

ENDO NETWORKS INC  
Form PRE 14A  
July 19, 2006

**U.S. SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

SCHEDULE 14A INFORMATION

INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement       Confidential, for Use of the  
Commission Only (as permitted by  
Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

Endo Networks, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock

(2) Aggregate number of securities to which transaction applies: 13,557,366

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement

number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

(4) Date Filed:

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**ENDO NETWORKS, INC.**

2624 Dunwin Drive, Unit #3

Mississauga, Ontario, Canada L5L 3T5

(905) 820-8800

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

Endo Networks, Inc. will hold its Annual Meeting of Stockholders at its offices located at 2624 Dunwin Drive, Unit #3, Mississauga, Ontario, Canada L5L 3T5 on at \_\_\_\_\_. We are holding the meeting for the following purposes:

(1)

To elect members of the Board of Directors, whose terms are described in the proxy statement;

(2)

To consider and vote on approval of the sale of all of our assets and shares of Endo Networks, Inc. (Canada) to Mr. Peter Day pursuant to that certain Asset and Share Purchase Agreement, dated as of June 26, 2006;

(3)

To grant our Board of Directors the authority to effect a reverse stock split;

(4)

To grant our Board of Directors the authority to effect a forward stock split and,

(5)

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To transact such other business as may properly come before the meeting and any postponement or adjournment thereof.

Holders of record of Endo common stock at the close of business on \_\_\_\_\_, are entitled to vote at the meeting. The Board urges Stockholders to vote FOR each of Items 1, 2, 3 and 4 and solicits your vote.

In addition to the proxy statement, proxy card and voting instructions, a copy of Endo's annual report on Form 10-KSB, which is not part of the proxy soliciting material is enclosed.

It is important that your shares be represented and voted at the meeting. We hope you will be able to attend the Annual Meeting. Whether or not you expect to attend the meeting, please vote your shares using the enclosed proxy card. Simply sign the return card where required, note the number of shares you own and if you will attend the meeting in person, and return the card in the envelope provided to us at the address first written above. Of course, you may also vote your shares in person at the Annual Meeting.

By Order of the Board of Directors,

Peter B. Day,  
President

June 26, 2006

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## **PROXY STATEMENT**

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Endo of proxies to be voted at our Annual Meeting of Stockholders, to be held on , and at any meeting following postponement or adjournment of the Annual meeting.

You are cordially invited to attend the annual meeting, which will begin at \_\_\_\_ AM. The meeting will be held at our offices located at 2624 Dunwin Drive, Unit #3, Mississauga, Ontario, Canada L5L 3T5. Stockholders will be admitted beginning at \_\_\_\_\_. The location is accessible to handicapped persons, and we will provide wireless headsets for hearing amplification upon request.

You will need an admission ticket to enter the meeting. If you are a stockholder of record, you will find an admission ticket attached to the proxy card sent to you. If you plan to attend the annual meeting, please retain the admission ticket. A map and directions to the annual meeting are printed on the admission ticket.

If your shares are held in the name of a bank, broker, or other nominee and you plan to attend the annual meeting, you can obtain an admission ticket in advance by sending a written request, along with proof of ownership, such as a recent bank or brokerage account statement, to our transfer agent, Signature Stock Transfer, Inc., One Preston Park, 2301 Ohio Drive, Suite 100 Plano, Texas 75093, (972) 612-4120. If you arrive at the annual meeting without an admission ticket, we will admit you if we are able to verify that you are an Endo stockholder.

We are first mailing this proxy statement, the proxy card and voting instructions on \_\_\_\_\_, to persons who were stockholders at the close of business on \_\_\_\_\_, the record date for the meeting.

### ***IMPORTANT PLEASE READ***

Whether or not you expect to attend the Annual Meeting in person, we urge you to vote your proxy at your earliest convenience by mail using the enclosed envelope. This will ensure the presence of a quorum at the Annual Meeting and will save us the expense of additional solicitation. Sending in your proxy card and voting will not prevent you from voting your shares at the Annual Meeting, or changing your vote, if you desire to do so. It will also help us provide adequate seating if you note that you will attend. Your proxy is revocable at your option in the manner described in the Proxy Statement.



## **Proxies and Voting Procedures**

You can vote your shares by completing and returning a proxy card or, if you hold your shares in street name, a voting instruction form.

If your shares are held in street name, you must obtain a proxy, executed in your favor, from your broker or other holder of record, to be able to vote at the meeting.

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy or by voting in person at the meeting.

All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions.

If you hold your shares through a broker, your shares may be voted even if you do not attend the annual meeting.

Abstentions and broker non-votes do not have the effect of votes in opposition to a director. Abstentions are also counted towards determining a quorum.

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the individuals named as proxies and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. If the annual meeting is postponed or adjourned, your proxy will remain valid and may be voted at the postponed or adjourned meeting. You will still be able to revoke your proxy until it is voted. At the date this proxy statement went to press, we did not anticipate that any other matters would be raised at the annual meeting.

## **Stockholders Entitled to Vote**



You are entitled to vote at the annual meeting all shares of our common stock that you held as of the close of business on the record date. Each share of our common stock is entitled to one vote with respect to each matter properly brought before the meeting.

On \_\_\_\_\_, the record date, there were on \_\_\_\_\_ shares of common stock outstanding.

A list of stockholders entitled to vote at the meeting will be available at the meeting, and for 10 days prior to the meeting, at 2624 Dunwin Drive, Unit #3, Mississauga, Ontario, Canada L5L 3T5 between the hours of 9:00 a.m. and 4:00 p.m. local time.

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## **Required Vote**

The presence, in person or by proxy, of the holders a majority of the shares of a voting group entitled to vote at the annual meeting, shall constitute a quorum of that voting group, which is required in order to transact business at the meeting.

## **Cost of Proxy Distribution and Solicitation**

Endo will pay the expenses of the preparation of the proxy materials and the solicitation by the Board of Directors of proxies. Proxies may be solicited on behalf of Endo in person or by telephone, e-mail, facsimile or other electronic means by directors, officers or employees of Endo, who will receive no additional compensation for soliciting. In accordance with the rules of the Securities and Exchange Commission, we will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of Endo stock.

## **Interest of Certain Persons in Matters to be Acted Upon**

Through this proxy, we are soliciting your vote to approve the sale of all our assets and all of the shares we own in Endo Canada; Mr. Peter B. Day, one of our board members and our President, is the buyer. He therefore has a substantial interest in the outcome of that proposed action.

## **Proposal 1**

### *Proposal for the Election of Directors*

The Board of Directors is comprised of only one class. Directors will be elected by the affirmative vote of a plurality of the votes cast at the Annual Meeting. Two of our current directors, Charles Smith and Christopher Skillen have determined not to stand for reelection as directors, leaving Mr. Day, if he is elected, as our sole director. Mr. Smith

and Mr. Skillen have determined that their services as directors will no longer be required since we plan to cease our operations assuming the proposal to sell all of our assets is approved.

*Information with Respect to Director Nominees*

**PETER B. DAY** Mr. Day attended the University of Toronto from 1989 to 1992 studying English, History and Psychology and attended Humber College in 2000 studying Telecommunications. Mr. Day's relevant work experience follows: General Manager and Partner in Down Home Satellite Programming, Inc. from 1996 to 1998; Marketing Director and General Manager for Galaxy Satellite Programming, Inc. from 1998 to 2000; Vice President Streamline Media, Inc., a computer software and web

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design company from 2000 to 2002; Vice President and General Manager for Endo Networks, Inc. from 2000 to 2002, President for Endo Networks, Inc. 2002 to present.

Pursuant to Nevada Revised Statutes, NRS 78.330, this proposal can be approved by a plurality of the votes cast.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE ABOVE NAMED DIRECTOR.**

#### **Executive Officers**

The following table and text set forth the names and ages of Endo's executive officers as of June 26, 2006. There are no family relationships among executive officers. Also following is a brief description of the business experience of each executive officer, other than Peter B. Day which is contained above in Proposal 1, during the past five years.

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Position</u></b>
Peter Day	35	President, Secretary and Director Served since November 2001
Christopher R. Skilller	58	Director Served since December 2003
Charles Smith	48	Director Served since March 2005

**CHRISTOPHER R. SKILLEN** Mr. Skillen received a BSc. major Computer Science from Sir George Williams University in 1969. Mr. Skillen held an number of executive positions with Crowntek and founded The Crowntek Business centers. Chris was the CEO at Telepanel Systems Inc., a public company, from 1988 until 2000. NASDAQ and TSE listed company. He is currently President of Skillen & Skillen a consultancy to technology startups. Mr. Skillen serves as a director on four Canadian companies including Park Avenue Investments, a TSX-V listed company.

**CHARLES SMITH** Mr. Smith graduated from Boston University, Boston, Massachusetts in 1979 and since that time has been a Certified Public Accountant involved in all phases of business, including the audit of companies and tax matters. He is a consultant to various companies ranging from an art distribution company to a junior resource company which is developing a gold property in Sinaloa State, Mexico. Mr. Smith has significant experience in accounting and securities matters. Mr. Smith's business affiliations during the last five years are as follow: Chairman - Dynacap Group, Ltd. - a consulting and management firm - 1992 to the present; Sole proprietor as a Certified Public Accountant - 1983 to the present; Sole officer and Director - MC Cambridge, Inc. - a financial consulting firm - 1997 to present; Sole officer and director - Asset Servicing Corporation a leasing company - 1998 to 2001; Chief Financial Officer and Director - Electrical Generation Technology Corporation - April 2000 to May 2003;

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Chief Financial Officer DynaResource, Inc. 2005 to present. Mr. Smith is presently CEO and CFO of Micro Bio-Medical Waste Systems, Inc., traded on the OTC Bulletin Board under the symbol "MBWS." Mr. Smith is also a director of National Healthcare Technology, Inc., traded on the OTC Bulletin Board under the symbol "NHCT" and Crown Partners, Inc., traded on the OTC Bulletin Board under the symbol "CRWP".

## **GOVERNANCE OF ENDO**

Due to our lack of operations and size, we have not designated an Audit Committee. Furthermore, we are currently quoted on the OTC Bulletin Board, which is sponsored by the NASD, under the symbol ENDD.OB and the OTCBB does not have any listing requirements mandating the establishment of any particular committees. Our board of directors acts as our Audit Committee and performs equivalent functions, such as: recommending a firm of independent certified public accountants to audit the annual financial statements; reviewing the independent auditors independence, the financial statements and their audit report; and reviewing management's administration of the system of internal accounting controls. For these same reasons, we did not have any other committees during fiscal 2005.

Our Board believes that, considering our size and the members of our Board, decisions relating to director nominations can be made on a case-by-case basis by all members of the board without the formality of a nominating committee or a nominating committee charter. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary.

The Board does not have an express policy with regard to the consideration of any director candidates recommended by shareholders since the Board believes that it can adequately evaluate any such nominees on a case-by-case basis. The Board will consider director candidates proposed in accordance with the procedures set forth below under Shareholder Proposals for 2007 Annual Meeting, and will evaluate shareholder-recommended candidates under the same criteria as internally generated candidates. Although the Board does not currently have any formal minimum criteria for nominees, substantial relevant business and industry experience would generally be considered important, as would the ability to attend and prepare for board, committee and shareholder meetings. Any candidate must state in advance his or her willingness and interest in serving on the board of directors.

We have not received any recommendations for a director nominee from any shareholder.

During fiscal 2005, the Board held 2 meetings. None of the directors attended fewer than 75% of the total number of meetings of the Board of Directors.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

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Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and any persons who beneficially own more than 10% of our common stock to send reports of their ownership of shares of common stock and changes in ownership to us and the SEC. Based on the Company's review of the copies of these reports received by it, and written representations received from reporting persons, the Company believes that all filings required to be made by the reporting persons for the 2005 fiscal year were made on a timely basis.

#### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTION**

Peter Day, our Chief Executive Officer, President, director and current director nominee, is purchasing all of our assets and shares in Endo Networks, Inc., a corporation incorporated under the laws of Canada from us pursuant to that certain Asset and Share Purchase Agreement dated as of June 26, 2006.

#### **LEGAL PROCEEDINGS**

We are not a party to any material legal proceeding and to our knowledge , no such proceeding is currently contemplated or pending.

#### **STOCKHOLDER COMMUNICATIONS WITH DIRECTORS**

Endo stockholders who want to communicate with our Board or any individual director can write to:

Endo Network, Inc.  
2624 Dunwin Drive, Unit #3  
Mississauga, Ontario, Canada L5L 3T5  
Attn: Board Administration

Your letter should indicate that you are an Endo stockholder. Depending on the subject matter, management will:



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Forward the communication to the Director or Directors to whom it is addressed;

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Attempt to handle the inquiry directly, for example where it is a request for information about Endo or it is a stock-related matter; or

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Not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

At each Board meeting, a member of management presents a summary of all communications received since the last meeting that were not forwarded and makes those communications available to the Directors on request.

#### **DIRECTORS ATTENDANCE AT ANNUAL MEETINGS**

We intend to schedule a Board meeting in conjunction with our annual meeting and expect that our directors will attend, absent a valid reason, such as a schedule

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conflict. This is our first annual meeting and therefore, there was no annual or corresponding board meeting last year.

## **EXECUTIVE AND DIRECTOR COMPENSATION**

We pay or accrue our President's salary, which is \$103,200 annually. We have not paid or accrued any other salary for our officers or directors. We do not have a retirement or stock option or bonus plan for our officers.

### **Independent Public Accountants**

The Board reappointed Lopez, Blevins, Bork & Associates, LLP as the independent accounting firm to audit our financial statements for fiscal 2006. Lopez, Blevins, Bork & Associates, as the Company's independent accounting firm, audited our financial statements for fiscal years ended 2004 and 2005.

Representatives of Lopez, Blevins, Bork & Associates, LLP will not be present at the meeting nor will they be available during that time to respond to any questions.

### **Audit Fees**

The fees billed by Lopez, Blevins, Bork & Associates, LLP for the indicated services performed during fiscal 2005 were as follows:

	<u>Fiscal 2005</u>
Audit fees	\$10,000
Audit-related fees	\$0
Tax Fees	\$0
All other fees	\$5,800

The amounts shown for All other fees were for reviews of our financial statements for fiscal 2005 in which they did not audit or issue any report and consultations regarding generally accepted accounting principles.

Our Board of Directors must pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for Endo by its independent auditors, subject to the *de minimus* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, which should nonetheless be approved by our Board prior to the completion of the audit. Each year the independent auditor's retention to audit our financial statements, including the associated fee, is approved by the Board before the filing of the previous year's annual report on Form 10-KSB. At the beginning of the fiscal year, the Board will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. At each subsequent Board meeting, the auditor and management may present subsequent services for approval. Typically, these would be services such as due diligence for an acquisition, that would not have been known at the beginning of the year.

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Since May 6, 2003, the effective date of the Securities and Exchange Commission rules stating that an auditor is not independent of an audit client if the services it provides to the client are not appropriately approved, each new engagement of Lopez, Blevins, Bork & Associates, LLP has been approved in advance by the Board, and none of those engagements made use of the *de minimus* exception to pre-approval contained in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934.

## **Proposal 2**

### *Proposal to sell all of our assets*

All of our operations are conducted through, and all of our assets are contained within Endo Networks, Inc., a corporation incorporated under the laws of Canada. Our Board is proposing that we sell all of our assets and shares of Endo Canada to Mr. Peter Day pursuant to the terms of that certain Asset and Share Purchase Agreement by and between us and Peter Day, a director and our current President, dated June 26, 2006. The Purchase Agreement was approved by our Board, subject to stockholder approval, on June 26, 2006. The Purchase Agreement is attached hereto as Exhibit A and is incorporated herein by reference. The material terms of the Purchase Agreement are summarized below. This is not a complete summary of the Purchase Agreement and is subject in all respects to the provisions of, and is qualified by reference to, the Purchase Agreement. Stockholders are urged to read the Purchase Agreement in its entirety.

If we do not complete the Sale to Mr. Day there is a substantial doubt that we will be able to continue as a going concern.

### **The Parties to the Purchase Agreement**

*Endo Canada* helps businesses acquire new customers and build sales and loyalty with existing customers. It uses interactive technology such as touch screen kiosks, handheld computers, and websites, combined with promotional marketing tactics to filter large numbers of consumers, to find qualified prospects, and even precondition them for a sale. Endo Canada's services can be deployed within a business' own retail environment, to increase sales with their own customer base by increasing frequency of visit and/or average spend with individual customers, or they can be deployed within a partner location such as an office tower or a consumer show, to find and acquire qualified new customers.

The solutions are:

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Permission based

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Integratable with legacy systems

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Scaleable

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Measurable

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Conducive to brand partnerships

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Endo Canada's areas of expertise include: Web, Kiosk, Handheld, Wireless, Loyalty, Promotional Marketing, Direct Marketing, Integration with Point of Sale, Survey, Incentive, Sampling, and Field and Event Marketing. Its client base includes specialty retail, general retail, food service, automotive, alcohol, energy, consumer packaged goods, entertainment, amateur sports, and telecommunications companies. Endo Canada's corporate head office is located at 2624 Dunwin Drive, Unit 3, Mississauga, Ontario, Canada, 20 minutes from Toronto and 60 minutes from Buffalo. We were incorporated in Texas as Discount Mortgage Services, Inc. on July 11, 2000 and in September 2001 purchased Endo Canada, which was incorporated in Ontario, Canada on January 30, 2001, in which conceptual and software development was ongoing prior to this date for approximately two years by company founders. Discount Mortgage Services Inc. (Texas) acquired Endo Canada in September, 2001. Discount Mortgage Services Inc. (Texas) underwent a name change to Endo Networks, Inc. (US) in November, 2001 and was re-domiciled to Nevada in December, 2002. As of June 26, 2006, we had 16 total employees, 10 full-time.

*Mr. Day* has been our President and one of our directors since 2001; he is also the director nominee. As stated elsewhere in this proxy statement, he has extensive business experience and is well equipped to own and manage our business operations. Mr. Day attended the University of Toronto from 1989 to 1992 studying English, History and Psychology and attended Humber College in 2000 studying Telecommunications. Mr. Day's relevant work experience follows: General Manager and Partner in Down Home Satellite Programming, Inc. from 1996 to 1998; Marketing Director and General Manager for Galaxy Satellite Programming, Inc. from 1998 to 2000; Vice President Streamline Media, Inc., a computer software and web design company from 2000 to 2002; Vice President and General Manager for Endo Networks, Inc. from 2000 to 2002, President for Endo Networks, Inc. 2002 to present.

### **Background of the Sale**

*Reasons for the Sale.* Since inception, we have incurred losses and had substantial trouble maintaining consistent cash flow necessary to operate our business. As recently as our last fiscal year and quarter, we reported losses and working with a capital deficit for those same periods. The additional investment and infrastructure we need to sustain our business and develop our operations cannot be supported by our current cash flow. We have also been unable to, and there is no assurance that we will be able to, either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support our working capital requirements. In view of the foregoing, our lack of our growth and the limited platform for our future growth in our current state, our Board determined that it would be in our stockholders' best interests to sell all of our assets to Peter Day. In making the determination to sell all of our assets to Mr. Day, the Board gave primary consideration to Mr. Day's familiarity with our operations and business relations. The Board believes that Mr. Day's knowledge of our operations would lead to an efficient and expeditious sale process. The Board was also able to negotiate Mr. Day's agreement to assume any liability with respect to our assets prior to the closing. Due to the foregoing advantages of selling our assets to Mr. Day, we did not solicit or receive any alternate purchase offers.

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As a result of the sale, once it is approved and completed, we will be a "public shell" company. In advance of attaining this status, our Board of Directors has been evaluating the possibility of a transaction in which we would merge our public shell company with a privately-held operating business. Although we have had preliminary negotiations with potential merger candidates, we have no formal agreements with any third parties to effect a merger or acquisition following the sale of Endo Canada and cannot assure that we will be able to effect such a merger or acquisition upon terms that we consider favorable or at all. Once we are a public shell company, we will thereafter comply all of our business and operations, including subsequent sales of our stock and mergers, in accordance with the Shell Company Release No. 33-8587 and all other applicable regulations and guidance. You should be aware, however, that depending upon the type of transaction we ultimately pursue, we may not have to seek shareholder approval of such transaction. As a result you may not be able to vote any new proposed transaction that our Board of Directors approves.

Our Board considered the risks and challenges facing our company in the future as compared to the opportunities available to our company in the future and concluded that the asset sale was the best alternative for maximizing value to our shareholders. Some of the other factors our Board considered in making that determination include:

- the short-term and long-term interests of our company and our shareholders;
- the purchase price and the other terms of the Sale, including limited representations and warranties by us concerning our assets and the minimal conditions to Mr. Day's obligation to close the sale;
- the expeditious manner in which the transaction could be completed by selling to Mr. Day;
- the liquidity concerns currently faced by our company;
- our need for additional capital to pursue strategic opportunities, to diversify;
- Our ability to benefit from Mr. Day's current involvement in our business and operations; and
- the opportunity for us to realize immediate value to fund strategic opportunities.

## Description of the Sale

*Assets Transferred and Liabilities Assumed.* Pursuant to the Purchase Agreement, we will sell all the assets, properties and shares of Endo Canada that we own or have any right, title, or interest inchoate or otherwise, of every kind and description, wherever located, including all property tangible or intangible and real or personal, good will, processes, research and development projects, designs, patents, accounts receivable, bank accounts, cash, securities, claims, and contract rights. As consideration for all of the assets, which currently total \$553,015, and all of the shares of our subsidiary, Mr. Day will assume all of our liabilities, which currently total \$919,389 (such number includes our assets of \$553,015 and our excess liabilities of \$366,374), except for the following excluded liabilities (i) costs or expenses connected with or resulting from the negotiation or consummation of the Purchase Agreement or the sale or transfer of assets and shares pursuant to the Purchase Agreement and (ii) any liabilities of any person or firm other than us. We expect to close the Sale the day following the annual meeting, assuming we obtain the required vote. We believe that selling to Mr. Day creates enough advantages,

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as described above, that the consideration we are receiving from him is fair and reasonable. Due to these advantages, we did not employ any procedural safeguards, such as seeking a fairness opinion from a third party or even soliciting competing offers from other potential purchasers, in order to ensure that such consideration was fair and reasonable, so it is possible that an alternative purchaser would have provided us with additional consideration. However, since we are looking to effect a merger or acquisition, assuming the sale is approved, other entities will be more attracted to effect such a transaction with us if we do not have any liabilities. Although we did not solicit other offers, we do not believe another purchaser would have assumed all of our liabilities and given us that specific advantage, which we believe will directly increase our ability to effect a merger or acquisition, which will in turn, create more value for our shareholders.

### **Consequences of Owning Shares of a Public Shell Company**

Under SEC Rule 12b-2 under the Securities Act of 1933, as amended (the Securities Act ), we will qualify as a shell company, if the Sale is approved and completed because we will not have any assets (other than cash) or operations. Many states have enacted statutes, rules and regulations limiting the sale of securities of "blank check" companies in their respective jurisdictions. We will comply with the periodic reporting requirements of the Exchange Act for so long as we are subject to those requirements.

Recent amendments to Form 8-K by the Securities and Exchange Commission regarding shell companies and transactions with shell companies require the filing of all information about an acquired company that would have been required to have been filed had any such company filed a Form 10 or 10-SB Registration Statement with the Securities and Exchange Commission, along with required audited, interim and proforma financial statements, within four business days of the closing of any such transaction. These new regulations also deny the use of Form S-8 for the registration of securities of a shell company, and limit the use of this Form to a reorganized shell company until the expiration of 60 days from when any such entity is no longer considered to be a shell company. The additional time and costs that may be incurred by the potential target company to prepare the necessary audited financial statements and other information may significantly delay or essentially preclude consummation of an otherwise desirable acquisition.

The Wulff Letter, as discussed below can restrict the free tradeability of certain shares issued to our promoters or affiliates in any transaction with respect to resales, other than pursuant to an effective registration statement filed with the Securities and Exchange Commission. We would expect the definition of these applicable persons to be liberally construed to promote the findings set out in the Wulff Letter.

### *Restrictions on Sales of Certain Restricted Securities*

Generally, restricted securities can be resold under Rule 144 once they have been held for at least one year (subparagraph (d) thereof), provided that the issuer of the securities satisfies the current public information requirements (subparagraph (c)) of the Rule; no more than 1% of the outstanding securities of the issuer are sold in any three month period (subparagraph (e)); the seller does not arrange or solicit the solicitation of buyers for the

securities in anticipation of or in connection with the sale transactions or does not

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make any payment to anyone in connection with the sales transactions except the broker dealer who executes the trade or trades in these securities (subparagraph (f)); the shares are sold in broker's transactions only (subparagraph (g)); the seller files a Notice on Form 144 with the Securities and Exchange Commission at or prior to the sales transactions (subparagraph (h)); and the seller has a bona fide intent to sell the securities within a reasonable time of the filing. Once two years have lapsed, assuming the holder of the securities is not an affiliate of the issuer, unlimited sales can be made without further compliance with the terms and provisions of Rule 144. All restricted securities of the Company have been held for in excess of one year.

In January, 2000, Richard K. Wulff, the Chief of the Securities and Exchange Commission's Office of Small Business, wrote a letter to Ken Worm, the Assistant Director of the OTC Compliance Unit of NASD Regulation, Inc. Many members of the securities community have come to refer to that letter as the Wulff letter.

The Wulff letter was written in response to a request for guidance from Mr. Worm. In his request, Mr. Worm had referred to several situations in which non-affiliate stockholders of blank check or shell company issuers had sought to treat their shares as free-trading or unrestricted securities. As defined in the Wulff letter, a blank check or public shell company is a development stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person.

Citing the concerns of the United States Congress and the Securities and Exchange Commission over potential fraud and market manipulations involving blank check and public shell companies, the Wulff letter stated that affiliates of such issuers, as well as transferees of their securities, are underwriters with respect to such securities. Accordingly, transactions in these companies' securities by promoters, affiliates or their transferees do not fall within the scope of the Rule 144 safe harbor resales for securities that have been beneficially owned for at least one year and that satisfy informational and certain other requirements of the Rule, or the Section 4(1) exemption from registration for resales under the Securities Act of 1933, as amended (the Securities Act), that exempts sales by persons other than an issuer, underwriter or a dealer. As a result, it is the position of the Securities and Exchange Commission that these securities may be resold by these persons only pursuant to registration under the Securities Act. According to the Wulff letter, this restriction would continue to apply even after the blank check or public shell company completes a merger or acquisition transaction with an operating entity.

Once the Sale is completed, assuming it is hereby approved, and we become a public shell company, any issuances of our shares thereafter, to any of our promoters or affiliates, and their transferees, will likely be subject the restrictions imposed by the Wulff letter.

We believe the Wulff Letter will be liberally construed to promote its purposes as discussed herein and therein. The full text of the Wulff Letter can be examined in the CCH Federal Securities Law Reporter, 1999-2000 Decisions, Paragraph No. 77,681, issued under the name "NASD Regulation, Inc."

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### **Use of Proceeds from the Sale**

Since Mr. Day is assuming all of our liabilities in exchange for all of our assets and shares of Endo Canada, there are no proceeds from the sale. The assumption of our liabilities is the only consideration we are receiving from the Sale.

### **Other Material Terms of the Asset Sale Agreement**

*Representations and Warranties.* The Purchase Agreement contains customary representations and warranties from us to Mr. Day relating to, among other things: our financial position, our corporate standing, our title to all of our and Endo Canada's property, and our accounts receivable.

*Conditions to the Closing.* In addition to the customary closing conditions contained in the Purchase Agreement, we are also required to obtain the affirmative vote of a majority of our shareholders to approve the Purchase Agreement and the Sale contemplated thereby, which we are seeking through this proxy statement.

*Indemnification.* We will indemnify, defend and hold Mr. Day harmless against and in respect of any and all liabilities including interest, penalties and reasonable attorneys' fees, that he incurs or suffers, which arise or result from, or relate to (i) any breach by us of any of our representations or warranties contained in the Purchase Agreement, or our failure to perform any covenant or agreement contained therein, (ii) any and all claims of whatever nature, asserted (with or without the commencement of legal action) against Mr. Day with respect to the Excluded Liabilities and (iii) any and all claims, demands, damages, costs and expenses, including reasonable attorney fees for the defense of such claims. Mr. Day will indemnify, defend and hold us harmless against and in respect of any and all liabilities, including interest, penalties and reasonable attorneys' fees, that Mr. Day incurs or suffers, which arise or result from, or relate to the breaches and claims described above in (i) and (ii), respectively.

### **Appraisal Rights**

Our stockholders will not be entitled to appraisal rights in connection with, or as a result of, the Sale.

### **Interests of Our Directors and Officers in the Sale**

Mr. Day, our current President and director, as buyer, will own all of our assets and shares of Endo Canada after the Sale.

### **Shareholder Rights after the Sale**

Shareholders' rights will not change pursuant to the Sale.

### **Material Federal Income Tax Consequences of the Sale**



The following discussion is based on the Internal Revenue Code of 1986, as amended, applicable Treasury Regulations, judicial authority and administrative rulings and practice, all as of the date hereof. The Internal Revenue Service could adopt a position contrary to that presented in the following discussion. In addition, future legislative, judicial or administrative changes or interpretations could adversely affect the accuracy of the statements and conclusions set forth herein. Any such changes or interpretations could be applied retroactively and could affect the tax consequences of the proposed asset sale to us. The discussion does not deal with all federal income tax consequences that may be relevant to a particular holder of shares of common stock, or any foreign, state or local tax considerations. Accordingly, shareholders are urged to consult their own tax advisors as to the specific federal, foreign, state and local tax consequences to them as a result of the Sale.

As a result of the Sale, we will sell substantially all of our operating assets to Mr. Day in exchange for his assumption of all of our liabilities. This amount will be allocated among all of our assets that are sold to Mr. Day. We will recognize gain or loss on each of the assets sold in an amount equal to the difference between the sales price allocated to that asset and our tax basis in such asset.

We do not believe the Sale will result in substantial federal or state corporate income tax liability (including any alternative minimum tax liability) because we anticipate that most of the taxable gain recognized as a result of the Sale will be offset by our operating losses. However, tax authorities may disagree with our determination of our available operating losses or our allocation of the purchase price among the assets sold, or our operating losses could be less than anticipated, which may result in significant income tax liability as a result of the Sale. Until we obtain stockholder approval and are able to ascertain the closing date for the sale, it is difficult to complete our analysis of the tax consequences because the nature of certain liabilities is unresolved.

### **Regulatory Approvals**

Neither we nor Mr. Day is required to comply with any federal or state regulatory requirements or obtain approval from any federal or state agency in connection with the Sale.

### **Provision for unaffiliated security holders**

There are no provisions to grant unaffiliated security holders access to our corporate files or to obtain counsel or appraisal services at our expense.

Pursuant to Nevada Revised Statutes, NRS 78.565, this proposal can be approved by the affirmative vote of shareholders holding at least a majority of the voting power.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO SELL SUBSTANTIALLY ALL OF OUR ASSETS PURSUANT TO THE ASSET SALE AGREEMENT.**





### **Proposal 3**

#### *Proposal to effect a reverse stock split.*

The Board seeks the right to implement a stock split, on either a 20:1 forward or 1:20 reverse basis. Although this Proposal, along with Proposal 4 may be approved, the Board will only effect a reverse split or a forward split. If approved, this will only become effective when the Board chooses to exercise its right, which it will only do when it believes it to be in Company's and shareholders' best interest to do so. A reverse stock split will reduce the number of outstanding shares of our common stock by reclassifying and converting all outstanding shares of our common stock into a proportionately fewer number of shares of common stock. This action would also result in a relative increase in the available number of authorized but unissued shares of our common stock, because the number of shares authorized for issuance is otherwise unchanged by the split.

Each stockholder's proportionate ownership of the issued and outstanding shares of our common stock would remain the same, however, except for minor changes that may result from additional shares issued in connection with fractional shares. And, with the exception of adjustments for those shareholders with fractional shares, the stock split will not affect any stockholder's proportional equity interest in the company in relation to other shareholders or rights, preferences, privileges or priorities. Outstanding shares of new common stock resulting from the stock split will remain fully paid and non-assessable.

### **Purpose and Reason For A Stock Split**

There are 13,557,366 shares of our common stock issued and outstanding. Once we complete the Sale with Mr. Day, we will be an inactive company and will attempt to commence active business operations by locating an operating company and completing a merger transaction. We have not yet identified a suitable candidate and there can be no guarantee that we will identify one in the future. The Board believes that granting it the authority to implement a stock split is beneficial because it provides us with the flexibility to attract and secure a suitable acquisition candidate and to complete a transaction in a timely manner.

Management and our Board believe that it is in the best interests of our shareholders to pursue the possibility of acquiring another company to grow our business and increase our shareholders' value. To facilitate such a transaction, our Board requires the flexibility to adjust the number of issued and outstanding shares of our common stock to meet the requirements of any such transaction. The Board believes that the ability to effect a stock split, which could have the effect of making the Company more attractive for a potential business combination, will award such flexibility. The Board believes that stockholder approval of alternative stock splits, forward or reverse, (rather than one or the other) provides the Board with additional flexibility to best achieve the desired results. The Board will only effect a

stock split upon its determination that such a split would be in the best interests of the stockholders at that time. No further action on the part of stockholders will be required to either implement or abandon the stock split. The Board reserves its right to elect not to proceed, and abandon, the stock split if it determines, in its sole discretion, that it is no longer in the best interests of our stockholders. Currently,

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we do not have any specific plans to issue any shares of its common stock after effectuating the stock split.

A reverse stock split will reduce the number of outstanding shares of our common stock by reclassifying and converting all outstanding shares of our common stock into a proportionately fewer number of shares of common stock. This action would also result in a relative increase in the available number of authorized but unissued shares of our common stock, because the number of shares authorized for issuance is otherwise unchanged by the split.

The Board is not asking you to approve a stock split that will take place immediately, but rather seeks the right to declare and effect a split if the Board determines that it is in our best interest and our shareholders to do so in its effort to secure a suitable merger candidate.

**STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

### **No Appraisal Rights**

Under the General Corporation Law of the State of Nevada, our stockholders are not entitled to appraisal rights with respect to the stock split, and we will not independently provide stockholders with any such right.

### **Reverse Stock Split**

#### *Purpose and Reason For A Reverse Stock Split*

There are 13,557,366 shares of our common stock issued and outstanding. Management and our Board believe we could enhance our shareholder's value by locating an acquisition target and completing an acquisition. We have not yet identified a suitable candidate and there can be no guarantee that we will identify one in the future. The reverse split will decrease the number of shares of common stock outstanding and that may make the Company more attractive to a potential acquisition candidate and, may increase the per share market price for our common stock. The Board believes that a reverse split would assist the Company in developing a suitable capital structure both before and after any acquisition we may effect in the future.

If we do locate a suitable acquisition target, and we are able to complete an acquisition, it is likely that we will be required to issue a large amount of our common stock to the owners of such acquisition target so that they retain a high ownership percentage of our stock issued and outstanding immediately following the transaction. Without a reverse split however, we would have to issue an enormous amount of our common stock to provide the owners of the acquisition target with the ownership percentage that they may require. After such an issuance, we believe that the resulting amount of our outstanding shares will adversely affect any possibility of creating and maintaining an orderly market for our common stock following an acquisition.

Although the market price per share of our common stock may increase as a result of a reverse split, the effect of the reverse stock split cannot be predicted. There can be

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no assurance that the market price per share of our common stock after the reverse stock split will rise in proportion to the reduction in the number of shares of our common stock outstanding resulting from a reverse stock split. The market price of our common stock may also be based on its performance and other factors, some of which may be unrelated to the number of shares outstanding.

*Disadvantages of a Reverse Stock Split*

Even though the Board believes that the potential advantages of a reverse stock split outweigh any disadvantages that might result, the following are the possible disadvantages of a reverse stock split:

(a)

A reverse stock split may leave certain stockholders with one or more odd lots, which are stock holdings in amounts of less than 100 shares of our common stock. These odd lots may be more difficult to sell than shares of our common stock in even multiples of 100.

(b)

Because a reverse stock split would result in an increased number of authorized but unissued shares of our common stock, it may be construed as having an anti-takeover effect. For example, it may be possible for the Board to delay or impede a takeover or transfer of control of our Company by causing such additional authorized shares to be issued to holders who might side with the Board in opposing a takeover bid that the Board determines is not in our best interests or those of our stockholders. The increase in the number of authorized but unissued shares of common stock may therefore have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of unsolicited takeover attempts, the increase in the number of authorized but unissued shares of common stock may limit the ability of our stockholders to dispose of their shares at the higher price generally available in takeover attempts or that otherwise may be available under a merger proposal. The increase in the number of authorized but unissued shares of common stock may have the effect of permitting our current members of management, including our current board members, to retain their position, and place them in a better position to resist changes that stockholders may wish to make if they are dissatisfied with the conduct of our business. However, our Board is not aware of any attempt to take control of the Company, and our Board did not approve this action with the intent that the increase in the number of authorized but unissued shares of common stock be utilized as a type of anti-takeover device.

(c)

The increased number of authorized but unissued shares of our common stock could be issued by the Board without further stockholder approval, which could result in dilution to the holders of our common stock.

*Effect of the Reverse Stock Split*

The principal effects of a 20:1 reverse split will be as follows:

Based upon the 13,557,366 shares of common stock outstanding today, the reverse split would decrease the outstanding shares of common stock to approximately 677,868 shares of common stock issued and outstanding. Further, any outstanding options, warrants and rights that are not anti-dilutive will be decreased accordingly.

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Following the effectiveness of the reverse split, every twenty shares of common stock presently outstanding, without any action on the part of the stockholder, will represent one share of common stock.

Subject to the provisions for elimination of fractional shares, as described below, consummation of the reverse split will not result in a change in the relative equity position or voting power of the holders of common stock. Under the terms of the consent granted by our Board, we can also effect a reverse split at a ratio of less than 20:1, however, the same considerations discussed herein would still apply.

#### *Federal Income Tax Consequences of the Reverse Split*

The combination of shares of pre-split common stock into one share of post-split common stock should be a tax-free transaction under the Internal Revenue Code of 1986, as amended, and the holding period and tax basis of the pre-split common stock will be transferred to the post-split common stock. This discussion should not be considered as tax or investment advice, and the tax consequences of the reverse split may not be the same for all stockholders.

Stockholders should consult their own tax advisors to know their individual Federal, state, local and foreign tax consequences.

If approved, then we will obtain a new CUSIP number for the common stock when the Board exercises its right to implement the reverse split.

#### **Procedure For Effecting A Stock Split**

As soon as practicable after we implement a stock split and select an effective date thereof, we will send a letter of transmittal and instruction to each holder of record of shares outstanding on that date.

If we implement a *reverse* stock split, then on the date the Board decides to implement it, every twenty shares of common stock (or such lesser number as may be appropriate should our Board determine that a ratio of less than 20:1 is appropriate) outstanding at that time, without any action on the part of the stockholder, will automatically represent one share of common stock. The number of shares of common stock issued and outstanding will then be reduced accordingly. No additional action on our part or any stockholder will be required to affect the reverse split.

Stockholders will be requested to exchange their certificate representing shares of common stock held prior to the reverse split for new certificates representing shares of common stock. Stockholders will not have to submit certificates until requested to do so.

No fractional shares of post-split common stock will be issued to any stockholder. In lieu of any such fractional share interest, each holder of pre-split common stock who would otherwise be entitled to receive a fractional share of post-split common stock will in lieu thereof receive one full share upon surrender of certificate formerly representing pre-split common stock held by such holder.

If the Board implements a stock split, we will promptly file a Certificate of Amendment with the Secretary of State of the State of Nevada to amend our existing Articles of Incorporation. The stock split will become effective on the date of filing the Certificate of Amendment, which is referred to as the "effective date." Beginning on the

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effective date, each certificate representing pre-stock split shares will be deemed for all corporate purposes to evidence ownership of post- stock split shares. The text of the Certificate of Amendment is set forth in Exhibit B hereto. The text of the Certificate of Amendment is subject to modification to include such changes as may be required by the office of the Secretary of State of the State of Nevada and as the Board deems necessary and advisable to effect the stock split, including whether it will be a forward or reverse split.

Pursuant to Nevada Revised Statutes, NRS 78.2055 and NRS 78.207, this proposal can be approved by the affirmative vote of shareholders holding at least a majority of the voting power.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO AUTHORIZE THE BOARD OF DIRECTORS TO IMPLEMENT A REVERSE STOCK SPLIT.**

#### **Proposal 4**

*Proposal to effect a forward stock split.*

The Board seeks the right to implement a stock split, on either a 20:1 forward or 1:20 reverse basis. The Board will only effect a reverse split or a forward split. If approved, this will only become effective when the Board chooses to exercise its right, which it will only do when it believes it to be in Company's and shareholders' best interest to do so. A forward split will increase the number of outstanding shares of our common stock by reclassifying and converting all outstanding shares of our common stock into a proportionately larger number of shares of common stock. This action would also result in a relative decrease in the available number of authorized but unissued shares of our common stock, because the number of shares authorized for issuance is otherwise unchanged by the split.

Each stockholder's proportionate ownership of the issued and outstanding shares of our common stock would remain the same, however, except for minor changes that may result from additional shares issued in connection with fractional shares. And, with the exception of adjustments for those shareholders with fractional shares, the stock split will not affect any stockholder's proportional equity interest in the company in relation to other shareholders or rights, preferences, privileges or priorities. Outstanding shares of new common stock resulting from the stock split will remain fully paid and non-assessable.

#### **Purpose and Reason For A Stock Split**

There are 13,557,366 shares of our common stock issued and outstanding. Once we complete the Sale with Mr. Day, we will be an inactive company and will attempt to commence active business operations by locating an operating company and completing a merger transaction. We have not yet identified a suitable candidate and there can be no guarantee that we will identify one in the future. The Board believes that granting it the authority to implement a stock split is beneficial because it provides us with the flexibility to attract and secure a suitable acquisition candidate and to complete a transaction in a timely manner.

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Management and our Board believe that it is in the best interests of our shareholders to pursue the possibility of acquiring another company to grow our business and increase our shareholders' value. To facilitate such a transaction, our Board requires the flexibility to adjust the number of issued and outstanding shares of our common stock to meet the requirements of any such transaction. The Board believes that the ability to effect a stock split, which could have the effect of making the Company more attractive for a potential business combination, will award such flexibility.

The Board believes that stockholder approval of alternative stock splits, forward or reverse, (rather than one or the other) provides the Board with additional flexibility to best achieve the desired results. The Board will only effect a stock split upon its determination that such a split would be in the best interests of the stockholders at that time. No further action on the part of stockholders will be required to either implement or abandon the stock split. The Board reserves its right to elect not to proceed, and abandon, the stock split if it determines, in its sole discretion, that it is no longer in the best interests of our stockholders. Currently, we do not have any specific plans to issue any shares of its common stock after effectuating the stock split.

A forward stock split would give the Board discretion should the market price of our common stock rise, to adjust the price into a range that is more attractive to the financial community and the investing public and thereby make a broader market. The Board anticipates that following a stock split our common stock share trading price would decrease which may encourage additional investors to invest. A stock split will increase the number of shares traded in the public market which we believe will establish a more liquid market in our common stock.

The Board is not asking you to approve a stock split that will take place immediately, but rather seeks the right to declare and effect a split if the Board determines that it is in our best interest and our shareholders' to do so in its effort to secure a suitable merger candidate.

**STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

### **No Appraisal Rights**

Under the General Corporation Law of the State of Nevada, our stockholders are not entitled to appraisal rights with respect to the stock split, and we will not independently provide stockholders with any such right.

### *Purpose and Reason For A Forward Stock Split*

The primary purpose of a forward split is to increase the total number of the Company's shares issued and outstanding to ensure the existing share capital is not diluted by issuing shares from treasury in connection with an acquisition. Further, the increase will have the effect of increasing the shares available in the public float, thereby creating a more stable market for our stock.

A disadvantage to having a forward split is that it could result in a lower trading price if our stock starts to actively trade.

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*Effect of the Forward Stock Split*

The principal effects of a 1:20 forward split will be as follows

Based upon the 13,557,366 shares of common stock outstanding today, the forward split would increase the outstanding shares of common stock to approximately 271,147,320 shares of common stock issued and outstanding.

The proposed stock split would not change the stockholders' equity, nor would the split affect the relative rights of any stockholder or result in a dilution or diminution of any stockholder's proportionate interest in the Company.

However, since the stock split would result in each stockholder's interest being represented by a greater number of shares, it is possible that higher aggregate brokerage commissions may be payable after a stock split upon a sale or transfer of a stockholder's same relative interest in common stock because that interest would be represented by a greater number of shares.

In connection with the stock split, the number of shares of common stock underlying outstanding stock options, stock warrants and reserved for issuance under our existing stock incentive plan would be proportionately adjusted pursuant to the terms of such agreements to reflect the stock split, and the per share exercise prices of outstanding options and warrants under such agreements would be proportionately reduced. Under the terms of the consent granted by our Board, we can also effect a forward split at a ratio of less than 1:20, however, the same considerations discussed herein would still apply.

*Federal Income Tax Consequences of the Forward Split*

We believe that a stock split would not result in the recognition of a taxable gain or loss to the stockholders for federal income tax purposes. In addition, we believe the tax basis for shares in the hands of a stockholder prior to the stock split will become the tax basis for the total number of shares to be held by such stockholder immediately after the stock split, and the holding period of the newly acquired shares will be deemed to be the same as the holding period of the corresponding shares held prior to the stock split. This discussion should not be considered as tax or investment advice, and the tax consequences of the forward split may not be the same for all stockholders. Stockholders should consult their own tax advisors to know their individual Federal, state, local and foreign tax consequences.

If we find a suitable acquisition candidate, the Board will determine whether a forward or reverse split will better assist us in securing the candidate and completing an acquisition.

**Procedure For Effecting A Stock Split**

As soon as practicable after we implement a stock split and select an effective date thereof, we will send a letter of transmittal and instruction to each holder of record of shares outstanding on that date.

If we implement a *forward* stock split, then every one share of common stock outstanding at that time, without any action on the part of the stockholder, will automatically represent twenty shares of common stock (or such other number as may be

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appropriate should our Board determine that a ratio of less than 1:20 is appropriate). The number of shares of common stock issued and outstanding will then be increased accordingly. We will implement it by issuing an additional stock certificate to each stockholder of record as of the close of business on the effective date. The additional certificate will represent the additional shares and stockholders should retain their then current stock certificates.

No fractional shares of post-split common stock will be issued to any stockholder. In lieu of any such fractional share interest, each holder of pre-split common stock who would otherwise be entitled to receive a fractional share of post-split common stock will in lieu thereof receive one full share upon surrender of certificate formerly representing pre-split common stock held by such holder.

If the Board implements a stock split, we will promptly file a Certificate of Amendment with the Secretary of State of the State of Nevada to amend our existing Articles of Incorporation. The stock split will become effective on the date of filing the Certificate of Amendment, which is referred to as the "effective date." Beginning on the effective date, each certificate representing pre-stock split shares will be deemed for all corporate purposes to evidence ownership of post-stock split shares. The text of the Certificate of Amendment is set forth in Exhibit B hereto. The text of the Certificate of Amendment is subject to modification to include such changes as may be required by the office of the Secretary of State of the State of Nevada and as the Board deems necessary and advisable to effect the stock split, including whether it will be a forward or reverse split.

Pursuant to Nevada Revised Statutes, NRS 78.2055 and NRS 78.207, this proposal can be approved by the affirmative vote of shareholders holding at least a majority of the voting power.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO AUTHORIZE THE BOARD OF DIRECTORS TO IMPLEMENT A FORWARD STOCK SPLIT.**

#### **BENEFICIAL OWNERSHIP OF ENDO COMMON STOCK**

##### ***Beneficial Owners of More Than 5% of Our Common Stock***

The following table sets forth, as of July 18, 2006: (a) the names and addresses of each beneficial owner of more than five percent (5%) of our Common Stock beneficially owned by each such person, and the percent of our

Common Stock so owned; and (b) the names and addresses of each director and executive officer, the number of shares our Common Stock beneficially owned, and the percentage of our Common Stock so owned, by each such person, and by all of our directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of our Common Stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of Common Stock except as otherwise indicated.

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Name and Address	Amount and Nature of Beneficial Ownership	Percentage Of Voting of Securities (1)
Peter B. Day (2) 2624 Dunwin Drive, Unit #3 Mississauga, Ontario L51 3T5	4,577,500	33.8%
Dean T. Hiebert (2) 2624 Dunwin Drive, Unit #3 Mississauga, Ontario L51 3T5	2,358,000	17.4%
Charles Smith (2) 709-B West Rusk #580 Rockwall, Texas 75087	1,511,750(3)	11.2%
Christopher Skillen 2624 Dunwin Drive, Unit #3 Mississauga, Ontario L51 3T5	0	0%
All Officers and Directors as a group (3 persons)	6,089,250	45.0%

(1)

All Percentages have been rounded up to the nearest one hundredth of one percent.

(2)

Executive officer of the Company and a member of the Company's Board of Directors.

(3)

Includes 1,511,750 shares owned by Lynn Management, LLC, a company owned by Mr. Smith.

**STOCKHOLDER PROPOSALS FOR THE 2007 ANNUAL MEETING**

Any stockholder who intends to present a proposal at the 2007 Annual Meeting of Stockholders must ensure that the proposal is received by the Corporate Secretary of Endo Networks, Inc., 2624 Dunwin Drive, Unit #3, Mississauga, Ontario, Canada L5L 3T5:

Not later than \_\_\_\_\_, if the proposal is submitted for inclusion in our proxy materials for that meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934; or

**FINANCIAL STATEMENTS**

The following financial statements are attached to this report and filed as a part thereof.

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1.

Independent Auditors' Report

2.

Financial Statements as of September 30, 2005 and 2004.

3.

Notes to Consolidated Financial Statements as of September 30, 2005 and 2004

4.

Financial Statements as of March 31, 2006

5.

Notes to Financial Statements as of March 31, 2006

6.

Pro Forma Financial Statement as of March 31, 2006

7.

Pro Forma Financial Statement as of September 30, 2005

8.

Pro Forma Financial Statement as of September 30, 2004

### **Documents Incorporated By Reference**

In our filings with the SEC, information is sometimes incorporated by reference. This means that we may disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement, except for any information that is superceded or modified by information contained directly in this proxy statement or in any other subsequently filed document that is also incorporated by reference herein. This proxy statement incorporates by reference the information set forth below that the Company has previously filed with the SEC and that is being delivered to you along with this proxy statement.

The following information contained in our Annual Report on Form 10-KSB for the year ended September 30, 2005, as filed with the Securities and Exchange Commission on January 23, 2006 (File No. 000-51753) is incorporated by reference herein:

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Part I, Item 1. Description of Business

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Part I, Item 2. Description of Property

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Part II, Item 5. Market for Common Equity and Related Stockholder Matters

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Part II, Item 6. Management's Discussion and Analysis of Financial condition and Results of Operations

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Part II, Item 8. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

The following information contained in our Quarterly Report on Form 10-QSB for the quarterly period ended December 31, 2005 as filed with the Securities and Exchange Commission on February 21, 2006 (File No. 000-51753) is incorporated by reference herein:

Part I, Item 2. Management's Discussion and Analysis of Financial condition and Results of Operations

The following information contained in our Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2006 as filed with the Securities and Exchange Commission on May 10, 2006 (File No. 000-51753) is incorporated by reference herein:

Part I, Item 2. Management's Discussion and Analysis of Financial condition and Results of Operations

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Certificate of Amendment to Articles of Incorporation

for

ENDO NETWORKS, INC.

Pursuant to the provisions under the Nevada Revised Statutes 78.385 and 78.390, the undersigned hereby adopts the following Articles of Amendment for ENDO NETWORKS, INC. (the Company ):

1.

Name of the Corporation is ENDO NETWORKS, INC.

2.

The articles have been amended as follows:

**Article V**

The amount of the total authorized capital stock of this corporation is Fifty Million (50,000,000) shares of \$0.001 Par Value.

Upon the filing of this amendment with the office of the Secretary of State of the State of Nevada (the Effective Date"), each [number determined by the Corporation's Board of Directors] shares of Common Stock then issued, which are the only voting securities of the Corporation issued and outstanding, shall be automatically reclassified into [number determined by the Corporation's Board of Directors] shares of Common Stock. No fractional interests in shares shall be issued, nor shall any stockholder be entitled to any cash compensation for any fractional interests after such reclassification.

From and after the Effective Date, the amount of capital represented by the Common Stock immediately after the Effective Date shall be the same as the amount of capital represented by such shares immediately prior to the Effective Date, until thereafter reduced or increased in accordance with applicable law. The par value of a Share of Common Stock shall remain unchanged after the Stock Split at \$0.001 per share.

From and after the Effective Date, the total number of shares of all classes of capital stock which the Corporation shall have authority to issue shall remain unchanged.

The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provision of the articles of incorporation that have voted for the amendment is \_\_\_\_\_ shares representing \_\_\_\_\_% of the outstanding shares.

Signatures

Peter Day,

President

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**ADMISSION TICKET**

**ENDO NETWORKS, INC.**

2624 Dunwin Drive, Unit #3

Mississauga, Ontario, Canada L5L 3T5

**THIS ADMISSION TICKET ADMITS ONLY THE NAMED STOCKHOLDER AND A GUEST.**

**NOTE:** If you plan on attending the Annual Meeting in person, please bring, in addition to this admission ticket, a proper form of identification. Video, still photography and recording devices are not permitted at the Annual Meeting. For the safety of attendees, all handbags and briefcases are subject to inspection. Your cooperation is appreciated.

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**PROXY**

**ENDO NETWORKS, INC.**  
2624 Dunwin Drive, Unit #3

Mississauga, Ontario, Canada L5L 3T5

**Annual Meeting of Shareholders** \_\_\_\_\_

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Peter B. Day, as proxy of the undersigned, with full power to appoint his substitute, and hereby authorizes him to represent and to vote all the shares of stock of Endo Networks, Inc. which the undersigned is entitled to vote, as specified on the reverse side of this card, at the Annual meeting of Shareholders of Endo Networks, Inc. to be held at 2624 Dunwin Drive, Unit #3 Mississauga, Ontario, Canada L5L 3T5, on \_\_\_\_\_ at \_\_\_\_\_ and at any adjournment or postponement thereof.

When this proxy is properly executed, the shares to which this proxy relates will be voted as specified. *If no contrary instruction is indicated for any proposal, the vote shall be cast in accordance with the recommendation of the Board of Directors.* This proxy authorizes the above designated proxies to vote in their discretion on such other business as may properly come before the meeting or any adjournments or postponements thereof to the extent authorized by Rule 14a-4(c) promulgated under the Securities Exchange Act of 1934, as amended.

If you wish to vote in accordance with the Board of Directors' recommendations, just sign below. You need not mark any boxes.

This proxy is solicited on behalf of the \_\_\_\_\_ Please mark  [X]  
Board of Directors of Endo Networks, Inc. **The Board** your votes as  
**of Directors unanimously recommends that you** indicated in  
**vote "FOR" each of the proposals.** this example.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY BY USING THE ENCLOSED ENVELOPE.

1. To elect Peter B. Day as director.

FOR    AGAINST    ABSTAIN

2. To approve the Sale of Endo Networks, Inc.'s assets and shares of Endo Network, Inc. (Canada).

FOR    AGAINST    ABSTAIN

3. To approve the Board of Director's authority to effect a reverse stock split.

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FOR AGAINST ABSTAIN

4. To approve the Board of Director s authority to effect a forward stock split.

FOR AGAINST ABSTAIN

Please indicate if you intend to attend this meeting

YES

NO

If address has changed, please check the box and indicate your new address below

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I/We: [ ] will attend; [ ] will not attend the meeting.

Signature(s)

Date: \_\_\_\_\_, 2006

\_\_\_\_\_

\_\_\_\_\_

**Please print your name above**

This proxy must be signed exactly as your name appears hereon. When shares are held by joint tenants, both should sign. Attorneys, executors, administrators, trustees and guardians should indicate their capacities. If the signer is a corporation, please print full corporate name and indicate capacity of the duly authorized officer executing on behalf of the corporation. If the signer is a partnership, please print full partnership name and indicate capacity of duly authorized officer executing on behalf of the partnership.

\_\_\_\_\_

**BALANCE SHEET**

March 31, 2006

(Unaudited)

ASSETS

## CURRENT ASSETS:

Cash	\$ 260
	136,008
Accounts receivable, net of allowance for doubtful accounts of \$0	
Prepaid expenses	58,412
Total current assets	194,680

PROPERTY AND EQUIPMENT, net of accumulated depreciation  
of \$1,018,139

358,335

TOTAL ASSETS

\$553,015

LIABILITIES AND STOCKHOLDERS'  
DEFICIT

## LIABILITIES

## Current Liabilities:

Current maturities of capital leases payable	\$182,222
Accounts payable	224,486
Accrued expenses - related party	314,948
Accrued expenses - other	197,733
Total current liabilities	919,389

Total liabilities

919,389

## COMMITMENTS

## STOCKHOLDERS' DEFICIT

Common stock, \$0.001 par value, 50,000,000 authorized, 12,720,366 shares issued and outstanding	12,720
Additional paid-in-capital	304,550

Accumulated deficit	(822,627)
Accumulated other comprehensive income	138,983
Total Stockholders' Deficit	(366,374)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$553,015</b>

See accompanying summary of accounting policies and notes to financial statements.

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**ENDO NETWORKS, INC.****STATEMENTS OF OPERATIONS****Three and Six Months Ended March 31, 2006 and 2005****(Unaudited)**

	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005
Revenue	\$ 170,963	\$ 290,416	\$ 533,102	\$ 437,227
Cost of sales	32,477	59,976	193,035	95,107
Gross profit	138,486	230,171	340,067	342,120
Operating expenses:				
Depreciation	40,268	48,056	83,878	104,902
Other general and administrative	189,821	178,369	410,039	363,287
Total operating expense	230,089	226,425	493,917	468,189
Net income (loss)	\$ (91,603)	\$ 3,746	\$ (153,850)	\$ (126,069)
Net loss per share:				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding:				
Basic and diluted	12,720,366	12,665,366	12,720,366	12,665,366

See accompanying summary of accounting policies and notes to financial statements

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ENDO NETWORKS, INC.  
 STATEMENT OF STOCKHOLDERS' DEFICIT  
 Twelve Months Ended September 30, 2006, and  
 Six Months Ended March 31, 2006  
 (unaudited)

	Common Shares	Stock Amount	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance, September 30, 2004	12,665,366	\$ 12,665	299,105	\$ (454,556)	\$ 44,115	\$ (98,671)
Common stock issued						
for services	55,000	55	5,445			
Net loss				(214,221)		(214,221)
Foreign currency Translation adjustment					92,883	<u>92,883</u>
Total comprehensive loss						(121,338)
Balance September 30, 2005	12,720,366	\$ 12,720	\$ 304,550	\$ (668,777)	\$ 136,998	\$(214,509)
Net loss				( 153,850)		( 153,850)
Foreign currency translation adjustment					1,985	1,985
Total comprehensive loss						( 151,865)
Balance March 31, 2006	_ 12,720,366	_ \$12,720	\$ 304,550	\$ (822,627) _		\$ (366,374 )

\$ 138,983

See accompanying summary of accounting policies and notes to financial statements.

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**ENDO NETWORKS, INC.****STATEMENTS OF CASH FLOWS**

Six Months Ended March 31, 2006 and 2005

(Unaudited)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(153,850)	\$(126,069)
Adjustments to reconcile net loss to net cash provided by operations:		
Items not requiring cash:		
Depreciation and amortization	83,878	104,902
Provision for bad debt	-	22,307
Changes in assets and liabilities:		
Accounts receivable	(52,799)	(1,490)
Prepaid expenses	1,316	3,319
Accounts payable and accrued expenses	136,711	<u>(6,652)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>15,256</b>	<b>3,683</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	<u>(2,819)</u>	<u>(124,503)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(2,819)</b>	<b>(124,503)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on lease financing	<u>(20,746)</u>	<u>16,471</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(20,746)</b>	<b>16,471</b>

Effect of foreign exchange rate changes on cash	<u>8,569</u>	<u>100,215</u>
NET CHANGE IN CASH	260	(11,500)
Cash, beginning of period	-	11,612
Cash, end of period	\$ 260	\$112

See accompanying summary of accounting policies and notes to financial statements.

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ENDO NETWORKS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: MANAGEMENT REPRESENTATION AND PRESENTATION

The balance sheet of ENDO Networks, Inc. ( ENDO ) as of March 31, 2006, the related statements of operations for the three and six months ended March 31, 2006 and 2005 and the statements of cash flows for the six months ended March 31, 2006 included in the financial statements have been prepared by ENDO without audit. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the ENDO S financial position and results of operations. The results of operations for the three and six months ended March 31, 2006 are not necessarily indicative of the results of operations for the full year or any other interim period. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year ended September 30, 2005 to be reported in Form 10-KSB, have been omitted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

ENDO is an interactive media, promotion, application, and advertising aggregator deploying through wireless capable public access portals to retail and restaurant locations across North America. ENDO also develops application software and client controlled media including television and radio.

Cash Equivalents

ENDO considers all highly liquid investment instruments purchased with original maturities of three months or less when acquired to be cash equivalents.

Revenue Recognition

ENDO recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. ENDO recognizes revenue from the sale of advertising related products and services like interactive advertising, studio promotion, and event management as the services are performed.

Revenue derived from professional services provided on a time and materials basis is recognized as services are performed.

For time and material contracts, revenue is recognized and billed by multiplying the number of hours expended by our professionals in the performance of the contract by the established billing rates. For fixed fee projects, revenue is generally recognized using the proportionate performance method. Provisions for estimated losses on uncompleted contracts are made on a contract-by-contract basis and are recognized in the period in which such losses are

determined.

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ENDO maintains allowances for doubtful accounts on all its accounts receivable for estimated losses resulting from the inability of its customers and others to make required payments. If the financial condition of ENDO's customers and others were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Intangible assets

Intangible assets are recorded at cost. Cost is amortized over the estimated useful life of the asset unless that life is determined to be indefinite.

Intangible assets not subject to amortization are tested for impairment on at least an annual basis. If the fair value of the intangible asset is determined to be less than the carrying amount, an impairment loss is recognized in the amount of that difference.

Intangible assets subject to amortization are reviewed for impairment in accordance with the provisions applying to long-lived assets.

#### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on straight-line method over the estimated useful lives of the assets. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment losses have been recorded since inception.

#### Impairment of long-lived assets

The Company monitors the recoverability of long-lived assets, including property and equipment and intangible assets, based upon estimates using factors such as expected future asset utilization, business climate, and undiscounted cash flows resulting from the use of the related assets or to be realized on sale. The Company's policy is to write down assets to the estimated net recoverable amount, in the period in which it is determined likely that the carrying amount of the asset will not be recoverable.

#### Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Loss per Share

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The basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the three and six months ended March 31, 2006 and 2005 potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share. These securities consisted of 634,000 of stock options at March 31, 2006 and 2005.

#### Stock-Based Compensation

During the first quarter of 2006 ENDO adopted FASB issued Statement No. 123(R) (revised 2004) ( FAS 123(R) ). FAS 123(R) revises FASB Statement No. 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25. FAS 123(R) and requires the Company to measure the cost of employee services received in exchange for stock option awards based on the grant-date fair value of such awards. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. The Company will report such costs as part of our general and administrative expenses.

Prior to the adoption of FAS 123(R), ENDO accounted for its stock-based compensation plans under Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees.

#### Foreign Currency Translation

As nearly all operations are conducted in Canada, the Canadian dollar is the functional currency. All balance sheet accounts have been translated at the current exchange rate as of March 31, 2006. Statement of operations items have been translated at average currency exchange rates during the periods ended March 31, 2006 and 2005. The resulting translation adjustment is recorded as a separate component of comprehensive loss within stockholders' deficit.

#### NOTE 3 GOING CONCERN

For the six months ended March 31, 2006 and the year ended September 30, 2005, ENDO incurred losses totaling \$153,850 and \$214,221, respectively, and at March 31, 2006 had a working capital deficit of \$724,709.

There are no assurances that ENDO will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support ENDO's working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, ENDO will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to ENDO. If adequate working capital is not available ENDO may not continue its operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### NOTE 4 - LEASE FINANCING OBLIGATIONS



In September 2005 the ENDO restructured its lease payable obligation. As of March 31, 2006, ENDO is in technical default on its current lease obligations since it has missed payments totaling approximately \$20,391. As a result the entire lease payable has been classified as a current liability, and is included with current maturities of capital leases payable in the accompanying financial statements.

NOTE 5 PAYROLL TAXES

ENDO is required to remit employer payroll and employee payroll and income tax withholding payments in the month following the payroll period. As of March 31, 2006 payroll tax and income tax withholding payments in the amount of \$39,407 are in arrears.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

ENDO Networks, Inc.

Mississauga, Ontario, Canada

We have audited the accompanying balance sheet of ENDO Networks, Inc. as of September 30, 2004 and the related statements of operations, stockholders' deficit, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ENDO Networks, Inc. as of September 30, 2004 and the results of its operations and its cash flows for each of the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Lopez, Blevins, Bork & Associates, LLP

Lopez, Blevins, Bork & Associates, LLP

Houston, Texas

January 28, 2005



**ENDO NETWORKS, INC.**

**BALANCE SHEET**

September 30, 2004

ASSETS

CURRENT  
ASSETS:

Cash	\$11,612
Accounts receivable, net of allowance of \$14,177	145,401
Prepaid expenses	72,141
Total current assets	229,154
PROPERTY AND EQUIPMENT, net of accumulated deprecaition of \$615,771	452,567
TOTAL ASSETS	\$681,721

LIABILITIES AND  
STOCKHOLDERS' DEFICIT

LIABILITIES

Accounts payable	\$284,428
Accrued expenses	283,188
Capitalized leases - current	111,426
Total current liabilities	679,042
Capitalized leases - non current	101,350

TOTAL LIABILITIES	780,392
STOCKHOLDERS' DEFICIT	
Common stock, \$0.001 par value, 50,000,000 authorized, 12,665,366 shares issued and outstanding	12,665
Additional paid-in-capital	299,105
Accumulated deficit	(454,556)
Accumulated other comprehensive income	44,115
Total Stockholders' Deficit	(98,671)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$681,721

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See accompanying summary of accounting policies and notes to financial statements.

**ENDO NETWORKS,  
INC.**

**STATEMENT OF  
OPERATIONS**

Years Ended September 30,  
2004 and 2003

	2004	2003
Revenue	\$770,522	\$909,518
Cost of Goods Sold	397,469	463,718
Gross Profit	373,053	445,800
Operating Expense:		
Depreciation and amortization	90,886	65,885
General and administrative	552,262	400,820
Total Operating Expense	643,148	466,705



NET LOSS	(\$270,095)	(\$20,905)
Weighted average shares outstanding	12,631,837	12,565,866
Loss per share - basic and diluted	(\$0.02)	(\$0.00)

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See accompanying summary of accounting policies and notes to financial statements.

**ENDO  
NETWORKS, INC.**

**STATEMENT OF  
STOCKHOLDERS'  
DEFICIT**

Years Ended  
September 30, 2004

	Common Stock		Additional	Accumulated
	Shares	Amount	Paid In Capital	Deficit
Balance, September 30, 2002	12,568,866	12,569	267,138	(163,556)
Comprehensive loss:				
Net loss				(20,905)
Foreign currency translation				

Comprehensive loss				
Collection of subscription receivable			25,308	
Balance September 30, 2003	12,568,866	12,569	292,446	(184,461)
Common stock issued for services	96,500	96	6,659	
Comprehensive loss:				
Net loss				(270,095)
Foreign currency translation				

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Comprehensive loss						(225,980)
Balance						
September 30, 2004	12,665,366	\$12,665	\$299,105		(\$454,556)	\$44,115 (\$98,671)

See accompanying summary of accounting policies and notes to financial statements.

**ENDO  
NETWORKS,  
INC.**

**STATEMENT  
OF CASH  
FLOWS**

Years Ended  
September 30,  
2004 and 2003

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	(\$270,095)	(\$20,905)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Bad debt	18,000	-
Items not requiring cash - depreciation and amortization	341,181	65,882
Items not requiring cash - common stock issued for services	6,755	
Changes in assets and liabilities:		
Accounts receivable	(5,177)	(88,453)
Prepaid expenses	(12,999)	(8,437)
Parts inventory	-	12,700
Accounts payable	128,752	110,237

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Accrued expenses	149,078	48,775
NET CASH BY (USED IN) OPERATING ACTIVITIES:	355,495	119,799
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(267,511)	(169,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of common stock	0	25,308
Proceeds from lease financing	0	82,367
Payments on lease financing	(136,137)	(61,278)
CASH FLOWS FROM FINANCING ACTIVITIES	(136,137)	46,397
Effect of foreign exchange rate changes on cash	44,115	-
NET CHANGE IN CASH	(4,038)	(3,253)
Cash, beginning of period	15,650	18,903
Cash, end of period	\$11,612	\$15,650



ENDO NETWORKS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

ENDO Networks, Inc. (ENDO) is an interactive media, promotion, application, and advertising aggregator deploying through wireless capable public access portals to retail and restaurant locations across North America, predominantly Canada. ENDO also develops application software and client controlled media including television and radio.

Cash Equivalents

ENDO considers all highly liquid investment instruments purchased with original maturities of three months or less when acquired to be cash equivalents.

Revenue Recognition

ENDO recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. ENDO recognizes revenue from the sale of advertising related products and services like interactive advertising, studio promotion, and event management as the services are performed.

Revenue derived from professional services provided on a time and materials basis is recognized as services are performed.



For time and material contracts, revenue is recognized and billed by multiplying the number of hours expended by our professionals in the performance of the contract by the established billing rates. For fixed fee projects, revenue is generally recognized using the proportionate performance method. Provisions for estimated losses on uncompleted contracts are made on a contract-by-contract basis and are recognized in the period in which such losses are determined.

ENDO maintains allowances for doubtful accounts on all its accounts receivable for estimated losses resulting from the inability of its customers and others to make required payments. If the financial condition of ENDO's customers and others were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

#### Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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## Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation of furniture and equipment is calculated on straight-line method over the estimated useful lives of the assets.

Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. No impairment losses have been recorded since inception.

## Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

## Loss per Share

The basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the year ended September 30, 2004, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share. These securities consisted of 634,000 options at September 30, 2004.

## Recently Issued Accounting Pronouncements

ENDO does not expect the adoption of recently issued accounting pronouncements to have a significant impact on ENDO's results of operations, financial position or cash flow.

#### Stock-Based Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees. The pro forma information below is based on provisions of Statement of Financial Accounting Standard ( FAS ) No. 123, Accounting for Stock-Based Compensation, as amended by FAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure, issued in December 2002.

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	2004	2003
	\$	\$
Net loss, as reported	(270,095)	(20,905)
Add: Intrinsic value expense recorded	-	-
Deduct: total stock-based employee compensation expense determined under fair value based method	<u>(95,050)</u>	=
	<u>\$</u>	<u>\$</u>
Pro forma net loss	<u>(365,145)</u>	<u>(20,905)</u>
 <u>Earnings per share:</u>		
Basic and diluted - as reported	(.02)	(.00)
Basic and diluted pro forma	(.03)	(.00)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2004: no dividend yield and expected volatility of 195%, risk-free interest rate of 2.75%, and expected lives of 2 years.

#### Foreign Currency Translation

As nearly all operations are conducted in Canada, the Canadian dollar is the functional currency. All balance sheet accounts have been translated at the current exchange rate as of September 30, 2004. Statement of operations items have been translated at average currency exchange rates. The resulting translation adjustment is recorded as a separate component of comprehensive loss within stockholders' deficit.

#### Software Capitalization

ENDO adopted Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". In accordance with this standard, certain direct development costs associated with internal-use software are capitalized, including external direct costs of material and services, and payroll costs for employees devoting time to the software projects. These costs are amortized over a period not to exceed five years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as

maintenance and training, are expensed as incurred.

NOTE 2 - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of September 30, 2004:

		Estimated	
		Useful	
		Lives	
Automobiles			
3	\$ 3,052		
Kiosk equipment			
3	118,428		
Furniture and equipment			
	5-7		607,303
Computer equipment and software		3-5	29,410
Intellectual property			
2	277,184		
Application development (software)			
3	32,961		

	1,068,338
Less: accumulated depreciation and Amortization	
(615,771)	
	\$ <u>452,567</u>

Depreciation and amortization expense was \$341,181 and \$65,885 for the periods ending September 30, 2004 and 2003, respectively.

NOTE 3 - LEASES

Capital Leases

ENDO leases equipment under long-term lease agreements. The leases covering certain equipment, which expire over the next three years, are classified as capital leases. Property and equipment includes equipment under capital leases of \$603,114.

The future minimum lease payments for capital leases and for operating leases (with initial or remaining non-cancelable terms in excess of one year) as of September 30, 2004 follow:

<u>Years ending</u>	<u>Amount</u>
---------------------	---------------

-----	
2004	\$ 111,426
2005	59,980
2006	41,370
	-----
	212,776
Less: current maturities	111,426
	-----
Capitalized leases - long-term	\$ 101,350
	=====

Operating Lease

ENDO leases its office space for \$2,894 per month on a month to month basis. ENDO had no other operating leases for the years ended September 30, 2004 and 2003.

NOTE 4 - INCOME TAXES

For the years ended September 30, 2004 and 2002, ENDO has incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately \$300,000 at September 30, 2004, and will expire in the years 2021 through 2024.

Deferred income taxes consist of the following at September 30, 2004:

Long-term:

Deferred tax assets	\$	102,000
Valuation allowance		<u>(102,000)</u>
	\$	-
		=====

#### NOTE 5 - STOCKHOLDERS' EQUITY

Common Stock:

ENDO is authorized to issue 50,000,000 common shares of stock at a par value of \$0.001 per share. These shares have full voting rights. At September 30, 2004, there were 12,665,366 shares outstanding. ENDO has not paid a dividend to its shareholders.

Common Stock:

During July 2004, ENDO issued 96,500 shares of common stock for services valued \$0.07 per share or \$6,755 which was the fair value of common stock on the date issued.

Stock Options:



No compensation cost has been recognized for grants under the stock option plans since all grants pursuant to these plans have been made at the current estimated fair values of ENDO's common stock at the grant date. There were 634,000 options issued for the year ended September 30, 2004.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in fiscal 2004: zero dividend yield, expected volatility of 195%, risk-free interest rate of 2.75% and expected lives of 2 years.

The options granted have an exercise price of \$.50 per share and vest at the date of issuance. The maximum term of the options is two years.

The following table summarizes stock option activity:

Outstanding, October 1, 2003	634,000
Granted	634,000
Canceled	(634,000)
Exercised	-
	-----
Outstanding, September 30, 2004	634,000
	=====
Exercisable at September 30, 2004	634,000
	=====

Weighted-average grant-date fair  
value of options, granted during  
the year

	\$	0.15
	=====	

Weighted-average remaining, years  
of contractual life

		1.25
	=====	

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

As of September 30, 2004, amounts due from four customers amounted to 88% of total trade accounts receivable.

One customer accounted for 44% of total revenues and three customers accounted for 20%, 13%, and 12% of total revenues for the years ended September 30, 2004 and 2003, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Endo Networks, Inc.

Mississauga, Ontario, Canada

We have audited the accompanying balance sheet of Endo Networks, Inc. as of September 30, 2005, and the related statements of operations, stockholders' deficit, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Endo Networks, Inc. as of September 30, 2005, and the results of its operations and its cash flows for each of the two years then ended, in conformity with the accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Endo Networks, Inc. will continue as a going concern. As discussed in Note 2 to the financial statements, Endo Networks, Inc. has incurred losses from operations for the years ended September 30, 2005 and 2004 totaling approximately \$214,000 and \$270,000 and has negative net worth approximating \$215,000 and current liabilities exceed current assets by approximately \$512,000. Endo will require additional working capital to develop its business until Endo either (1) achieves a level of revenues adequate to generate sufficient cash flows from operations; or (2) obtains additional financing necessary to support its working capital requirements. These conditions raise substantial doubt about Endo's ability to continue as a going concern. Management's plans regard to this matter are described in Note 2. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Lopez, Blevins, Bork & Associates, LLP

Lopez, Blevins, Bork & Associates, LLP

Houston, Texas

December 29, 2005

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**ENDO NETWORKS, INC.**

**BALANCE SHEET**

September 30, 2005

ASSETS

CURRENT ASSETS:

Accounts receivable, net of allowance for doubtful accounts of \$0	\$83,209
Prepaid expenses	59,728
Total current assets	142,937

PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$869,600	441,170
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TOTAL ASSETS	\$584,107
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LIABILITIES AND STOCKHOLDERS' DEFICIT

LIABILITIES

Current Liabilities:

Current maturities of capital leases payable	\$54,028
Accounts payable	196,092
Accrued expenses - related party	251,120
Accrued expenses - other	153,244
Total current liabilities	654,484

Capital leases payable	144,132
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Commitments

STOCKHOLDERS' DEFICIT

Common stock, \$0.001 par value, 50,000,000 authorized,

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12,720,366 shares issued and outstanding	12,720
Additional paid-in-capital	304,550
Accumulated deficit	(668,777)
Accumulated other comprehensive income	136,998

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Total Stockholders' Deficit	(214,509)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$584,107</b>

See accompanying summary of accounting policies and notes to financial statements.

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**ENDO NETWORKS, INC.**  
**STATEMENTS OF OPERATIONS**  
Years Ended September 30, 2005 and 2004

	2005	2004
Revenue	\$1,289,498	\$770,522
Cost of Goods Sold	599,483	397,469
Gross Profit	690,015	373,053
Operating Expense:		
Depreciation and amortization	95,684	99,886
General and administrative	808,552	552,262
Total Operating Expense	904,236	643,148
NET LOSS	(\$214,221)	(\$270,095)
Weighted average shares outstanding	12,693,092	12,631,837
Loss per share - basic and fully diluted	(\$0.02)	(\$0.02)



See accompanying summary of accounting policies and notes to financial statements.

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ENDO NETWORKS, INC.  
 STATEMENTS OF STOCKHOLDERS' DEFICIT  
 Years Ended September 30, 2005 and 2004

	Common Shares	Stock Amount	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance, September 30, 2003	12,568,866	12,569	292,446	(184,461)		\$120,554
Common stock issued for services	96,500	96	6,659			6,755
Net loss				(270,095)		(270,095)
Foreign currency translation adjustment					44,115	44,115
Total comprehensive loss						(225,980)
Balance September 30, 2004	12,665,366	12,665	299,105	(454,556)	44,115	(98,671)
Common stock issued for services	55,000	55	5,445			5,500
Net loss				(214,221)		(214,221)
Foreign currency Translation adjustment					92,883	92,883
Total comprehensive loss						(121,338)
Balance						

Balance

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September 30, 2005	12,720,366	\$12,720	\$304,550	(\$668,777)	\$136,998	(\$214,509)
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