

MIRENCO INC  
Form 10-Q  
August 22, 2011

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended **June 30, 2011**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **333-41092**

**Mirenc, Inc.**

(Exact name of small business issuer as specified in its charter)

**Iowa**

(State or other jurisdiction of incorporation or  
organization)

**39-1878581**

(IRS Employer Identification No.)

**206 May Street, P.O. Box 343, Radcliffe, Iowa 50230**

(Address of principal executive offices)

**(515) 899-2164**

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

Edgar Filing: MIRENCO INC - Form 10-Q

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  No

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 definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Number of Common Shares outstanding at August 15, 2011: 31,969,427.

#1722863

Index	Page
Cautionary Statement on Forward-Looking Statements	
 Part I. FINANCIAL INFORMATION	
Item 1. Condensed Balance Sheets at June 30, 2011 (Unaudited) and December 31, 2010	1
Condensed Statements of Operations for the three months ended June 30, 2011 and 2010 (Unaudited)	2
Condensed Statements of Operations for the six months ended June 30, 2011 and 2010 (Unaudited)	
Condensed Statements of Cash Flows for the six months ended June 30, 2011 and 2010 (Unaudited)	4
Notes to Condensed Financial Statements (Unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 4T. Controls and Procedures	17
 Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	18
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3. Defaults Upon Senior Securities	18
Item 4. (Removed)	18
Item 5. Other Information	18
Item 6. Exhibits	19

SIGNATURES

20

**Cautionary Statement on Forward-Looking Statements.**

The discussion in this Report on Form 10-Q, including the discussion in Item 2 of PART I, contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995.

Such forward-looking statements are based on current expectations, estimates and projections about the Company's business, based on management's current beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "believes", "plans", "seeks", "estimates", and similar expressions or variations of these words are used to identify such forward-looking statements. Additionally, statements that refer to the Company's estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company's current perspective based on existing information.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those set forth below as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company's financial condition and results of operations included in Item 2 of PART I should also be read in conjunction with the financial statements and related notes included in Item 1 of PART I of this quarterly report.

These quarterly financial statements do not include all disclosures provided in the annual financial statements and should be read in conjunction with the annual financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2010 as filed with the Commission on April 14, 2011. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**MIRENCO, Inc.**  
**CONDENSED BALANCE SHEETS**

	<u>June 30, 2011</u>	<u>December 31,</u>
ASSETS	(Unaudited)	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,110	\$ 151,829
Accounts receivable	9,700	58,478
Inventories	34,234	40,704
Prepaid expenses	3,742	14,968
Total current assets	49,786	265,979
PROPERTY AND EQUIPMENT, net of accumulated depreciation	402,620	416,946
PATENTS AND TRADEMARKS, net of accumulated amortization	9,643	10,516
<b>TOTAL ASSETS</b>	<b>\$ 462,049</b>	<b>\$ 693,441</b>
<b>LIABILITIES AND STOCKHOLDERS'</b>		
<b>(DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 39,628	\$ 38,332
Current portion of convertible notes payable - related party	97,000	97,000
Accounts payable	339,107	350,281
Accrued expenses	63,678	43,707
Due to officers	70,498	65,272
Other current liabilities	12,000	12,000
Dividends on convertible redeemable preferred shares	11,028	6,872
Notes payable to related parties	10,000	10,000
Total current liabilities	642,939	623,464
<b>LONG TERM LIABILITIES</b>		
Notes payable, less current portion	263,754	283,854
<b>CONVERTIBLE NOTES PAYABLE:</b>		
Stockholders	533,353	405,939
Other	100,000	100,000
<b>MANDATORILY REDEEMABLE PREFERRED STOCK</b>		

Edgar Filing: MIRENCO INC - Form 10-Q

Shares subject to mandatory redemption		
18,256 shares outstanding, cumulative dividends at 6%	18,256	18,256
Series A, no par, mandatorily redeemable convertible preferred stock, dividends at 6%	130,000	128,000
Total liabilities	1,688,302	1,559,513
STOCKHOLDERS' (DEFICIT)		
Preferred stock, \$.01 par value, 50,000,000 shares authorized		
no shares issued or outstanding	-	-
Common stock, no par value: 100,000,000 shares authorized,		
31,969,427 shares issued and outstanding	10,850,668	10,850,668
Additional paid-in capital	1,714,954	1,714,954
Accumulated (deficit)	(13,791,875)	(13,431,694)
Total stockholder's (deficit)	(1,226,253)	(866,072)
TOTAL LIABILITIES & STOCKHOLDERS' (DEFICIT)	\$ 462,049	\$ 693,441

See the accompanying notes to the condensed financial statements.

**CONDENSED STATEMENTS OF OPERATIONS****(Unaudited)**

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Sales		
Product	\$ 28,913	\$ 49,272
Services	117,909	90,329
Total sales	146,822	139,601
Cost of sales		
Product	23,562	40,179
Services	121,867	109,103
Total cost of sales	145,429	149,282
Gross profit (loss)	1,393	(9,681)
Salaries and wages	176,886	169,200
Other general and administrative expenses	136,045	114,916
Total general and administrative expenses	312,931	284,116
(Loss) from operations	(311,538)	(293,797)
Other income (expense)		
Interest income	1	1
Interest expense	(48,645)	(41,507)
	(48,644)	(41,506)
NET (LOSS)	\$ (360,182)	\$ (335,303)
Net (loss) per share available for common shareholders - basic and diluted	\$ (0.01)	\$ (0.01)
Weighted-average shares outstanding - basic and diluted	31,969,427	31,494,177

See the accompanying notes to the condensed financial statements.



**MIRENCO, Inc.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Ended June 30, 2011	Three Ended June 30, 2010
Sales		
Product	\$ 20,369	\$ 49,272
Services	78,859	60,278
Total sales	99,228	109,550
Cost of sales		
Product	15,616	40,179
Services	62,250	56,655
Total cost of sales	77,866	96,834
Gross profit	21,362	12,716
 Salaries and wages	 90,840	 84,874

Edgar Filing: MIRENCO INC - Form 10-Q

Other general and administrative expenses		74,753		66,953
Total general and administrative expenses		165,593		151,827
Loss from operations		(144,231)		(139,111)
Other income (expense)				
Interest income		-		1
Interest expense		(25,063)		(19,559)
		(25,063)		(19,558)
NET LOSS	\$	(169,294)	\$	(158,669)
Net (loss) per share available for common				
shareholders - basic and diluted	\$	(0.01)	\$	(0.01)
Weighted-average shares outstanding - basic and diluted		31,969,427		31,494,177

See the accompanying notes to the condensed financial statements.

**MIRENCO, Inc.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010
Cash flows from operating activities			
Net cash (used in) operating activities	\$ (248,916)		\$ (290,385)
Cash flows from investing activities			
Net cash (used in) investing activities	-		-
Cash flows from financing activities			
Proceeds from mandatorily redeemable preferred stock	-		15,500
Principal payments on long-term debt:			
Banks and others	(17,803)		(17,429)
Proceeds from long term borrowing	117,000		289,500
Net cash provided by financing activities	99,197		287,571
(Decrease) in cash and cash equivalents	(149,719)		(2,814 )
Cash and cash equivalents, beginning of period	151,829		6,857
Cash and cash equivalents, end of period	\$ 2,110		\$ 4,043
Supplementary disclosure of cash flow information:			
Cash paid for interest	\$ 5,878		\$ 6,620
Cash paid for taxes	\$ -		-

Supplementary disclosure of noncash financing information::

Edgar Filing: MIRENCO INC - Form 10-Q

Transfer of related party accounts payable to notes payable	\$	11,413	\$	-
---	----	--------	----	---

See the accompanying notes to the condensed financial statements.

**MIRENCO, Inc.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**June 30, 2011**

**(Unaudited)**

**NOTE A BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the financial statements of the Company included in the Company's Form 10-K for the year ended December 31, 2010 as filed with the Commission on April 14, 2011.

The accounting policies followed by the Company are set forth in Note A to the Company's financial statements in the 2010 Form 10-K, and are supplemented throughout the notes to condensed financial statements in this report. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes included in the 2010 Form 10-K.

**NOTE B FAIR VALUE OF FINANCIAL INSTRUMENTS**

In accordance with ASC Subtopic 825, *Financial Instruments*, fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2011 and December 31, 2010. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and notes payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values as of June 30, 2011.

**NOTE C ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE D RECENT ACCOUNTING PRONOUNCEMENTS**

The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ( FASB ), the Securities and Exchange Commission ( SEC ), and the Emerging Issues Task Force ( EITF ), to determine the impact of new pronouncements on US GAAP and the impact on the Company.

**MIRENCO, Inc.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**June 30, 2011**

**(Unaudited)**

In April 2010, FASB issued ASU No. 2010-13, *Compensation-Stock Compensation (Topic 718)*. This clarified the classification of an employee share based payment award with an exercise price denominated in the currency of a market in which the underlying security trades. The Company adopted this ASU effective January 1, 2011. The adoption of this ASU did not have a material impact on the Company's results of operations or cash flows.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. The Company anticipates that the adoption of this standard will not materially expand its financial statement footnote disclosures.

There were various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

**NOTE E LOSS PER SHARE**

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which the Company incurs losses, common stock equivalents, if any, are not considered, as their effect would be anti dilutive.

**NOTE F INVENTORY**

Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market. In addition, we maintain a reserve for the estimated value associated with damaged, excess or obsolete inventory. The reserve value generally includes inventory that has turn days in excess of 365 days, or discontinued items. At June 30, 2011 inventory reserve amounted to \$54,323.



**MIRENCO, Inc.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**June 30, 2011**

**(Unaudited)**

**NOTE G - REALIZATION OF ASSETS**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. Net loss for the six months ended June 30, 2011 was (\$360,182), and the Company had a working capital deficit of (\$593,153) at June 30, 2011. The Company has incurred net losses aggregating (\$13,791,875) from inception, and may continue to incur net losses in the future. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company's ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. The Company's management team has diligently explored several market segments relative to the Company's product and service lines. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax product line. Management also believes a large market exists for the Company's testing services and the information provided by those services through the Company's business relationship with Wayne Supply, a Caterpillar dealer in Kentucky. This exclusive contract was announced in the Company's 8-K filing of January 15, 2009. A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. Revenues from the agreement are below the Company's expectations and Wayne Supply has not met the minimum sales requirements defined in the contract. The Company signed an amended exclusive agreement with Wayne Supply Co., Inc. on April 30, 2010, which is disclosed in the Company's 8K filing, dated May 5, 2010. We believe that our continued relationship with Wayne will significantly improve the Company's revenues in the future. Wayne Supply has signed four Caterpillar Dealers as Mirencos dealers to date and continues to develop markets for Mirencos products and services. We believe more Caterpillar dealers will become Mirencos dealers during the remaining quarters of 2011 and that sales and revenues will continue to increase. Management will focus on the Company's efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company's liquidity and operating results, allowing it to continue in existence.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

#### **NOTE H NOTES PAYABLE**

Effective January 18, 2008, the Company obtained a line of credit that calls for maximum borrowings of \$301,500. The line bears interest at 8% per annum and is due January 18, 2018. As of the date of these financial statements, aggregate draws of \$335,000 have been made against the line of credit. Total principal payments of \$79,394 have been made on this line of credit as of June 30, 2011, leaving an outstanding balance of \$255,606. The building with a net book value of \$400,184 as of June 30, 2011 is collateral on the note.

**MIRENCO, Inc.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**June 30, 2011**

**(Unaudited)**

Notes payable consisted of the following at June 30, 2011:

	Total	Current Portion	Long-term Portion
Note payable to bank in monthly installments of \$1,464, including principal and variable interest, currently 6%, guaranteed by stockholder, guaranteed by Small Business Administration	\$ 47,776	\$ 15,015	\$ 32,761
Note payable to bank in monthly installments of \$3,659, including principal and interest at 8% ,			

Edgar Filing: MIRENCO INC - Form 10-Q

collateralized by building	255,606	24,613	230,993
	\$ 303,382	\$ 39,628	\$ 263,754

**MIRENCO, Inc.****NOTES TO CONDENSED FINANCIAL STATEMENTS****June 30, 2011****(Unaudited)****NOTE I NOTES PAYABLE TO RELATED PARTIES**

Notes payable to related parties consisted of the following at June 30, 2011:

	Total	Current Portion	Long-term Portion
Note payable to investor, 9% interest payable quarterly, principal due in July 2013	\$ 10,000	\$ 10,000	\$ -
Convertible notes payable:			
Notes payable to shareholders, 9% interest payable quarterly, balloon payments of principal due plus any accrued interest variously from July 2012 to December 2013, convertible at the holder's option at anytime, in whole or in part, to shares of the Company's common stock at the lesser of \$.10 per share or the then current market price per common share.	630,353	97,000	533,353
Note Payable to other related party, 12% interest payable quarterly, principal due in	100,000	-	100,000

August 2014

\$ 740,353	\$ 107,000	\$ 633,353
------------	------------	------------

**NOTE J REDEEMABLE, CONVERTIBLE PREFERRED STOCK**

In December 2006, Mirencos offered a minimum \$3,000 investment for 25,000 shares of its common stock at \$0.12 per share, plus 500 shares of convertible, redeemable preferred stock valued by the Company at \$1 per share. In connection with this offering, 23,256 shares of the convertible, redeemable preferred stock were issued, of which 5,000 were converted to 25,000 shares of common stock during the period ended September 30, 2007. Each preferred share is convertible at the holder's option, to five shares of the Company's common stock, and carries a cumulative 6% dividend rate through December 31, 2011. The preferred shares may be redeemed by the Company any time after December 31, 2009, and must be fully redeemed on December 31, 2011, at \$1.00 per share together with all cumulative dividends in arrears. Accordingly, the preferred shares are presented as shares subject to mandatory redemption in the accompanying financial statements.

In the second quarter of 2010, as disclosed in an 8K filing dated June 4, 2010, Mirencos offered Series A convertible, redeemable preferred stock at \$.10 per share. Each share of Series A Preferred Stock shall be convertible into one share of Common Stock. A total of 5,000,000 Series A convertible, redeemable, preferred shares were approved by the board of directors, for a total potential investment of \$500,000. In connection with this offering, 1,300,000 shares of the Series A convertible, redeemable preferred stock were issued, for cash proceeds of \$130,000. Each Series A share plus any unpaid dividends is convertible at the holder's option, to one share of the Company's common stock, and carries a cumulative 6% dividend rate through December 31, 2015. Any time, or from time to time, after December 31, 2011, the Company may redeem any or all outstanding shares of Series A Preferred Stock upon thirty (30) days advance written notice to the holder and payment of the Redemption Price plus all accrued and unpaid dividends up to the date of redemption. The Series A convertible, redeemable, preferred shares must be fully redeemed on December 31, 2015, at \$.10 per share together with all cumulative dividends in arrears. Accordingly, the preferred shares are presented as shares subject to mandatory redemption in the accompanying financial statements.

**NOTE K – STOCKHOLDERS (DEFICIT)**

During the six months ended June 30, 2011, the Company issued 8,000 options to purchase common stock at \$.07 per share to directors of the company, exercisable through January 31, 2018.

The following summarizes the options outstanding at June 30, 2011:

COMMON STOCK OPTIONS

	Number of shares		Weighted- average exercise price per share
	Outstanding	Exercisable	
Outstanding, December 31, 2010	2,172,750	2,172,750	\$ 0.34
Granted	8,000	8,000	0.07
Exercised	-	-	-
Expired	-	-	-
Outstanding June 30, 2011	2,180,750	2,180,750	\$ 0.34

The following table summarizes information about options outstanding at June 30, 2011, under the Compensatory Stock Option Plan:

2011 Compensatory Stock Options and Warrants

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
\$0.12-\$5.00	2,180,750	2.91	\$ 0.34	2,180,750	\$ 0.34

**NOTE L REVENUES**

Gross sales of \$146,822, included \$28,913 in product sales and \$117,909 in sales of services during the six months ended June 30, 2011.

**MIRENCO, Inc.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**June 30, 2011**

**(Unaudited)**

**NOTE M MAJOR CUSTOMERS**

During the six months ended June 30, 2011, four major customers accounted for 92% of total sales. At June 30, 2011, one customer accounted for 86% of accounts receivable.

Sales:

A	\$	67,497	46%
B		48,241	33%
C		10,503	7%
D		8,826	6%



Total Sales    \$    146,825    92%

**NOTE N - SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the Company has evaluated subsequent transactions through the issuance date of this quarterly report on Form 10Q and has determined there are no other material subsequent events which should be disclosed.

**Item 2.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**General and Background**

Mirencos, Inc. was organized and incorporated in the State of Iowa on February 21, 1997. We develop, market and distribute technologically advanced products, improving efficiencies in engine combustion and equipment application.

Mirencos also offers consultative services in evaluating diesel engines through its Mirencos Diesel Evaluation Procedure (MDEP), which consists of testing procedures, comparison to other engines on its proprietary data base and making recommendations for maintenance activities and/or application of Mirencos s proprietary technology.

Our primary products are derived from technology developed in the United States. They are D-Max, C-Max, EconoCruise and Fuel-Tracker.

In addition to products, Mirencos, Inc. offers consultative services with its Combustion Management Program called MDEP.

MDEP consists of the evaluation of a diesel engine based on a comparison with like engines. An evaluation is completed by performing a modified SAE-J1667 as well as a MIR 120 Second Transient evaluation. Mirencos has developed an extensive database of evaluation results, for thousands of diesel engines, using these techniques.

From these results, Mirencos can evaluate the condition of an engine, determine commonalities among engine types, evaluate an entire fleet and recommend appropriate maintenance procedures for each specific vehicle. From these

results, we can also make recommendations for appropriate engine service that will improve engine combustion.

Mirencos MDEP has been successfully applied in the underground mining industry to reduce diesel particulate matter. This industry is under strict regulation from the Mining Safety and Health Administration (MSHA) to reduce particulate emissions for the safety of its workers health. Beginning in 2005, Mirencos introduced the combustion management program, MDEP, D-Max and C-Max products throughout the United States.

The Fuel-Tracker system was designed to meet our customers demand to accurately monitor fuel consumption for individual pieces of equipment. The Fuel-Tracker system uses a diesel engines turbo boost pressure to correlate fuel consumption of the engine. With this system it is possible to provide basic fuel consumption information that many customers are looking for, as well as many other management tools. Data from the Fuel-Tracker system provides equipment productivity in percentage of horse power, equipment idle time, shut down time, location for each unit of fuel consumed and much more. Fuel-Tracker technology has proven to be an effective tool to manage equipment maintenance, productivity and operator efficiency.

) Marketing methods Our strategy is to market and sell our products primarily through third party distributors and to a lesser extent through direct sales. For the six months ended June 30, 2011, sales through distributors accounted for 33% of our sales. As disclosed in an 8-K dated January 15, 2009, we have entered into a distributor agreement with Wayne Supply Company (Wayne). As disclosed in an 8-K dated May 5, 2010, the Company agreed to amend the distributor agreement minimum sales requirements with Wayne. We continue to expect that Wayne will be the exclusive distributor for our MDEP, Fuel Tracker, data base management and related services for off-road, heavy equipment and on-highway vehicles and equipment markets throughout the United States and Canada. Although the sales results from the Wayne relationship have been slower than expected, we continue to believe that our relationship with Wayne will bring value to Mirencos by providing exposure to 60 Caterpillar dealers and their customers, across the US and Canada. As of June 30, 2011, Wayne signed four Caterpillar dealers as Mirencos dealers. During the second quarter, Wayne has continued to develop relationships with other Caterpillar dealers, as well as market our products and service to their existing customers.

11

We have incurred annual losses since inception while developing and introducing our original products and focusing management and other resources on capitalizing the Company to support future growth. Relatively high management, personnel, consulting and marketing expenditures were incurred in prior years in preparation for the commercialization of our products. We expect distribution and selling expenses to increase directly with sales increase, however, as a percentage of sales, these expenses should decline as sales increase. It is anticipated that general and administrative expenses may increase as our business expands.

### **Liquidity and Capital Resources and Going Concern**

As of June 30, 2011, the Company had total current assets of \$49,786 and current liabilities of \$642,939, resulting in a working capital deficit of (\$593,153). The Company s available sources for generating cash for working capital have been through the issuance of common stock and notes payable and, eventually, we expect that working capital will be available through the development of profitable operations.

The Company s future capital requirements will depend on many factors, including expansion of our business; increased sales of both services and products, the cost of third-party financing, development of new revenue resources and administrative expense. We do not expect to expand our facilities during 2011.

## Edgar Filing: MIRENCO INC - Form 10-Q

On October 13, 2009 the Company signed a convertible promissory note with Wayne with a total aggregate principal amount of \$100,000, with interest of 12%. The Note is convertible into shares of common stock at a conversion price equal to the lesser of (i) \$0.10 per share, or (ii) the then current market price per Common Share, as determined by taking the average closing price of the Common Stock quoted on the OTC bulletin Board for the sixty (60) business days immediately prior to the conversion date. It is intended that the conversion will take place on August 31, 2014, the maturity date.

Effective January 18, 2008, the Company obtained a line of credit that calls for maximum borrowings of \$301,500. The line bears interest at 8% per annum and is due January 18, 2018. As of the date of these financial statements, aggregate draws of \$335,000 have been made against the line of credit, and payments in the amount of \$79,394 have been made.

The following patents have been issued, with ownership as described below:

1.

US Patent No. 6,845,314 for Method and Apparatus for Remote Communication of Vehicle Combustion Performance Parameters; Issued 1/18/2005; Valid until 1/2/2023 (assuming maintenance fees are paid); owned by Mirenc.

2.

US Patent No. 6,370,472 for Method and Apparatus for Reducing Unwanted Vehicle Emissions Using Satellite Navigations; Issued 4/9/2002; Valid until 9/15/2020 (assuming maintenance fees are paid); owned by Mirenc.

3.

US Patent No 7,454,284 for Method and Apparatus for Remote Communication and Control of Engine Performance; Issued 11/24/2008; Valid until 2/25/2025; owned by Dwayne Fosseen, subject to a 1993 license to American Technologies, LC which license was assigned by American Technologies to Mirenc in 1999.

We currently own the registered trademark for Mirenc, **Reg. No. 3,691,344** issued October 6, 2009. We have also made the following Trademark filings:

1.

US Application No. 77/895,107 for MIRENCO Notice of Allowance received, statement of use due July 13, 2011.

2.

US Application No. 77/895,100 for MIRENCO YOU CANNOT MANAGE WHAT YOU CANNOT MEASURE (DESIGN) Notice of Allowance Received, statement of use or **extension request** due **January 13, 2012**.

According to the terms of our agreement with American Technologies to acquire certain patent- rights, we have incurred a 3% royalty of annual gross sales for a period of 20 years, which began November 1, 1999.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. Net loss for the six months ended June 30, 2011 was (\$360,182). The Company has incurred net losses aggregating (\$13,791,875) from inception, and may continue to incur net losses in the future. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company's ability to continue as a going concern.

12

Management and other personnel have been focused on product and service development in lieu of product marketing. The Company's management team believes it has diligently explored several market segments relative to the Company's product and service lines. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax product line. Management also believes a large market exists for the Company's testing services and the information provided by those services through the Company's business relationship with Whyne, a Caterpillar dealer in Kentucky. This exclusive contract was announced in the Company's 8-K filing of January 15, 2009. As disclosed in an 8-K dated May 5, 2010, the Company agreed to amend the distributor agreement minimum sales requirements with Whyne. Although Whyne has been developing a marketing strategy and ramping up sales efforts in the US and Canada, we have yet to experience an increase in sales from the arrangement. As of the second quarter of 2011, Whyne has signed four Caterpillar locations as Mirencos dealers and continues to develop the market for Mirencos services and products.

A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. Management plans to focus on the Company's efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company's liquidity and operating results, allowing it to continue in existence.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

### **Summary of Significant Accounting Policies**

*Inventories.* Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market. We evaluate our inventory value at the end of each quarter to ensure that actively moving inventory, when viewed by category, is carried at the lower of cost or market. In addition,

we maintain a reserve for the estimated value associated with damaged, excess or obsolete inventory. The reserve generally includes inventory that has turn days in excess of 365 days, or discontinued items. At June 30, 2011 our inventory reserve amounted to \$54,323.

*Accounts Receivable.* Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectability, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances. We use the direct write-off method for accounts receivable that are determined to be uncollectible and believe there is no material difference in this method from the allowance method.

## **Results of Operations**

Three months ended June 30, 2011:

Gross sales of \$99,228, including \$20,369 in product sales and \$78,859 in sales of services, were realized for the three months ended June 30, 2011 and were \$10,322 less than sales of \$109,550 for the same period one year ago. The decrease is primarily due to fewer meter sales in the second quarter of 2011 than in 2010. Cost of sales for the three months ended June 30, 2011 was \$77,866 resulting in gross profit of \$21,362 as compared to gross profit of \$12,716 for the prior period, resulting to an increase in gross profit of \$8,646. This increase is due primarily to more MDEP sales compared to the sales over the same period in the prior year. In the three months ended June 30, 2011, \$45,375 of employment costs were included in Cost of Sales compared to \$44,761 in the corresponding period in the prior year. Salary expense for the three months ended June 30, 2011 was \$90,840 compared to \$84,874 in the corresponding period in the prior year. After accounting for the employment costs included in cost of sales, salaries were consistent with the corresponding period in the prior year.

Six months ended June 30, 2011:

Gross sales of \$146,822 including \$28,913 in product sales and \$117,909 in sales of services, were realized for the six months ended June 30, 2011 and were \$7,221 more than sales of \$139,601 for the same period one year ago. The increase is primarily due to more MDEP service sales. Although revenues during the second quarter of 2011 fell below the Company's expectations and Whyne has not met the minimum sales requirements defined in the contract, we feel that marketing efforts and new relationships developed by Whyne during the first two quarters of 2011 will significantly improve the Company's revenues in the future. The Company signed an amended exclusive agreement with Whyne on April 30, 2010, which is disclosed in the Company's 8K filing, dated May 5, 2010. Cost of sales for the six months ended June 30, 2011 was \$145,429 resulting in gross profit of \$1,393 as compared to gross (loss) of (\$9,681) for the same period in the prior year, resulting to an increase in gross profit of \$11,074. This increase is due primarily to more MDEP sales compared to the sales over the same period in the prior year. In the six months ended June 30, 2011, \$90,469 of employment costs were included in Cost of Sales compared to \$88,641 in the corresponding period in the prior year. Salary expense for the six months ended June, 2011 was \$176,886 compared to \$169,200 in the corresponding period in the prior year. After accounting for the employment costs included in cost of sales, salaries were consistent with the corresponding period in the prior year.

A comparative breakdown of Other general and administrative expenses per the Statements of Operations included in PART I Item 1 above is as follows:

	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010
Royalty	\$ 2,977	\$	3,287
Advertising	45		517
Depreciation and amortization	7,600		7,632
Insurance	16,293		6,084
Professional fees	26,816		33,152
Office expenses	10,425		5,197
Travel	1,539		1,144
Utilities	9,058		9,940
Total general and administrative expenses	\$ 74,753	\$	66,953

1.

Royalty expense is proportional to sales and is based on sales of products, services and rights pursuant to the contractual agreement with American Technologies. Under this agreement American Technologies assigned to Mirenc, Inc. its rights to use patents owned by Dwayne Fosseen and previously assigned to American Technology. The royalty is based on 3% of sales of products and services related to those patents beginning November 1, 1999 for a 20 year period.

2.

Advertising expense for the three months ended June 30, 2011 decreased \$472 over the same period in the prior year due to posting more press releases in the prior period.

3.

Depreciation and amortization expense was consistent with the corresponding period in the prior year.

4.

Insurance expense for the three months ended June 30, 2011 increased \$10,209 over the same period in the prior year primarily due to the negative impact the Company's financial situation had on renewal rates.

5.

Professional fees expense decreased by \$6,336 with the same period in the prior year primarily due to reduced legal fees.

6.

Office expense for the three months ended June 30, 2011 increased \$5,228 over the same period last year, primarily due to late payment fees and penalties.

7.

Travel expense for the three months ended June 30, 2011 increased \$395 compared to travel expense for the corresponding period in the prior year. This is primarily due to travel to trade shows.

8.

Utilities expense for the three months ended June 30, 2011 remained relatively consistent compared to utilities expense for the same period in the prior year.

Six Months  
Ended  
June 30, 2011

Six Months  
Ended  
June 30, 2010



Edgar Filing: MIRENCO INC - Form 10-Q

Royalty	\$	4,405	\$	4,188
Advertising		65		527
Depreciation and amortization		15,200		15,300
Insurance		35,650		15,802
Professional fees		39,188		45,385
Office expenses		15,360		9,455
Travel		1,959		2,118
Utilities		24,218		22,141
Total general and administrative expenses	\$	136,045	\$	114,916

1.

Royalty expense is proportional to sales and is based on sales of products, services and rights pursuant to the contractual agreement with American Technologies. Under this agreement American Technologies assigned to Mirencos, Inc. its rights to use patents owned by Dwayne Fosseen and previously assigned to American Technology. The royalty is based on 3% of sales of products and services related to those patents beginning November 1, 1999 for a 20 year period.

2.

Advertising expense for the six months ended June 30, 2011 decreased \$462 over the same period in the prior year, this is primarily due to less press releases in 2011.

3.

Depreciation and amortization expense was consistent with the corresponding period in the prior year.

4.

Insurance expense for the six months ended June 30, 2011 increased \$19,848 over the same period in the prior year primarily due to the negative impact the Company's financial situation had on renewal rates.

5.

Professional fees expense decreased \$6,197 over the same period in the prior year, this is primarily due to reduced legal fees.

6.

Office expenses for the six months ended June, 2011 increased \$5,905 over the same period last year, this is primarily due to late fees and penalties.

7.

Travel expense for the six months ended June 30, 2011 decreased \$159 compared to travel expense for the corresponding period in the prior year. This is primarily due to less travel by management.

8.

Utilities expense for the six months ended June 30, 2011 increased \$2,077 compared to utilities expense for the same period in the prior year. This is due primarily to rate increases.

Interest expense for the six months ended June 30, 2011 and 2010 was \$48,645 and \$41,437, respectively. Interest expense increased due to increased borrowing from a related party.

We use estimates in the preparation of our financial statements. The estimates used, relate to the valuation of receivables and the useful lives of equipment and patents. Since our receivables consist of larger individual accounts, we elect to use the direct write off method for those accounts that are deemed to be uncollectible. We believe there is no material difference in this method from the allowance method. There have been no accounts written off in 2011. If it is determined that potential losses of a material amount in receivables are likely, the allowance for doubtful accounts method will be adopted. No such allowance is considered to be required at

this time. If it were determined that the depreciated cost of our equipment and the amortized cost of our patents exceeded their fair market value, there would be a negative impact on our results of operations to the

extent the depreciated and amortized cost of these assets exceeded their fair market value.

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts and circumstances that suggest impairment. During the first six months of 2011, no material impairment has been indicated. Should there be an impairment in the future, the Company will measure the amount of the impairment based on the amount by which the carrying value of the impaired assets exceed the fair value of the impaired assets.

We account for equity instruments issued to employees for services, based on the fair value of the equity instruments issued and account for equity instruments issued to other than employees, based on the fair value of the consideration received or the fair value of the equity instruments, whichever is more reliably measurable.

We outsource the production of our DriverMax products to ICE Corporation of Manhattan, Kansas. If, for some reason, the relationship between the Company and ICE Corporation should be interrupted or discontinued, the operations of the Company could be adversely affected until such time as an alternative supply source could be located, contracted and begin producing our technology. Such an event could materially affect our results of operations. We continue to review our relationship with this single source and believe there is no need for an alternative source at this time. As sales of product grow, we will continue to review the need for alternative sources.





## CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and Principal Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2011.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

(b) *Changes in internal control over financial reporting.* There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our management team will continue to evaluate our internal control over financial reporting throughout 2011.

17

**PART II. OTHER INFORMATION**

**Item 1.**

**Legal Proceedings**

None

**Item 2.**

## **Unregistered Sales of Equity Securities and Use of Proceeds**

During the first six months of 2011, there were 20,000 shares of the Series A convertible, mandatorily redeemable preferred stock were issued, for cash proceeds of \$2,000. Each Series A share plus any unpaid dividends is convertible at the holder's option, to one share of the Company's common stock, and carries a cumulative 6% dividend rate through December 31, 2015. Any time, or from time to time, after December 31, 2011, the Company may redeem any or all outstanding shares of Series A Preferred Stock upon thirty (30) days advance written notice to the holder and payment of the Redemption Price plus all accrued and unpaid dividends up to the date of redemption. The Series A convertible, redeemable, preferred shares must be fully redeemed on December 31, 2015, together with all cumulative dividends in arrears. Accordingly, the preferred shares are presented as shares subject to mandatory redemption in the accompanying financial statements. Exemption from registration was claimed pursuant to Regulation D promulgated under the Securities Act of 1933.

During the six months ended June 30, 2011, the Company issued 8,000 options to purchase common stock at \$.07 per share to directors of the company, exercisable through January 31, 2018.

### **Item 3.**

#### **Defaults upon Senior Securities**

None

### **Item 4. Removed**

### **Item 5. Other Information**

None



ITEM 6. Exhibits

(a) Exhibits

\*31.1

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Glynis M. Hendrickson, dated August 22, 2011

\*31.2

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Dwayne Fosseen, dated August 22, 2011

\*32.1

Certification pursuant to, Section 906 of the Sarbanes-Oxley Act of 2002 for Dwayne Fosseen and Glynis M. Hendrickson, dated August 22, 2011.





**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Mirenc**, Inc.  
(Registrant)

By: /s/ Glynis M. Hendrickson

-----

Glynis M. Hendrickson

Chief Financial Officer

(Principal Financial Officer)

Date: August 22, 2011

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Dwayne Fosseen

-----

Dwayne Fosseen

Chief Executive Officer and

President (Principal Executive

Officer) and Director and Chairman

Of the Board

Date: August 22, 2011

By: /s/ Don Williams

-----

Don Williams

Director

Date: August 22, 2011

CERTIFICATION

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dwayne Fosseen, certify that:

1.

I have reviewed this quarterly report on Form 10-Q of Mirencos, Inc., (the Company );

2.

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements are made, not misleading with respect to the period covered by this quarterly report;

3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4.

The Company s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e and internal control over financial reporting (as defined in Exchange Act Rules 3a-15d-15(f)) for the Company and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b)

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)

Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the quarterly report based on such evaluation; and

(d)

Disclosed in this quarterly report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

1.

The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 22, 2011

/s/Dwayne Fosseen

Dwayne Fosseen

(Principal Executive Officer)

21

**EXHIBIT 31.2**

CERTIFICATION

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Glynis Hendrickson, certify that:

1.

I have reviewed this quarterly report on Form 10-Q of Mirencos, Inc., (the Company );

2.

Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements are made, not misleading with respect to the period covered by this quarterly report;



3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4.

The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e and internal control over financial reporting (as defined in Exchange Act Rules 3a-15d-15(f)) for the Company and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b)

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)

Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the quarterly report based on such evaluation; and

(d)

Disclosed in this quarterly report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

1.

The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 22, 2011

/s/Glynis M. Hendrickson

Glynis M. Hendrickson

Chief Financial Officer

(Principal Financial Officer)



**EXHIBIT 32.1**

**CERTIFICATION**

**PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Mirencos, Inc. for the period ended June 30, 2011 as filed with the Securities and Exchange Commission (the Report ), I Dwayne Fosseens, Chief Executive Officer and I, Glynis M. Hendrickson, Chief Financial Officer of Mirencos, Inc. (the Company ) certify, to the best of my knowledge, that:

(1)

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Dwayne Fosseens

Dwayne Fosseens

Chief Executive Officer and President

(Principal Executive Officer)

August 22, 2011

/s/ Glynis M. Hendrickson

Glynis M. Hendrickson

Chief Financial Officer

(Principal Financial Officer)

August 22, 2011