AXIM INTERNATIONAL INC.
Form 10-K
April 16, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

[x] Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011
[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission file number: 000-54296

**AXIM INTERNATIONAL INC.**
(Name of small business issuer in its charter)

| Nevada | 27-4092986 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| 6623 Las Vegas Boulevard, Las Vegas, NV | 89119 |
| (Address of principal executive offices) | (Zip Code) |

Issuer's telephone Number 1-702-629-1883

Securities registered under Section 12(b) of the Exchange Act:

| Common Stock, $0.001 par value Common | |
|---|---|
| (Title of class) | (Name of exchange on which registered) |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [x]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES [ ] NO [x]

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 [x] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 [ x ] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this form and will not be contained, to the best of the 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, or 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 ¨ (Do not check if a smaller reporting company) | Smaller reporting company x |
|---|---|---|---|

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrants' most recently completed second fiscal quarter.

The aggregate market value held by non-affiliates cannot be determined as the issuer's common equity is currently not publicly traded.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: The Registrant had 33,000,000 shares of common stock outstanding as of April 16, 2012.

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# PART I

*Note regarding forward-looking statements*

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things:

- general economic and business conditions, both nationally and in our markets,
- our expectations and estimates concerning future financial performance, financing plans and the impact of competition,
- our ability to implement our growth strategy,
- anticipated trends in our business,
- advances in technologies, and
- other risk factors set forth herein.

In addition, in this report, we use words such as "anticipates," "believes," "plans," "expects," "future," "intends," and similar expressions to identify forward-looking statements.

As used in this current report, the terms “we”, “us”, “our” and the “company” refer to Axim International Inc.

We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Annual Report on Form 10K. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

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# ITEM 1. DESCRIPTION OF BUSINESS

**History**

We were incorporated in the State of Nevada on November 18, 2010. Since inception, we have been engaged in organizational efforts and obtaining initial financing. We were initially formed as a vehicle to pursue a business combination.

We have not been involved in any bankruptcy, receivership or similar proceeding.

Effective October 3, 2011, we entered into a Licensing Agreement (the "Agreement") with Omega Research Corporation ("Omega") for exclusive licensing rights for technology relating to the processing of organic waste to marketable byproducts via the Advanced Pyrolysis System 200 ("APS200"). We will have exclusive rights to sub-license, establish joint ventures to commercialize, use and process organic waste, and sell related byproducts in the territory of Jamaica, WI for 20 years. We acquired the licensing rights for $ 50,000 which was paid on April 13, 2012. We have the right to purchase from Omega, the APS200 system at a fixed price of $ 500,000 until September 30, 2013. Subsequent to September 30, 2013, Omega may increase the purchase price at its sole discretion to reflect raising costs of raw materials and labor. Upon purchasing the APS200 system, we subject to a royalty of 5% on licensee fees received as well as on gross sales from byproduct sales generated from the APS200 system. The Agreement was an arms-length transaction.

The APS200 system is designed to handle commonly generated waste stream, whether liquid, solid, mixed or unmixed (including whole tires, all types of plastics, e-waste, shredder residues, sewage sludge, animal wastes, biomass, ligneous and infectious biohazard medical waste) and represent an environmentally friendly and commercially viable alternative to traditional methods of processing waste. The solutions are commercially viable ecological recycling models based on zero-waste philosophy. We will initially be focused on using the application for processing waste tires for conversion to biochar and fuel oil.

**Current Business**

Upon entering into the Agreement to acquire exclusive licensing rights in Jamaica, our business objective is to market the APS200 system through qualified interests in establishing joint ventures and establishing waste conversion operations.

Effective October 28, 2011, we entered into a joint venture agreement with Alpha International Marketing Corp ("Alpha") to establish the APS200 system in Jamaica for converting used tires to biochar and fuel oil. Alpha, as a sub licensee will be subject to a sub-license fee of $ 70,000 payable in monthly installments of $ 5,000 per month commencing November 1, 2011 ending, January 1, 2013. As per our Agreement with Omega, 5% of the sub license fee is payable to Omega on a quarterly basis. As additional consideration, the joint venture will remit to Omega a 5% royalty fee on all gross sales generated. Alpha is to raise $ 250,000, half of the purchase price of the APS200 system and we are to raise the remaining balance. Alpha is to raise such funds by June 30, 2013. We are subject to raising the additional $ 250,000 by June 30, 2013. In the event that we do not raise such funding by September 30, 2013, our agreement with Alpha is deemed terminated and we are liable to repay the sum of all monthly license fees paid. The repayment must be made within a 12 month period. In the event that Alpha does not raise such funding, the monthly sub license fee will be retained by us.

**Principal Products, Services and Their Markets**

The APS200 system has the capability for four applications for treatment of waste tires, plastics, MSW and hospital waste. The APS200 system will have one treatment application for waste tires. We may add other applications at a later date should we wish to expand operations.

***How the System Works***

Pyrolysis technologies:

Pyrolysis is most commonly used for organic materials. It does not involve reactions with oxygen or any other reagents but can take place in their presence. Extreme pyrolysis, which leaves only carbon as the residue, is called carbonization and is also related to the chemical process of charring.

Pyrolysis is heavily used in the chemical industry, for example, to produce charcoal, activated carbon, methyl alcohol and other chemicals from wood to convert ethylene dichloride into vinyl chloride to make PVC, to produce coke fuel from coal, to convert biomass into synthetic gas, to turn waste into safely disposable substances, and for the cracking of medium-weight hydrocarbons from petroleum into smaller molecules to produce lighter forms like gasoline.

There are two kinds of pyrolysis technologies classified by heat source.

Direct-Heat Pyrolysis

This method allows the heat source to make direct contact with the feedstock material. It has the advantage of being the most efficient method of thermal conductivity. Examples of Direct-Heat Pyrolysis systems are; steam pyrolysis systems, nitrogen or argon gas pyrolysis systems. Both steam and gas pyrolysis heat the feedstock material completely thereby decomposing the hydrocarbons. The disadvantage of the Direct-Heat Pyrolysis method is that it requires the consumption of a large amount of energy.

Indirect-Heat Pyrolysis

In the Indirect-Heat Pyrolysis method the feedstock material does not make direct contact with the heat source. The material is loaded in a vacuum chamber isolated from air. Then a heat source is applied to heat the chamber. The heat source can be a burner or heat wire.

Indirect-Heat Pyrolysis has a low thermal conductive efficiency because no contact is made with the surface of the feedstock material. To improve efficiency, Catalyst Pyrolysis has been developed. It uses a catalyst to bring the heat in contact with the feedstock material. If more than one catalyst is used the greater the heat contact is made with the surface of the feedstock material and the efficiency is thereby increased. Another method is break down the feedstock material into the small pieces or to grind the feedstock into powder where the feedstock material will react instantly. This technology is called Fast Pyrolysis. No matter how the contact surface of the feedstock material is increased, the heat will always be applied from the surface to the interior of the feedstock material. When heat makes contact with the surface of the feedstock material, it will form a hard shell preventing the heat from penetrating to the interior of the feedstock material resulting in incomplete de-composition of the organic compounds.

The APS200 system combines the steam Direct-Heat Pyrolysis and Indirect-Heat Pyrolysis technologies.

Traditional pyrolysis technology is a one stage process. It is designed and engineered to handle only one kind of uniform organic material during the same process. Also, the thermal conditions will vary based on what type of feedstock material is used; otherwise the feedstock material cannot be decomposed properly. The carbon residue will contain an organic composition. These by-products are not marketable. As a result, most pyrolysis systems can only process one type of feed stock material. Mixed or varied feedstock materials cannot be processed. For application in the waste management field where there are a variety of waste materials in an unpredictable composition, a one stage process cannot be accommodated. The APS200 system can process mixed feedstock material based on its two stage pyrolysis technology.

The first stage acts as a pyrolysis mode. It converts most of the organic composition to fuel oil at the critical cracking stage. To obtain the greatest amount of fuel oil is the most important function in this stage. The second stage simulates gasification, deep pyrolysis, carbon activated, and fuel gas synthesis system. The purpose of the second stage is to decompose the residue of organic compounds remaining after completion of the pyrolysis mode and convert it to fuel gas.

***Energy efficiency by Steam with indirect thermal pyrolysis technologies:***

As mentioned above, traditional pyrolysis technology uses the application of indirect heat to a thermal reaction chamber. Because the thermal conductive surface is small, significantly more time and energy is required to decompose the organic compounds resulting in low efficiency. Another problem is created when heat is applied to the surface of the feedstock material. When heat contacts the surface of the feedstock material, it forms a crust which restricts penetration of the heat to the interior of the feedstock material, resulting in an incomplete decomposition of the organic compounds. The carbon residue will also contain remnants of the organic compounds and becomes a secondary waste.

To solve this problem, the APS200 system uses steam as the main heat source to directly heat the material. Steam is used to penetrate the feedstock material into the interior in order to decompose the organic compounds. To generate the steam heat source requires more energy however the APS200 system uses an energy recovery technology to generate the steam required by using the fuel gas generated from the pyrolysis process which creates an indirect heating chamber by the use of the same waste heat source. The reaction chamber is supported by steam and indirect heat at the same time. This process increases the efficiency of energy use. When the pyrolysis system commences to generate fuel gas, enough fuel gas is produced to support the heat source for the system without the need for any external energy source. This creates energy cost savings.

***System Safety***

There are two conditions necessary in a pyrolysis system. The first is a vacuum condition. During this phase, the organic compounds will decompose to fuel oil and fuel gas. This fuel gas is rich in hydrogen. It is dangerous if contact is made with air and is the major reason why explosions can occur at most pyrolysis plants. The second condition is a high pressure phase. The higher the pressure, the higher the conversion rate, however, the high pressure creates instability in the system and can be explosive.

In an Indirect Heat pyrolysis system, carbon dust is mixed with oil (called “tar”) vapors. These tar vapors while passing through the pipe to the condenser, stick to the pipe as tar. The tar may eventually plug the pipe and since tar contains sulfur it can corrode the pipe creating leaks causing the explosive fuel gas to leak. This is the most common reason for explosions in traditional pyrolysis systems plants. To prevent such events, the APS200 System uses steam as protection. The steam reacts with the carbon dust to generate more fuel gas and reduces the tar produced. Also, the steam cleans the pipes to prevent corrosion and forms a protective shell to protect the fuel gas from making contact with the air even if it is leaking. The steam provides protection by preventing the fuel from igniting.

***APS200 System application for waste tire treatment:***

Waste tires are a dominant market for the pyrolysis system. The APS200 System can produce marketable high quality by-products from waste tire treatment. These included a high quality carbon black as well as fuel oil.

The expected percentage rate of the by-products generated is as follows:

- Steel wire : 8~12% depend on the type of tires
- Fuel Oil: 40% ~ 50%, depending on the flash point
- Low quality Carbon black: 5% ~10%
- High quality carbon black: 20% ~ 35%

***Markets***

***Joint Ventures***

It is our intention to market the APS200 system through joint ventures with qualified interests in establishing joint ventures and establishing waste conversion operations.

Effective October 28, 2011, we entered into a joint venture agreement with Alpha to establish the APS200 system in Jamaica. Alpha, as a sub licensee will be subject to a sub-license fee of $ 70,000 payable in monthly installments of $ 5,000 per month commencing November 1, 2011 ending, January 1, 2013. As per our Agreement with Omega, 5% of the sub license fee is payable to Omega on a quarterly basis. As additional consideration, the joint venture will remit a 5% royalty fee to Omega on all gross sales generated. Alpha is to raise $ 250,000, half of the purchase price of the APS200 system and we are to raise the remaining balance. Alpha is to raise such funds by June 30, 2013. We are subject to raising the additional $ 250,000 by June 30, 2013. In the event that we do not raise such funding by September 30, 2013, our agreement with Alpha is deemed terminated and we are liable to repay the sum of all monthly license fees paid. The repayment must be made within a 12 month period. In the event that Alpha does not raise such funding, the monthly sub license fee will be retained by us.

***Markets – By Products***

Management is unaware of any plan for recycling of used tires in Jamaica, resulting in used tires being discarded as garbage where they ultimately end up in landfills. We believe that these discarded tires would provide a source of raw materials for us at little cost.

Sustainable biochar is a powerfully simple tool that can produce a soil enhancer that holds carbon and makes soil more fertile; reduce agricultural waste; and produce clean, renewable energy.

Biochar is a highly porous charcoal that enables soil to retain nutrients and water and carbon content and yields improved plant and crop. The carbon content in the biochar can be stored in soil indefinitely. Biochar as a soil enhancer is mostly used in areas that have depleted soils with inadequate water and fertilizer use.

Biochar can improve soil fertility for the long term using locally available materials. Used alone, compost, manure or agrochemicals must be added at the same rate every year in order to realize benefits. Application rates can be reduced when nutrients are combined with biochar. Biochar can play a role in expanding options for sustainable soil management, not only to improve soil productivity but also to decrease nutrient loss through leaching by percolating water. We intend to market biochar produced to landscapers for softscape use in horticulture design.

***Marketing Strategy***

By-products generated would be initially marketed throughout the Caribbean. Our target market will be that of landscape horticulturalists. We may expand our target market at a later time and such efforts to expand our marketing scope will be dependent on the success of our initial operations.

**Distribution Methods and Installation**

We currently do not have distribution methods to deliver by-products generated by the System. We will explore methods of distribution subject to the market response upon initiation of operations.

**New Products**

We are not developing nor do we intend to distribute any other products in the foreseeable future.

**Competition**

Management is not aware of competition in Jamaica, WI. However emerging competitors may have significantly greater financial, marketing and other resources than we have. Competitors have and may adopt aggressive pricing or inventory availability policies and devote substantially more resources to website and systems development than we do. Increased competition may result in reduced operating margins and loss of market share.

**Availability of Raw Materials**

We have entered into discussions with several vehicle service stations which has access to the amount of input of used tire material we require. We have not entered into any definitive agreements with these suppliers as the cost of the tires per ton will vary. The cost will vary from $ 50 to $ 100 per ton. Management is confident that these sources are sufficient for supplying operations with the necessary feedstock material.

We cannot estimate at this time the frequency of our placement of orders as we have not established trends or possible seasonal aspects which may affect our sub distributor's business and the resultant increase or lag in number of orders placed with us.

*Orders and Payment*

Payment terms will vary and payments are made by wire transfer, bank draft, or money order.

*Delivery*

Delivery terms are subject to negotiations and are unique in each transaction.

*Returns and Refunds*

Our warranty policy states that the APS200 system will be free from material defects in materials and workmanship. The foregoing warranty is subject to the proper installation, operation and maintenance of the APS200 system in accordance to the APS200 system operating manual. Warranty claims must be made by the customer in writing within 15 days of the manifestation of a problem. The warranty period begins on the date the APS200 system is delivered and continues for Twelve (12) months.

Excluded from the warranty are problems due to accidents, misuse, misapplication, storage damage, negligence, or modification to the APS200 system or its components.

**Patents, Trademarks and Labor Contracts**

*Patents*

We do not directly hold any patents for the APS200 System. The APS200 System is proprietary technology.

*Trademarks*

We do not have any trademarks on our trade name or logo.

*Labor Contracts*

We have one labor contract with a consulting firm for all our administration needs. Once the APS200 System is fully operational, we will require additional employees to operate the system and also sales staff for marketing and sale of by-products generated.

**Government Regulation**

We are subject to regulations from various federal, state and municipal authorities, each having different environment regulations to deal with waste and emissions. The following are some of the regulatory authorities throughout the world.

In the USA hazard wastes are regulated by the Environmental Protection Agency ("*EPA*") through the *Resource Conservation and Recovery Act* ("*RCRA*") which requires that hazard wastes be tracked from the time that they are generated until their final disposition. Further with the enactment of the *Comprehensive Environmental Response, Compensation and Liability Act* in 1980, a super fund was created for the clean-up and remediation of closed and abandoned hazardous waste sites. A facility that treats, stores or disposes of hazardous waste must obtain a permit under the RCRA. Individual states may regulate particular wastes more stringently than that mandated by the EPA

because the EPA is authorized to delegate primary rulemaking to individual States and most states have implemented such regulations.



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The federal government also mandates the requirements for hazardous waste landfill sites together with state and local governmental agencies which may have criteria of their own and which in some cases may be more stringent than the federal regulations.

Worldwide the United Nations Environmental Program ("*UNEP*") estimated that more than 400 million tons of hazardous waste is produced annually.

In the United Kingdom the Department for Environment Food and Rural Affairs is the agency responsible for policy and regulations on the environment which includes air quality, waste operations and local authority environmental regulation. In Europe the European Commission is the regulator authority responsible issuing directives for the regulation of hazardous waste.

The EPA is also the regulatory authority governing vehicle emissions and emissions from large Municipal Waste Combustors ("*MWC*") (greater than 250 tons per day), small MSWs (less than 150 Tons per day) (MWCs are incinerators which burn household, commercial/retail and or institutional waste), Hazardous Waste Combusters ('*HWC*") and Medical Waste Incinerators. State or federal MWC plans also include source and emission inventories, emission limits, testing, monitoring and reporting requirements or site specific compliance schedules including increments of progress.

The Asian countries also have their own emission and waste treatment regulatory bodies, most of which conform either to the EU or EPA standards.

As worldwide emissions levels have increased dramatically, a greater understanding of the impacts of these emissions have resulted in increased regulation and new development practices have been implemented to reduce emissions in countries worldwide. All of the above are the regulatory environment in which our technology and the proposed applications of the technology are applicable.

**Research and Development**

We intend to establish a research and development facility in each assembly plant with the intention of maintaining the technological lead in terms of product quality and development of new product applications.

**Compliance with Environmental Laws**

To our knowledge, we are not subject to any environmental laws which are cause of concern among management.

Handling and Storage of Biochar

To the best of management's knowledge, there are no guidelines or precautions relating to the handling and storage of biochar. We intend on handling and storing biochar based on standards applicable to carbon black as we may expand our operations in the future to accommodate the production of carbon black derived from waste tires.

In general, pure carbon black is difficult to ignite, does not undergo spontaneous combustion, and is not a dust explosion hazard. Red hot metal and electric sparks will not cause carbon black dust to ignite explosively. However, carbon black can be ignited by an open flame, glowing metal, sparks or lighted cigarettes. Once ignited it burns slowly with the production of toxic carbon monoxide. Storage fires may go undetected for some time, unless stirred or if sparks are present. If impurities are present on the carbon black (e.g. oil), then there is a risk of dust explosions. The risk of dust explosions is increased by the presence of unconsumed oil that adheres to the carbon.

Carbon black is a toxic solid. It may also be a dust explosion hazard depending on the impurities present. It is necessary that engineering controls are operating and that protective equipment requirement and personal hygiene measures are being followed. Only authorized personnel should have access to this material. They should be properly trained regarding its hazards and its safe use.

There should be no possible ignition sources, (e.g. sparks, open flames). It is very important to keep areas where this material is used clear of other materials which can burn (e.g. cardboard, sawdust). If impurities are present on the carbon black this could be at risk of being an explosion hazard. A non-sparking ventilation system, explosion-proof equipment and intrinsically safe electrical systems in areas of use must be installed. Carbon black should be stored in dust-tight, labelled containers and should be kept closed when not in use. Methods to control hazardous conditions include mechanical ventilation, local exhaust ventilation, and process enclosure if necessary, to control airborne dust.

Handing and Storage of Fuel Oil

Fuel oil has a high vapor pressure, evaporating quickly and will go stale in a few weeks if not chemically treated. It has high ignition temperature (about 1100° F). Stored fuel oil must be treated with a butylhydroxytoluene additive and protected from moisture if it is to be stored for any length of time. Fuel tanks should be stored in a well-ventilated area building.

Any electrical fixtures surrounding the fuel oil tank should be explosion proof (sealed) and wired in sealed conduit to prevent fuel vapors from coming into contact with electrical sparks. Smoking or carrying of smoking materials within 50 feet of the fuel pumps should be prohibited.

**Employees**

As of to date, we had no full-time employees and no part-time employees. We have engaged a consultant who provides various services to our company.

*Principal Business Office & Administrative Branch Office*

Our administrative office for North American investor relations and U.S. regulatory reporting is located at Suite 6623 Las Vegas Boulevard, South Street, 255, Las Vegas Nevada, 89119, Telephone: 702-629-1883, Facsimile: 702-562-9791.

# ITEM 1A. RISK FACTORS

Any of the following risks could materially adversely affect our business, financial condition, or operating results.

All parties and individuals reviewing this Annual Report on Form 10K and considering us as an investment should be aware of the financial risk involved. When deciding whether to invest or not, careful review of the risk factors set forth herein and consideration of forward-looking statements contained in this registration statement should be adhered to. Prospective investors should be aware of the difficulties encountered as we face all the risks including competition, and the need for additional working capital. The likelihood of our success must be considered in light of the problems and expenses that are frequently encountered in connection with operations in the competitive environment in which we will be operating.

******You should read the following risk factors carefully before purchasing our common stock. ******

**RISKS RELATING TO OUR BUSINESS**

***We have a limited operating history upon which an evaluation of our prospects can be made. For that reason, it would be difficult for a potential investor to judge our prospects for success.***

We were organized in November 2010. We entered into the Agreement with Omega on October 3, 2011. We have had limited operations since our inception from which to evaluate our business and prospects. There can be no assurance that our future proposed operations will be implemented successfully or that we will have the ability to generate profits. If we are unable to sustain our operations, you may lose your entire investment. We face all the risks inherent in a new business, including the expenses, difficulties, complications and delays frequently encountered in connection with conducting operations, including capital requirements and management's potential underestimation of initial and ongoing costs. As a new business, we may encounter delays and other problems in connection with the methods of product distribution that we implement. We also face the risk that we will not be able to effectively implement our business plan. In evaluating our business and prospects, these difficulties should be considered. If we are not effective in addressing these risks, we will not operate profitably and we may not have adequate working capital to meet our obligations as they become due.

***If we do not raise $ 250,000 to purchase the APS200 System by June 30, 2013, we are liable for the price increase if applicable***

Our Agreement with Omega provides that the APS200 system can be purchased at a fixed price of $ 500,000 prior to September 30, 2013. Subsequent to this date, Omega may increase the purchase price to reflect rising costs of raw materials. Our sub license agreement with Alpha provides that we are responsible for 50% of the purchase price which is due by June 30, 2013 and if we are unable to raise this amount, we will be responsible for any increase in the purchase price imposed by Omega. We may not have sufficient working capital to pay the increase in purchase price and in such an event, we are liable for the return of the sub license fees paid by Alpha.

***We are liable for the return of the sub license fees paid by Alpha in the event that we are unable to raise $ 250,000 to purchase the APS 200 System***

If we do not raise $ 250,000 by September 30, 2013, we are liable for the return to Alpha the sub license fee paid totaling $ 70,000. This fee is payable in a 12 month period. We may not have sufficient working capital to repay Alpha and there can be no assurance that repayment terms can be renegotiated that would be supportive of our financial situation at that time.

***If Alpha does not raise its portion of the $ 250,000 by September 30, 2013, there is no assurance that we will have the working capital to purchase the APS200 System***

Alpha is obligated to raise $ 250,000 by June 13, 2013. If Alpha does not raise such funds by this date, there can be no assurance that we will be in a position to raise the remaining balance or appoint another joint venture partner that would participate in the joint purchase of the APS200 system.

***If we do not receive shareholder loans we may be unable to continue meeting our minimum funding requirements.***

We will require shareholder loans to meet our working capital needs; however, we have no formalized agreements with shareholders guaranteeing that any required funding will be available to us. We may exhaust this source of funding at any time, which would cause us to cease operations.

***We must hire qualified engineering and professional services personnel***.

We cannot be certain that we can attract or retain a sufficient number of highly qualified engineers and professional services personnel to efficiently maintain and enhance the APS200 system. To meet our needs for engineers and professional services personnel, we may use more costly third-party contractors and consultants to supplement our own staff. Our business may be harmed if we are unable to establish and maintain relationships with third-party implementation providers.

***If we do not receive funding through private placements or shareholder as we may be unable to continue meeting our minimum funding requirements.***

We require short term funding in the amount of approximately $65,000 in the next 12 months to fund our operations. Although our shareholders are committed