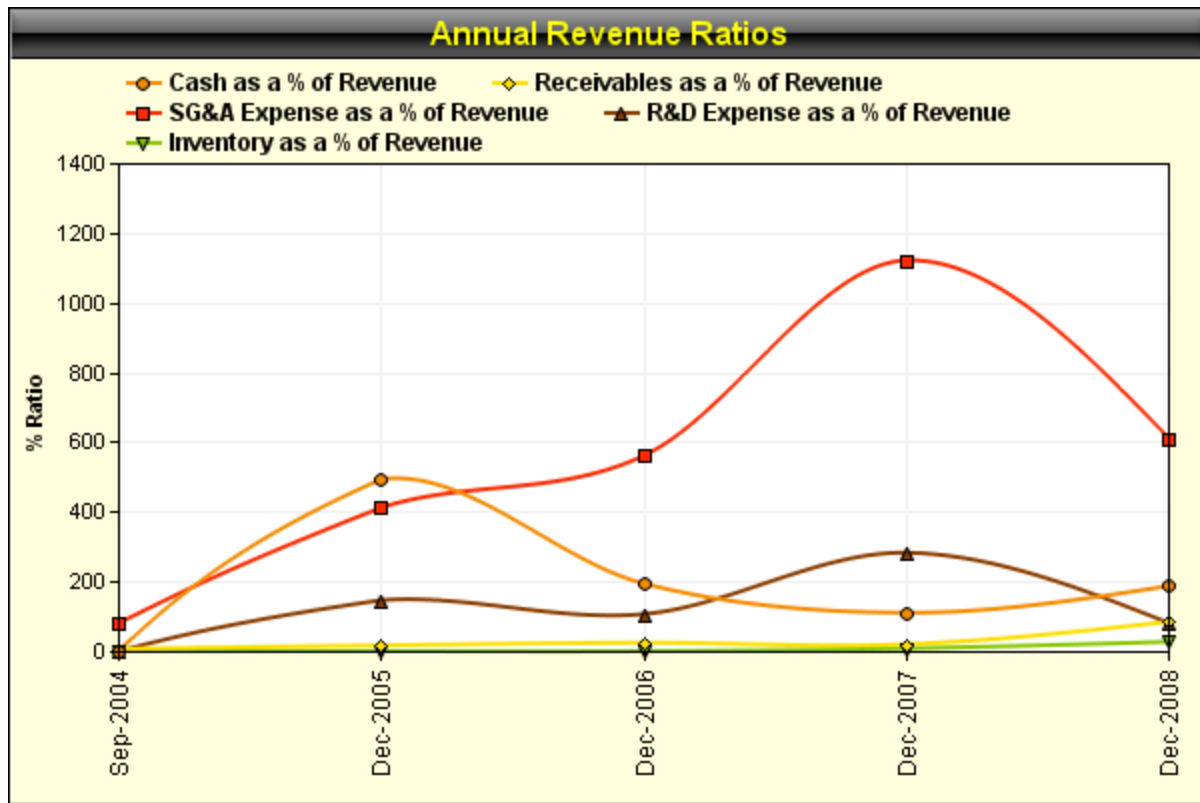


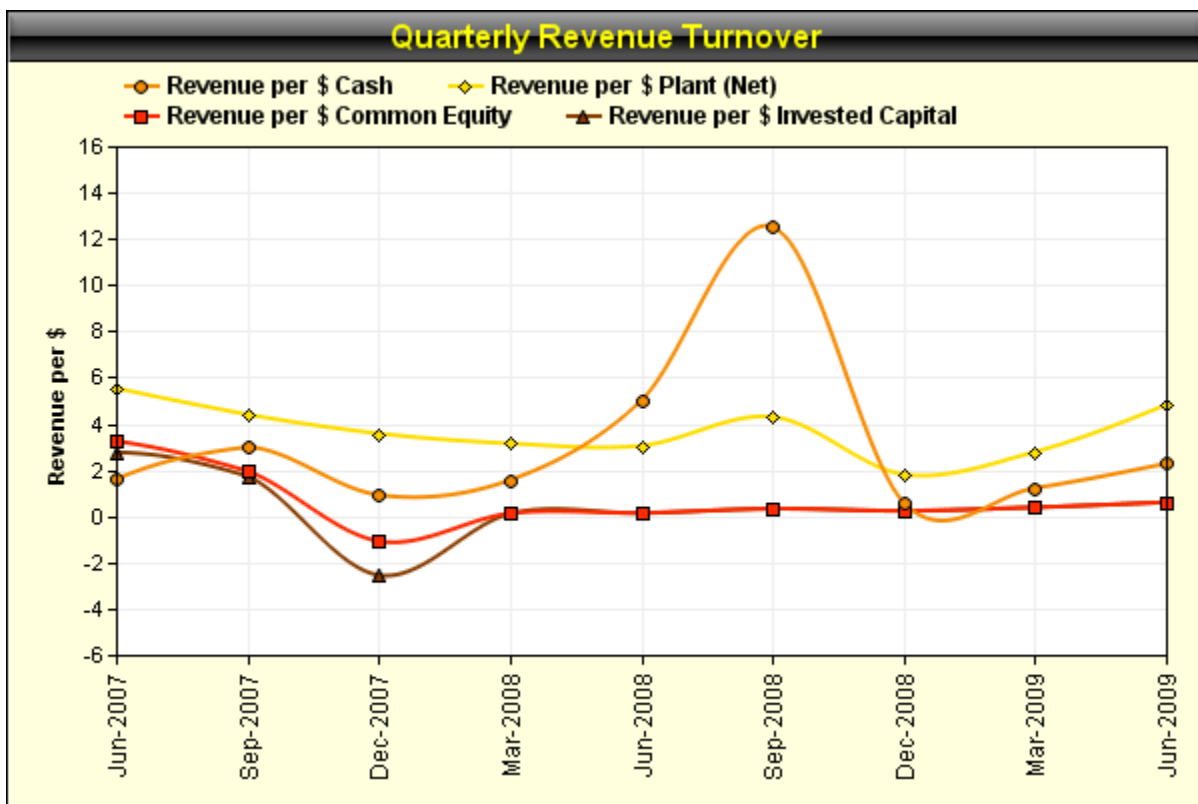
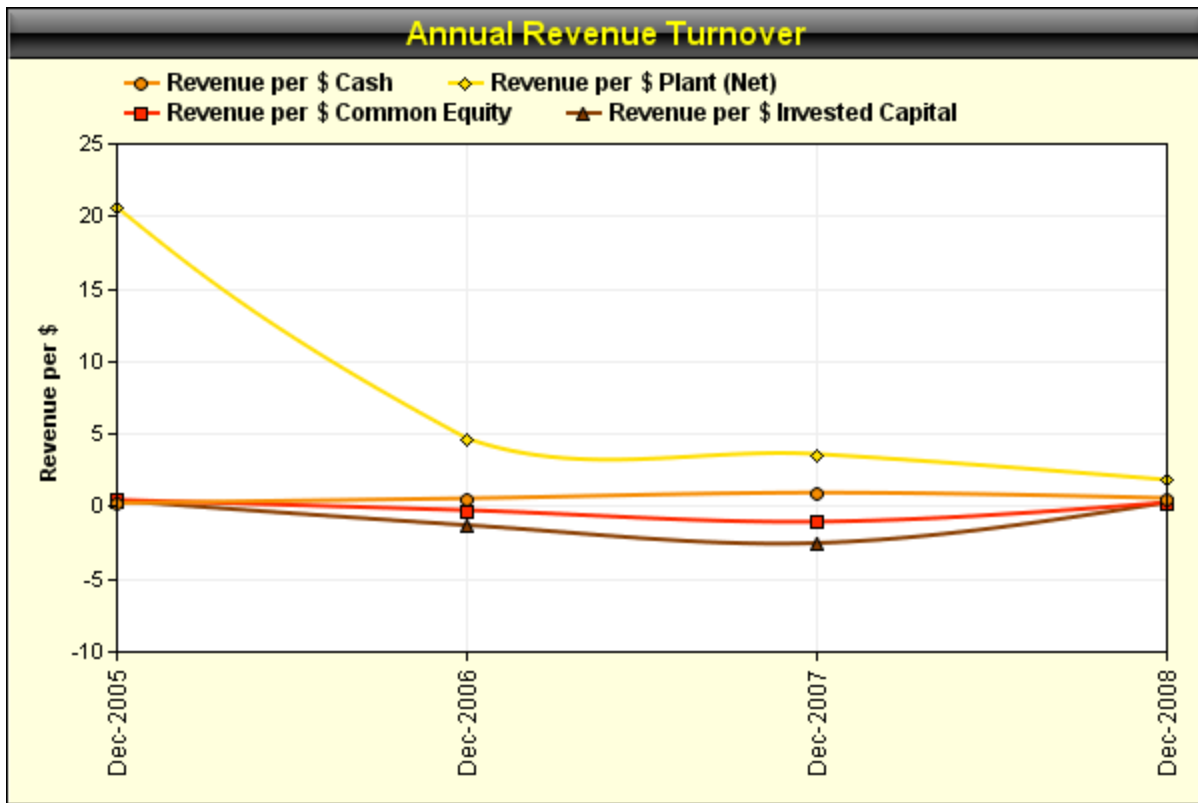


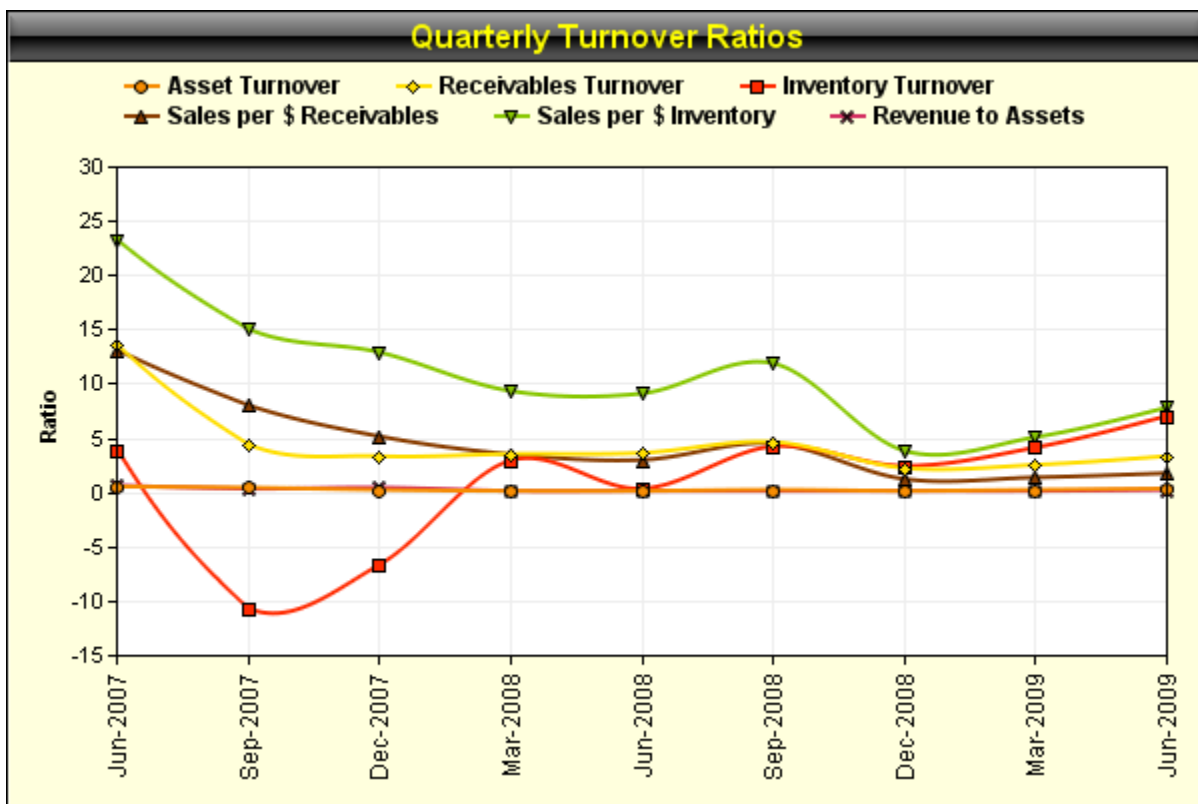
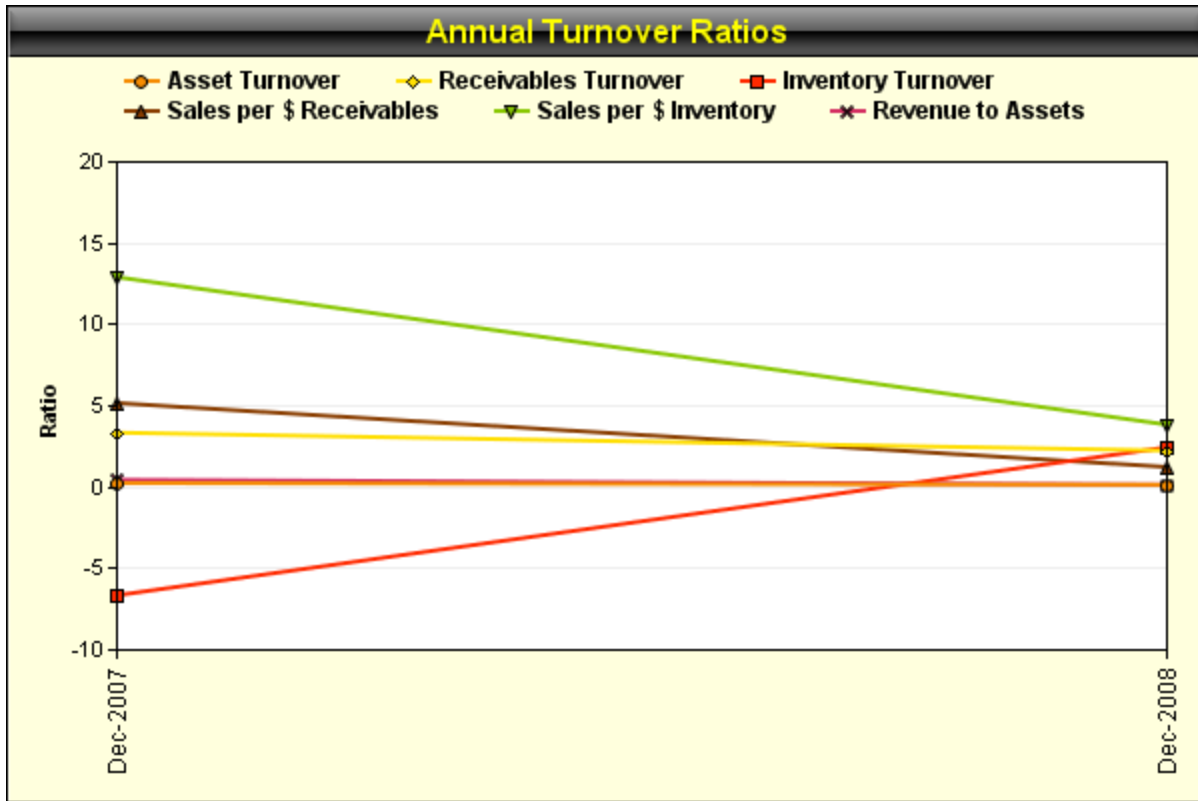


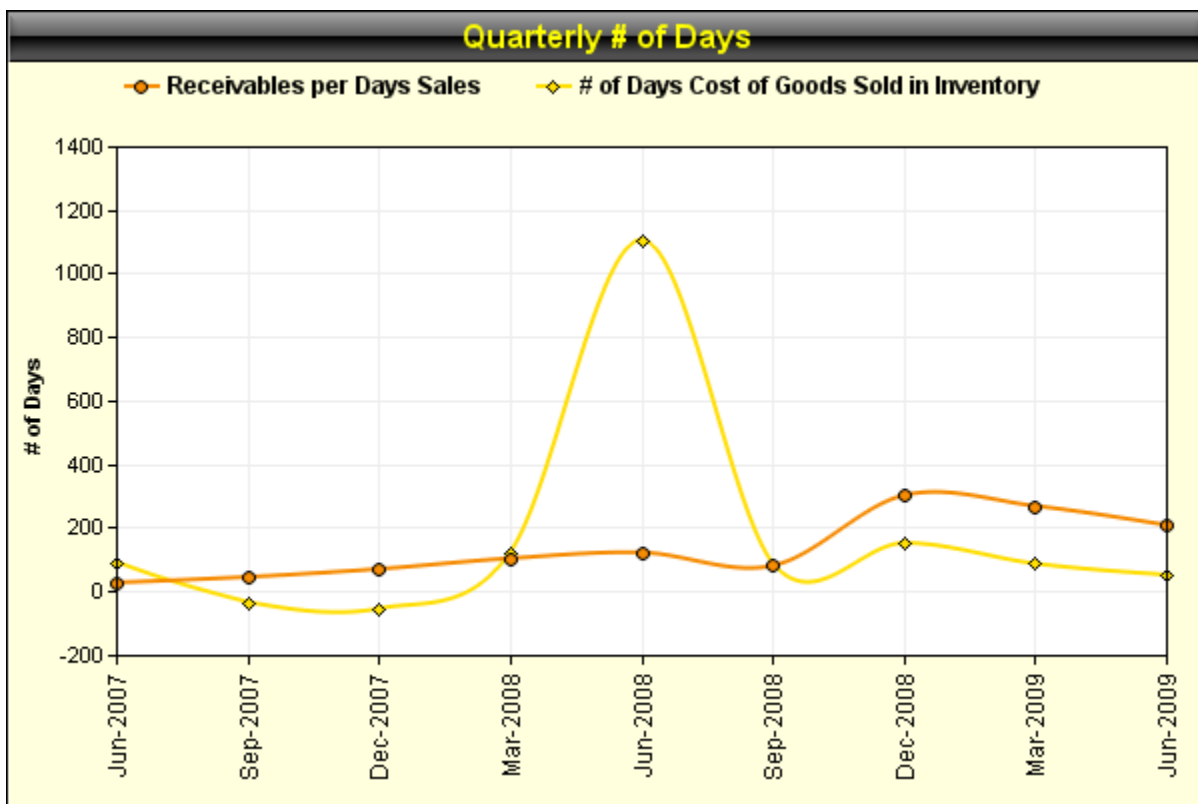
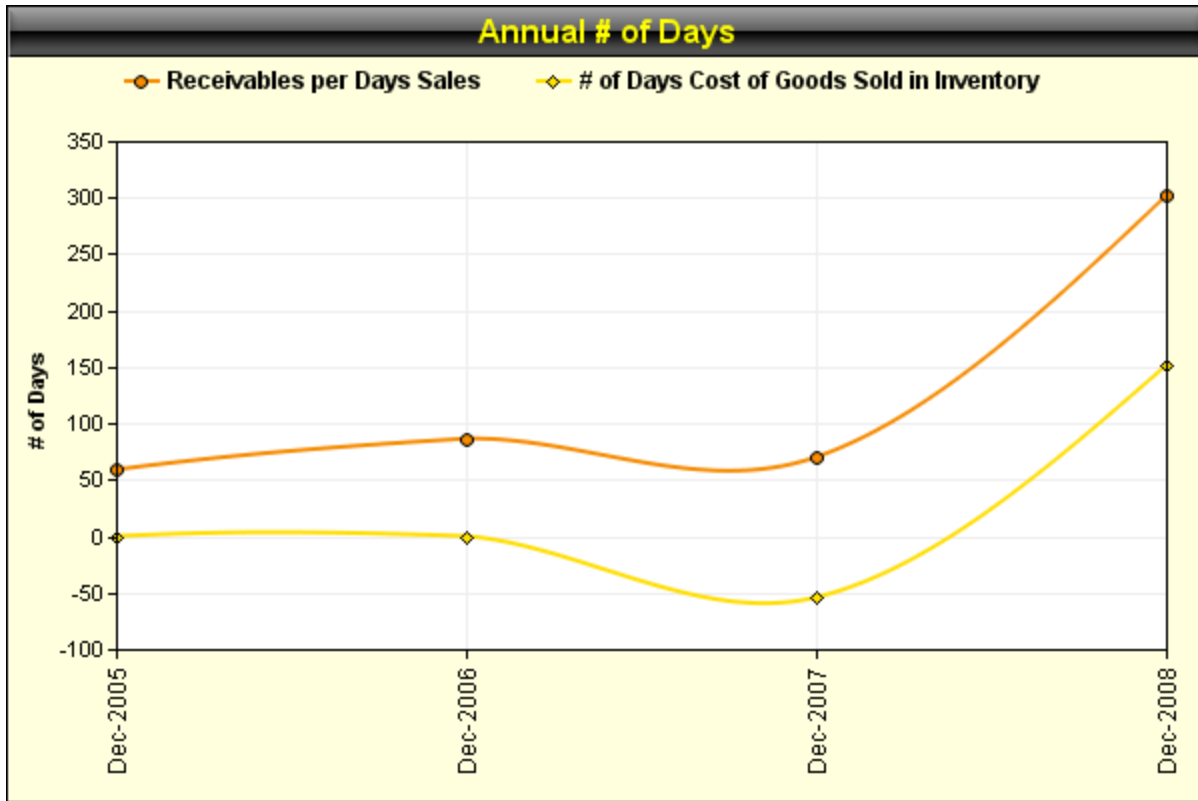


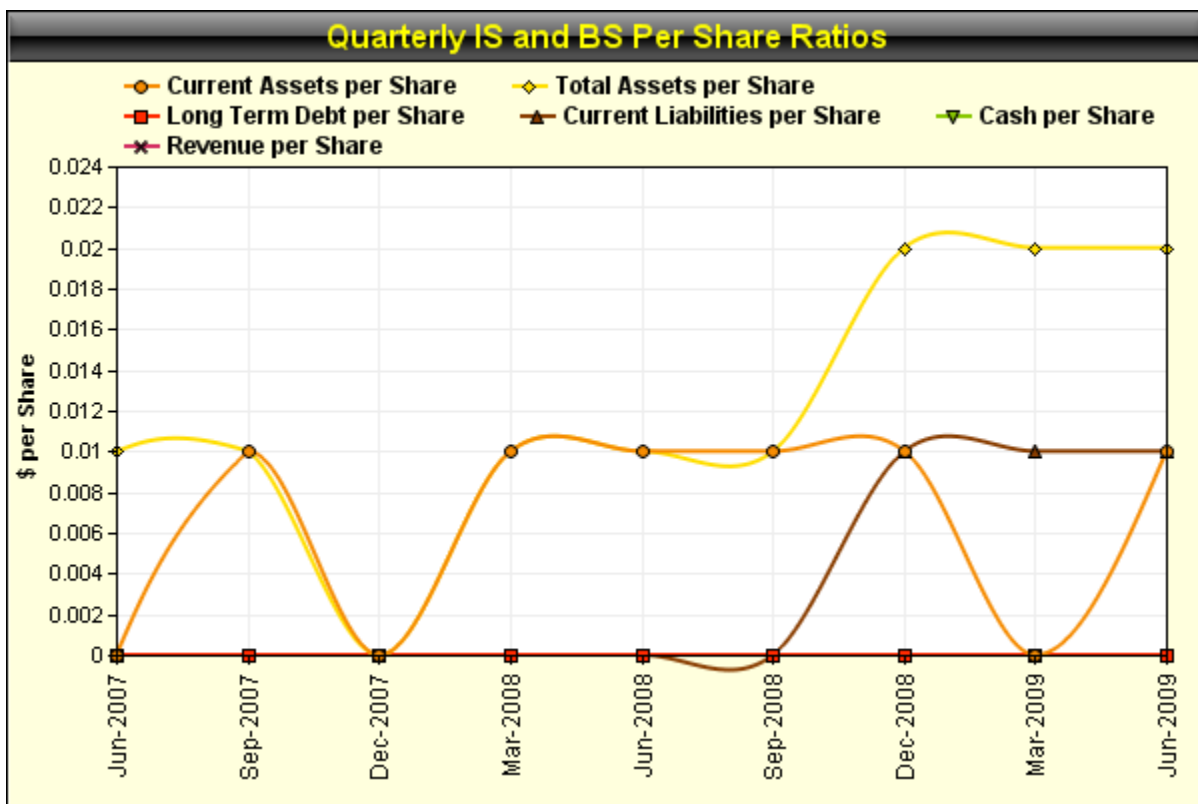
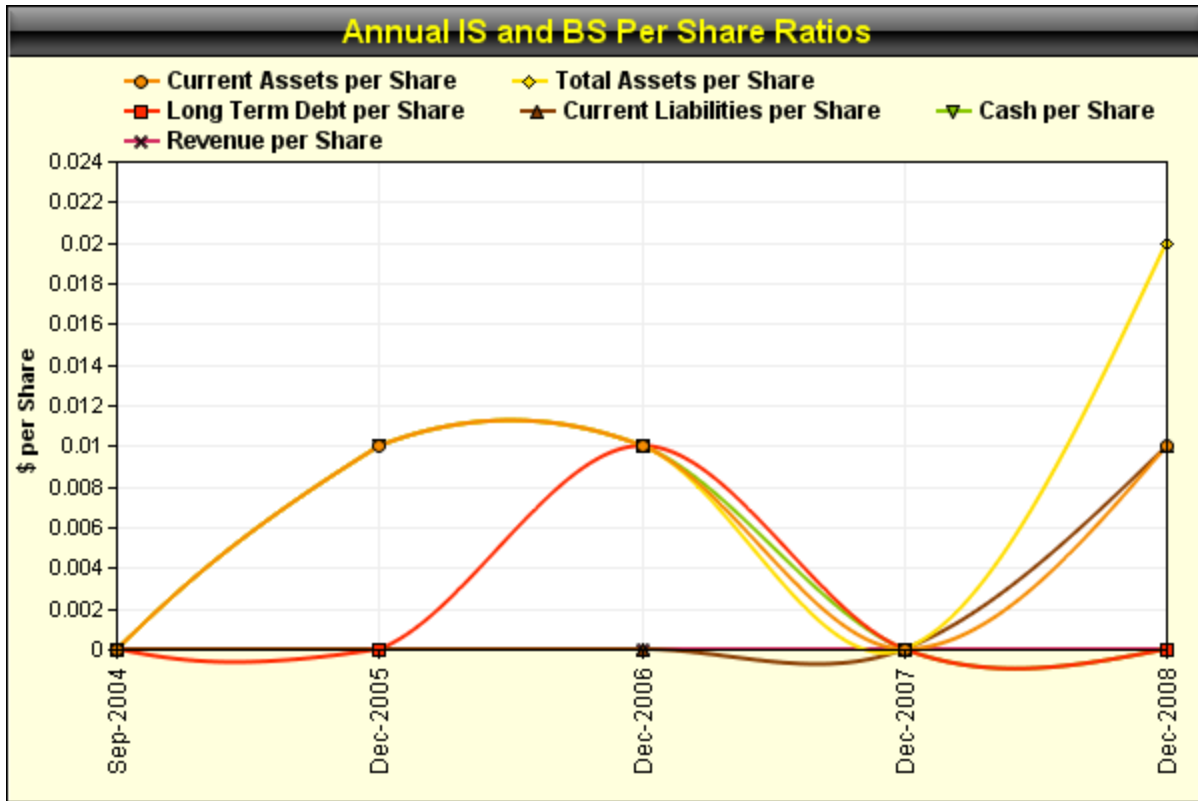


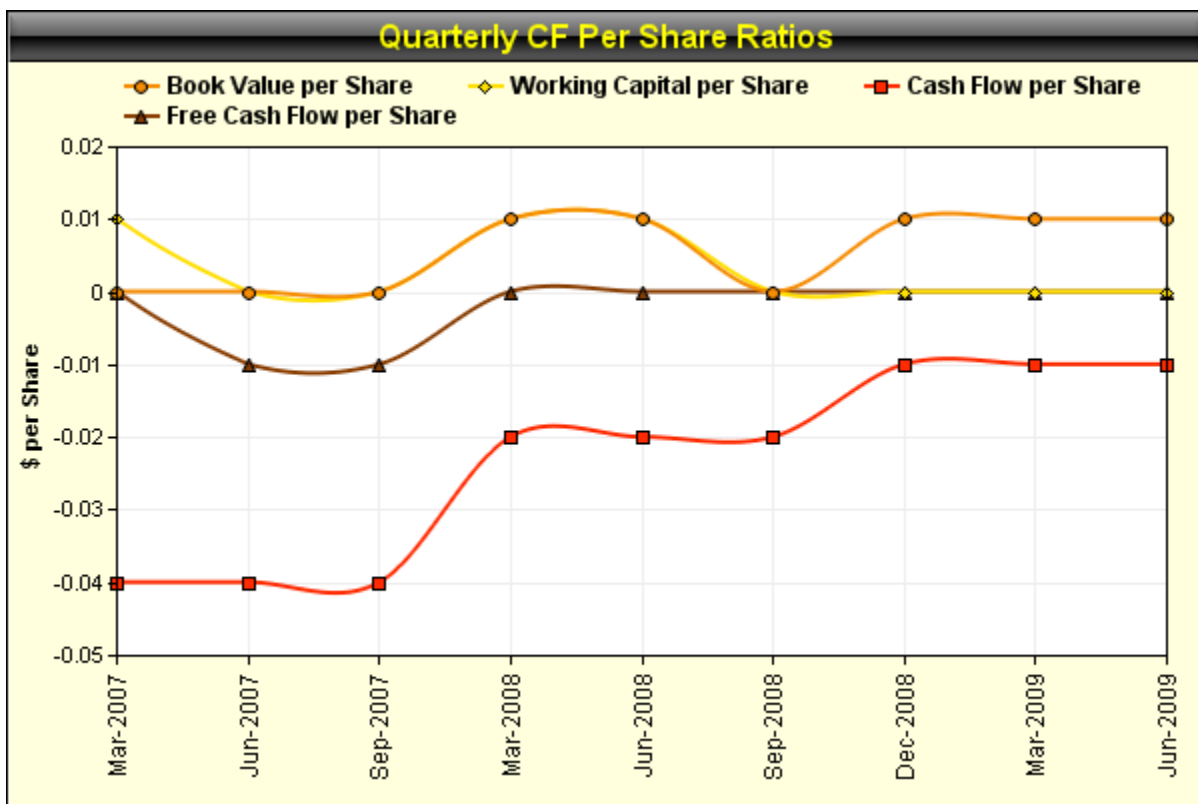
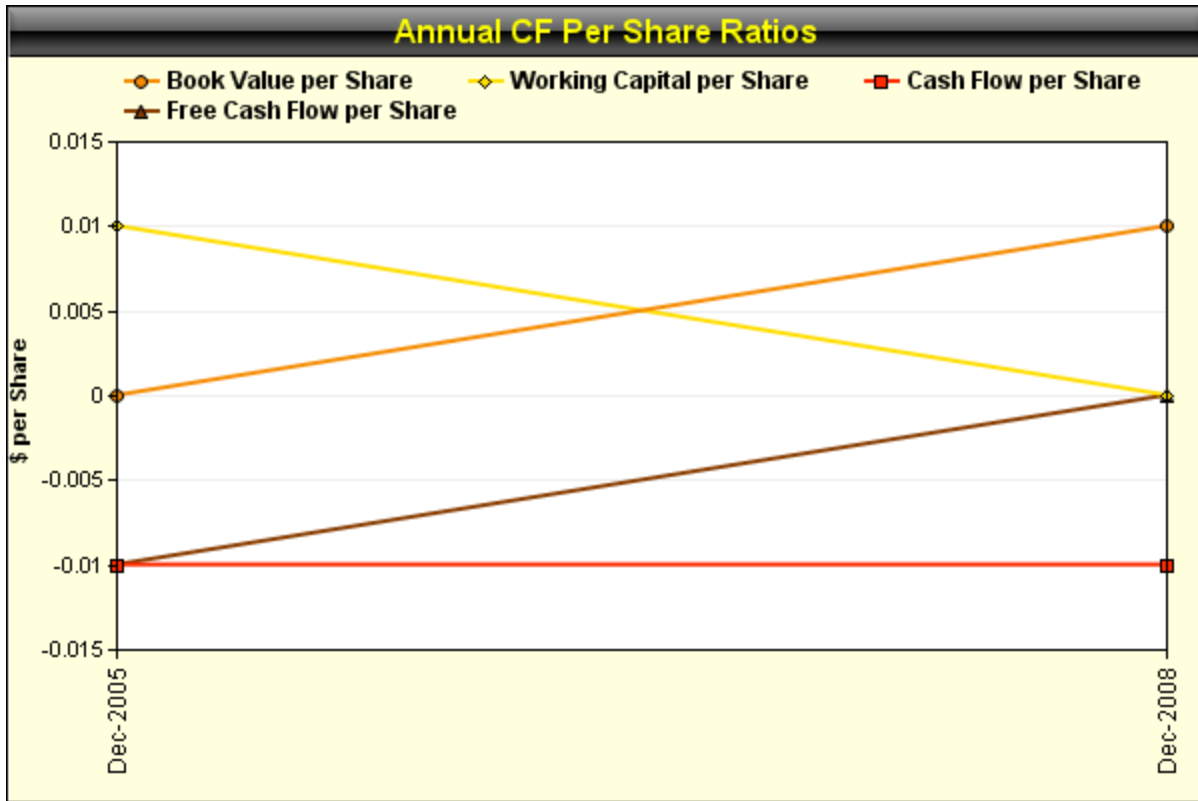


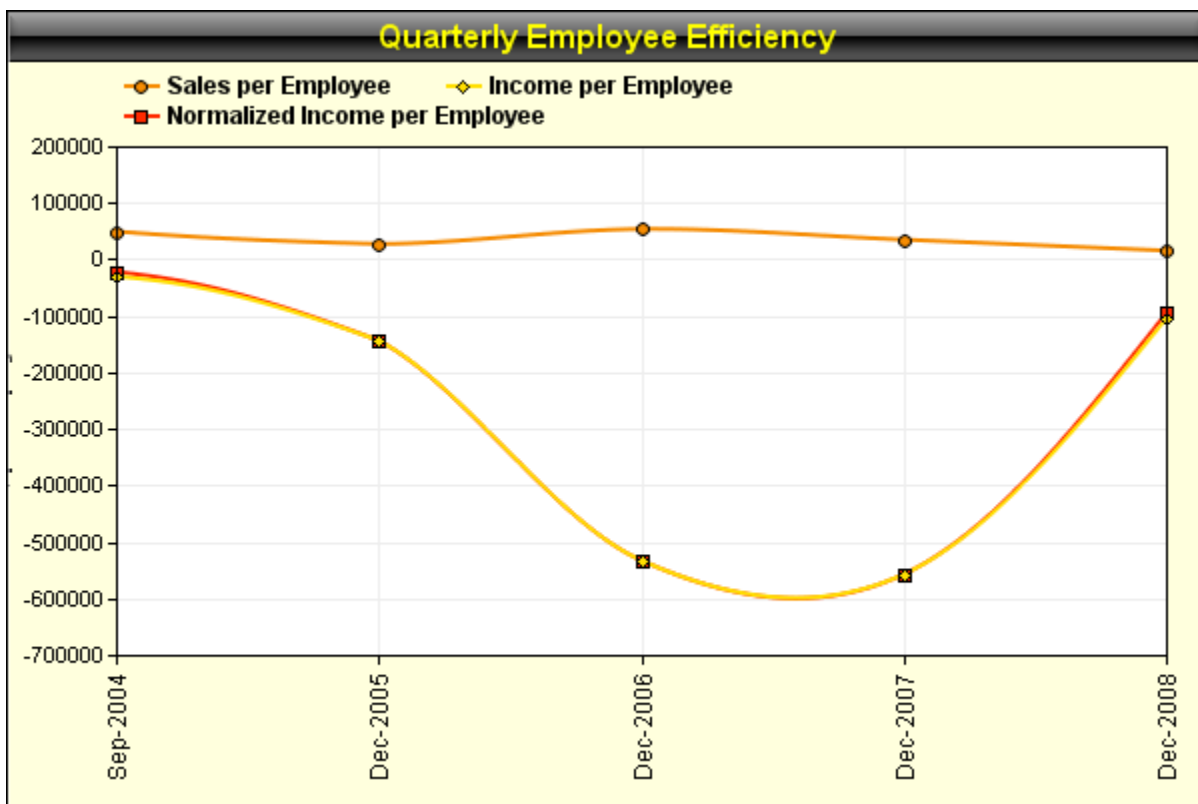
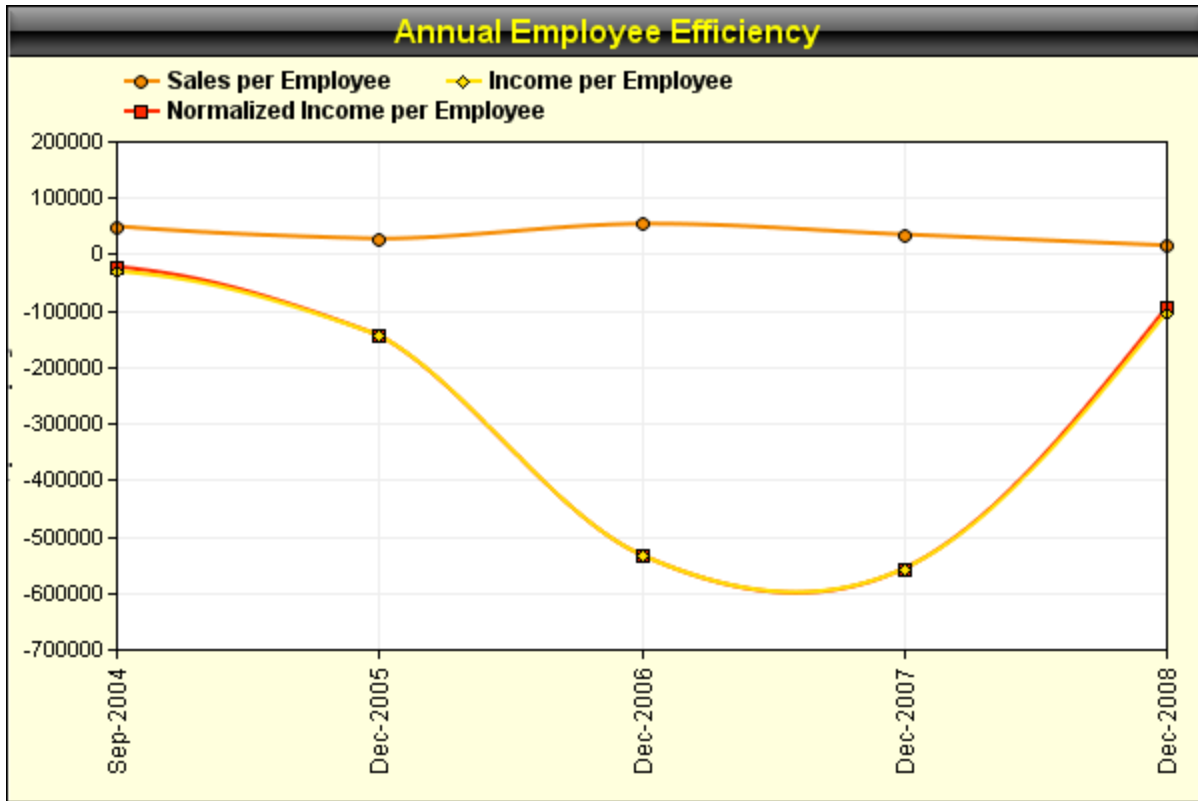


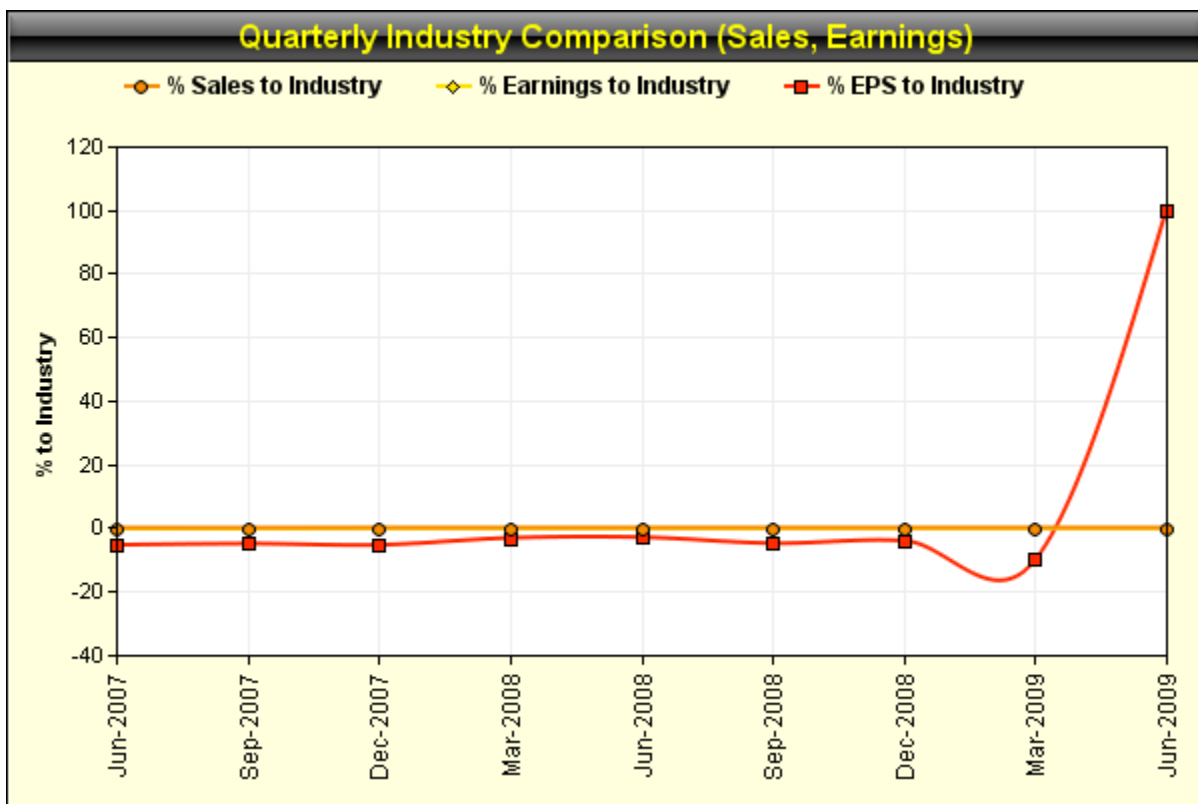
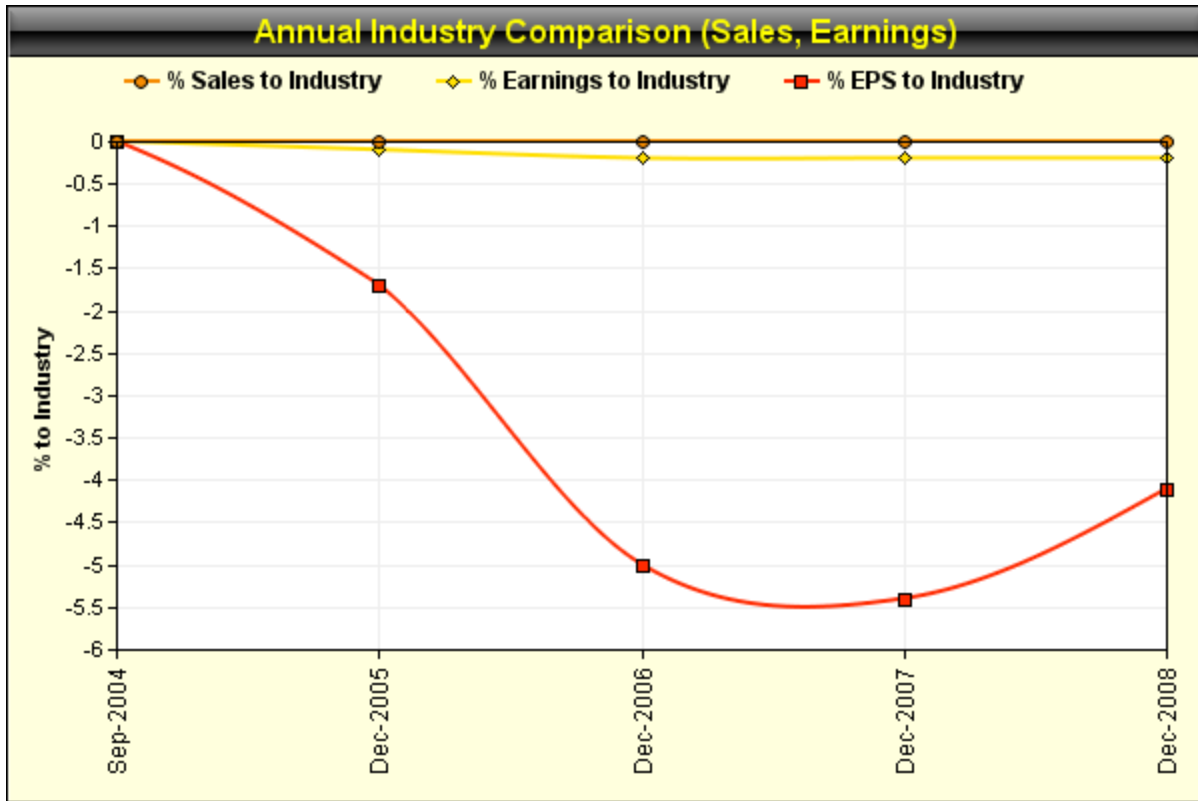














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