

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

**BREAKTHROUGH ELECTRONICS INC**

CIK: **816232** | State of Incorporation: **NV** | Fiscal Year End: **1231**  
Type: **10KSB** | Act: **34** | File No.: **033-14982-LA** | Film No.: **99709711**  
SIC: **3600** Electronic & other electrical equipment (no computer equip)

Mailing Address  
2612 EAST KENTUCKY  
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SALT LAKE CITY UT 84117

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-KSB

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

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 1998

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

COMMISSION FILE NO.: 33-14982 - LA

BREAKTHROUGH ELECTRONICS, INC.

-----  
(Name of Small Business Issuer in its Charter)

NEVADA

88-0226208

-----  
(State or other jurisdiction of  
incorporation or organization)

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

3179 West Sahara, Suite D-21  
Las Vegas, Nevada

89102

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Issuer's Telephone Number: (702) 368-0664

Securities Registered Pursuant to Section 12(g) of the Act:

None  
-----

Check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not obtained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year. \$0.

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days: The Company's stock has traded on only a very limited and sporadic basis for several years, and it is difficult, if not impracticable, therefore, to determine the market value of equity held by non-affiliates. However, the aggregate market value of the Registrant's voting stock held by non-affiliates computed with reference to actual sales prices in the over-the-counter market as of the date of this report, was approximately \$40,400.

As of the date of the filing of this report, the Registrant had outstanding a total of 710,538 shares of its common stock, par value \$ 0.001, after giving effect to a 1-for-100 reverse split effectuated by the Registrant in 1998.

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PART I

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 ITEM 1. BUSINESS  
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HISTORY

Breakthrough Electronics, Inc. (the "Company"), was incorporated as a Nevada corporation on July 31, 1986, under the name "Queens Mining Company," to engage in mining exploration on certain placer mining claims in Esmeralda County, Nevada. In June, 1987, after the Company acquired all of the rights to an electronic device, known as the "Phoneguard," capable of screening telephone calls from its then President, Barry Rose, the Company changed its name to "Breakthrough Electronics, Inc." and changed its business focus to developing and marketing various electronic products. The Company pursued these development efforts for a number of years, and ultimately was forced to terminate these business activities due to lack of funding.

For the past several years, the Company has been inactive. Over the past several years, the Company has had no operations, and no material assets or liabilities. Over the past two years, the Company has been engaged in efforts to reactivate its business, and to seek a suitable business opportunity in which the Company may become engaged, discussed below.

#### GENERAL

The Company has had no operations, or significant assets or liabilities over the past six (6) years. Accordingly, the Company is dependent upon management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase. It is the present intent of management and significant shareholders to provide any working capital necessary to support and preserve the integrity of the corporate entity until such time as additional capital is raised, if ever.

The Company has no operations, assets or liabilities and, accordingly, is fully dependent upon its officers and directors and controlling shareholders for operating capital. During the period(s) presented herein, the Company was dormant, except for certain monies paid to the Company by

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officers and certain principal shareholders to provide the Company with funds to pay expenses. (See "Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.")

The Company has been under new management since 1997. Since that time, the Company and its officers have been undertaking efforts to update financials statements over the preceding fiscal quarters, and to put the Company in a position to begin evaluating a number of business ventures for possible acquisition or participation by the Company. The Company has not entered into any agreement, as of the date of this filing. The Company intends to investigate, review, and evaluate business opportunities as they become available and will seek to acquire or become engaged in business opportunities at such time as specific opportunities warrant.

To a large extent, a decision to participate in a specific business opportunity may be made upon management's analysis regarding the quality of the other firm's management and personnel, the asset base of such firm or enterprise, the anticipated acceptability of new products or marketing concepts, the merit of the firm's business plan, and numerous other factors which are difficult, if not impossible, to analyze through the application of any objective criteria.

Now that the Company has completed necessary preparatory work to update the Company's financial statements and bring the Company current, the Company will begin efforts to seek to acquire an interest in a business with long-term growth potential. It is emphasized that the business objectives discussed herein are extremely general and are not intended to be restrictive on the discretion of the Company's management.

Management anticipates that it may be able to participate in only one potential business venture, due primarily to the Company's limited capital.

This lack of diversification should be considered a substantial risk, because it will not permit the Company to offset potential losses from one venture against gains from another.

In connection with the Company's acquisition of a business, it is possible that the present shareholders of the Company, may, as a negotiated element of the acquisition, sell a portion or all of the Company's Common Stock held by them at a premium over their original investment in the Company. As a result of such sales, affiliates of the entity participating in the business reorganization with the Company would acquire a higher percentage of equity ownership in the Company. Management does not intend to actively negotiate for or otherwise require the purchase of all or any portion of its stock as a condition to or in connection with any proposed merger or acquisition. Although the Company's present shareholders did not acquire their shares of Common Stock with a view towards any subsequent sale in connection with a business reorganization, it is not unusual for affiliates of the entity participating in the reorganization to negotiate to purchase shares held by the present shareholders in order to reduce the amount of shares held by persons no longer affiliated with the Company and thereby reduce the potential adverse impact on the public market in the Company's common stock that could result from substantial sales of such shares after the business reorganization. Public investors will not receive any portion of the premium that may be paid in the foregoing circumstances. Furthermore, the Company's shareholders may not be afforded an opportunity to approve or consent to any particular stock buy-out transaction.

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In the event sales of shares by present shareholders of the Company is a negotiated element of a future acquisition, a conflict of interest may arise because directors will be negotiating for the acquisition on behalf of the Company and for sale of their shares for their own respective accounts. Where a business opportunity is well suited for acquisition by the Company, but affiliates of the business opportunity impose a condition that management sell their shares at a price which is unacceptable to them, management may not sacrifice their financial interest for the Company to complete the transaction. Where the business opportunity is not well suited, but the price offered management for their shares is high, Management will be tempted to effect the acquisition to realize a substantial gain on their shares in the Company. Management has not adopted any policy for resolving the foregoing potential conflicts, should they arise, and does not intend to obtain an independent appraisal to determine whether any price that may be offered for their shares is fair. Stockholders must rely, instead, on the obligation of management to fulfill its fiduciary duty under state law to act in the best interests of the Company and its stockholders.

It is anticipated that any securities issued in any such reorganization would be issued in reliance on exemptions from registration under applicable federal and state securities laws. In some circumstances, however, as a negotiated element of the transaction, the Company may agree to register such securities either at the time the transaction is consummated, under certain conditions, or at specified times thereafter. Although the terms of such registration rights and the number of securities, if any, which may be registered cannot be predicted, it may be expected that registration of securities by the Company in these circumstances would entail substantial expense to the Company. The issuance of substantial additional securities and their potential sale into any trading market which may develop in the Company's securities may have a depressive effect on such market.

Notwithstanding the fact that the Company is technically the acquiring entity in the foregoing circumstances, generally accepted accounting principles will ordinarily require that such transaction be accounted for as if the Company had been acquired by the other entity owning the business and, therefore, will not permit a write-up in the carrying value of the assets of the other company.

The manner in which the Company participates in a business will depend on the nature of the business, the respective needs and desires of the Company and other parties, the management of the business, and the relative negotiating strength of the Company and such other management.

The Company will participate in a business only after the negotiation and execution of appropriate written agreements. Although the terms of such agreements cannot be predicted, generally such agreements will require specific representations and warranties by all of the parties thereto, will specify certain events of default, will detail the terms of closing and the conditions which must be satisfied by each of the parties prior to such closing, will outline the manner of bearing costs if the transaction is not closed, will set forth remedies on default, and will include miscellaneous other terms.

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#### OPERATION OF BUSINESS AFTER ACQUISITION

The Company's operation following its acquisition of a business will be dependent on the nature of the business and the interest acquired. The Company is unable to predict whether the Company will be in control of the business or whether present management will be in control of the Company following the acquisition. It may be expected that the business will present various risks, which cannot be predicted at the present time.

#### GOVERNMENTAL REGULATION

It is impossible to predict the government regulation, if any, to which the Company may be subject until it has acquired an interest in a business. The use of assets and/or conduct of businesses which the Company may acquire could subject it to environmental, public health and safety, land use, trade, or other governmental regulations and state or local taxation. In selecting a business in which to acquire an interest, management will endeavor to ascertain, to the extent of the limited resources of the Company, the effects of such government regulation on the prospective business of the Company. In certain circumstances, however, such as the acquisition of an interest in a new or start-up business activity, it may not be possible to predict with any degree of accuracy the impact of government regulation. The inability to ascertain the effect of government regulation on a prospective business activity will make the acquisition of an interest in such business a higher risk.

#### BUSINESS

The Registrant has not been actively engaged in business for the past several years, and has only recently undertaken necessary activities to enable it to become engaged in business operations. The Company plans to seek out, investigate and acquire, or become engaged in, any business opportunity management believes has good business potential. No specific business or industry is presently contemplated.

Management anticipates that it will only acquire businesses which have, or can generate or provide, audited financial statements. However, management reserves the right to become engaged in a new business venture or a venture in its infancy, if management determines such venture holds good business potential.

The Company recognizes that because of its extremely limited financial, management and other resources, the number of quality of suitable potential business ventures available to it may be extremely limited.

The Company's principal business objective will be to seek long-term growth potential in the business venture in which it participates, rather than to seek immediate, short-term earnings. In seeking to attain the Company's business objective, it will not restrict its search to any particular business or industry, but may participate in business ventures of essentially any kind or

nature, including, but not limited to, finance, high technology, manufacturing, natural resources, service, research and development, communications, insurance, transportation and others. Management's

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discretion will be unrestricted and it may participate in any business venture whatsoever, which meets the business objectives discussed herein. It is emphasized that the business objectives of the Company are extremely general and are not intended to be restrictive upon the discretion of management.

The Company plans to seek one or more potential business ventures from its known sources, but will rely heavily on personal contacts of its officers and directors, as well as indirect associations or contacts between them and other business and professional people. It is not presently anticipated that the Company will engage professional firms or individuals specializing in business acquisitions or reorganizations. However, any individual or firm, exclusive of the officers, directors and principals of the Company who find a venture in which the Company becomes engaged, may be properly compensated for their efforts.

The Company will not restrict its search to a venture in any particular stage of development, but may acquire or become engaged in a venture in its preliminary or development stage, may participate in a business which is already in operation, or in a business in various stages of its corporate existence. It is impossible to predict at this stage the status of any venture in which the Company may participate, in that the venture may need additional capital, may desire to have its shares publicly traded, or may seek other perceived advantages which the Company, as a public company, may offer. In some instances, the business endeavors may involve the acquisition of or merger or reorganization with a corporation which does not need substantial additional capital but which desires to establish a public trading market for its securities.

Firms which seek the Company's participation in their operations through a reorganization, asset acquisition, or some other means may desire to do so to avoid what such firms may deem to be adverse factors related to undertaking a public offering. Such factors include substantial time requirements and legal and other costs, along with other conditions or requirements imposed by various state and federal regulatory agencies.

To a large extent, a decision to participate in a specific business endeavor may be made upon management's analysis of the quality of the other firm's management and personnel, the anticipated acceptability of new products, marketing concepts or services, the merit of technological changes, and numerous factors which may not be reflected on a balance sheet or operating statement and are difficult, if not impossible, to analyze through the application of objective criteria. In many instances, it is anticipated that the results of operation of a specific venture may not be indicative of the potential for the future because of the requirement to substantially shift marketing approaches, expand significantly, change product emphasis, change or augment management, and other factors. Because the Company may participate in business endeavors with newly organized firms or with firms which are entering a new phase of growth, it should be emphasized that the Company will incur further risks since management in many instances will not have proved its abilities or effectiveness, the eventual market of such firm's product or services will likely not be established, and the profitability of the firm will be unproved and cannot be accurately predicted.

The analysis and review of new business ventures will be undertaken by or under the supervision of the officers and directors. It cannot be stated at this time as to whether management

will have any significant business experience or expertise in any type of business which is likely to be investigated by the Company. Therefore, management will have to rely on its common sense and business judgment as well as upon the advice of consultants to analyze the factors described above. In reviewing prospective business opportunities, management will consider such matters as the available technical, financial and managerial resources, the working capital and other financial requirements, the history of operations, if any; prospects for the future; the nature of present and expected competition; the quality and experience of management services available and the depth of management; the potential for growth and expansion; risk factors; the perceived public recognition or acceptance of products, services; and other factors.

Generally, management will attempt to analyze all available factors in the circumstances and make a determination based upon a composite of available facts, without reliance upon any single factor as controlling.

The Company is unable to predict the timing as to when it may participate in any specific business endeavor. It expects, however, that the review of business opportunities will commence immediately, and that the analysis and selection of any given venture may take several months or more.

It is anticipated that business opportunities will be available to the Company from various sources, including its officers and directors and shareholders and their business associates, professional advisors, securities broker-dealers, venture capitalists, members of the financial community, and others who may present unsolicited proposals. In certain circumstances, the Company may agree to pay a finder's fee or to otherwise compensate investment banking or other services provided by persons who are unaffiliated with the Company but who submit a potential business opportunity in which the Company elects to participate. No such finder's fee or other fees will be paid to any person who is an officer, director or principal of the Registrant.

The Company may acquire a business venture by conducting a reorganization or merger involving the issuance of securities of the Company. Due to the requirements of certain provisions of the Internal Revenue Code, as amended, in order to obtain certain beneficial tax consequences in such transactions, the number of shares held by all of the present shareholders of the Company prior to such transaction, may be substantially less than the total outstanding shares held by such shareholders in any reorganized entity. The result of any such reorganization or merger transaction could be additional substantial dilution to the shareholders of the Company prior to the transaction.

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

The Company presently has essentially no assets, and does not currently have any specific assets, properties or businesses in mind for potential acquisition or involvement by the Company. Further, the Company does not presently have any particular areas of business or industry in which it intends to look for business opportunities.

In connection with a business acquisition or transaction, the Company may need to raise equity or debt to fund such transaction, or to provide the business opportunity with necessary operating capital. There is no assurance the Company will be able to raise capital when needed, or on terms which are favorable to the Company.

#### OFFICES AND EMPLOYEES

The Company presently uses the office of its President, at 3170 West Sahara, Suite D-21, Las Vegas, Nevada, at no charge. At such time as business operations actively commence, the Company will be required to seek office space and may be charged a reasonable market rate for its office facilities; however, the Company may be able to utilize the offices of an entity with which it merges, or by which it is acquired or which it acquires. The Company has no employees.

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#### ITEM 2. PROPERTIES

The Company does not hold any properties.

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#### ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings, and no such proceedings by or, to the best of its knowledge, against the Company have been threatened.

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#### ITEM 4.

##### SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report. In August, 1998, the board of directors and holders of a majority of the then issued and outstanding voting stock of the Company approved a 1-for-one hundred reverse in the issued and outstanding common stock of the Company, which action was ratified by the board of directors in February, 1999.

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#### PART II

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#### ITEM 5.

##### MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Although quotations for the Company's common stock appear on the OTC

Bulletin Board, there is no established trading market for the common stock. During the past two years, transactions in the common stock can only be described as very limited and sporadic. Consequently, the Company is of the opinion that any published prices cannot be attributed to a liquid and active trading market and, therefore, are not indicative of any meaningful market value. The Company's shares of common stock are currently eligible for quotation on the Electronic Board Bulletin Board under the symbol "BKEL."

The following table sets forth for the respective periods indicated the prices of the Company's Common Stock in the over-the-counter market, as reported and summarized by the OTC Bulletin Board. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

<TABLE>  
 <CAPTION>

CALENDAR QUARTER ENDED <S>	HIGH BID (\$) <C>	LOW BID (\$) <C>
March 31, 1998	\$ .125	\$ .125
June 30, 1998	.125	.125
September 30, 1998	.125	.125
December 31, 1998	.125	.125
March 31, 1999	.125	.125
June 30, 1999	1.125	.125

</TABLE>

In February, 1999, the Company authorized the issuance of a total of 200,000 shares of post-split restricted common stock to Lawrence Grobstein, Secretary/Treasurer, for \$10,000 cash, and 5,000 shares of restricted common stock each to Lawrence Sapperstein, President, and Anthony Adimey, a director, for services rendered on behalf of the Company. In December, 1997, the Company authorized the issuance of a total of 171,199 shares to Kirby Cochran (80,000 shares for cash and services); Roger Lund (51,199 shares for cash and services) and James C. Lewis (40,000 shares for services rendered), for cash and services contributed to the Company valued at \$17,120. The shares of common stock issued in these transactions, are "restricted" within the meaning of the Securities Act of 1933 as amended ("Securities Act"), and such stock was issued in reliance upon the exemption from registration set forth under Section 4(2) of the Securities Act. Each of the individuals who acquired the common stock were provided with all

pertinent information regarding the Company, and executed a representation letter evidencing their investment intent with respect to the shares acquired. The shares of common stock issued in these transactions may be sold only in compliance with all of the terms and conditions of Rule 144 promulgated under the Securities Act. (See "ITEM 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.")

Since inception, no dividends have been paid on the Company's common stock, and the Company does not anticipate paying dividends in the foreseeable future.

As of the date of filing this report, there were approximately 375 holders of record of the Company's common stock.

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ITEM 6.

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

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LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1998, the Company had very limited cash (\$780), liabilities of \$9,580, and no other liquid assets or resources.

At present, the Company does not have adequate capital to conduct any significant operations. The Company is engaged in the search for potential business opportunities for acquisition or involvement with the Company, which activities are severely limited by the Company's lack of resources. Management believes that any business venture in which the Company becomes involved will be made by issuing shares of the Company's authorized but unissued common stock. It is anticipated that the Company's liquidity, capital resources and financial statements will be significantly different subsequent to the consummation of any such transaction.

The Company is dependent upon management and/or its principal shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase, and until the Company is in a position to enter into a business transaction, of which there can be no assurance. It is the intent of management and its principal shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, if the Company is in need of additional capital to enter into a business opportunity, the Company may not have sufficient capital, or be able to obtain sufficient capital from management or its principal shareholders for such purpose.

RESULTS OF OPERATIONS

The Company had essentially no operations during the fiscal year ended December 31, 1998.

The Company incurred expenses during the year ended of \$12,340 in accounting, legal and other general and administrative expenses in connection with the Company's continuing efforts to file necessary periodic reports and to reactivate its business operations, and in reviewing a number of possible business opportunities during the fiscal year.

As indicated, the Company will be dependent on management and its principal shareholders to provide sufficient capital to preserve the integrity of the corporate entity until the Company enters into a business enterprise.

ITEM 7.

FINANCIAL STATEMENTS

The following financial statements of the Company appear at the end of this report, beginning with page F-1:

<TABLE>	
<CAPTION>	
TITLE	PAGE NO.
-----	-----
<S>	<C>
Independent Accountants' Report of Paul Healey, Certified Public Accountant	F-3
Balance Sheets as of December 31, 1998 and 1997	F-4

Statement of Operations for the three years ended December 31, 1998,  
1997, and 1996

F-5

Statement of Stockholders' Equity for the years ended December 31, 1998

F-6

Statement of Cash Flows for the three years ended December 31, 1998

F-7

Notes to Financial Statement

F-8

</TABLE>

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ITEM 8.

CHANGES IN AND DISAGREEMENTS ON ACCOUNTING  
AND FINANCIAL DISCLOSURE  
-----

There have been no changes in or disagreements with accountants since the  
Company's organization.

PART III  
-----

ITEM 9.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION  
16(a) OF THE EXCHANGE ACT  
-----

NAMES AND TERMS OF OFFICE

The table below sets forth the name, age, and position of each executive  
officer and director of the Company.

<TABLE>

<CAPTION>

Name ----	Age ---	Position -----	Since* -----
<S> Larry A. Sapperstein	<C> 75	<C> President and Director	<C> November, 1997
Lawrence Grobstein	48	Secretary/Treasurer and Director	June, 1998
Anthony Adimey	35	Director	November, 1997

</TABLE>

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The term of office of any executive officer and director is one year and  
until his successor is elected and qualified.

Set forth below is biographical information for the Company's sole  
officer/director:

LAWRENCE A. SAPPERSTEIN, President and a director, has been a certified  
public accountant in Las Vegas, Nevada, since 1972. For the past 20 years, he  
has owned and operated his own accounting and tax practice in Las Vegas, Nevada,  
under the name "Lawrence Business Services, Inc." From 1972 to 1979, Mr.  
Sapperstein was employed by a local Las Vegas certified

public accounting firm. Mr. Sapperstein has been semi-retired for approximately the last year, after turning over his accounting practice to his son. Mr. Sapperstein attended George Washington University, Washington D.C., where he studied accounting. Mr. Sapperstein was born on June 29, 1924 in Baltimore, Maryland. Mr. Sapperstein served on the board of directors of Cipher Voice, Inc., which completed a reorganization with Galaxy Enterprises in June, 1996.

LAWRENCE GROBSTEIN, Secretary/Treasurer and a director, graduated from the University of Utah, Salt Lake City, Utah, in 1972 with an undergraduate degree in marketing. From 1993 to the present, he has been employed in various management capacities, including sales manager and business manager, by Mike Hale Acura and Mike Hale Chevrolet-Oldsmobile, Salt Lake City automobile dealerships. From 1988 to 1993, Mr. Grobstein was employed by Osh Gosh B'Gosh, a clothing manufacturing and marketing company, as regional territory manager.

ANTHONY ADIMEY, a member of the board of directors, has been engaged in various private enterprise over the past 2 years. Since June, 1997, he has operated a business assisting people in setting up their own home based business, and has taught dozens of seminars teaching people skills in owning and operating a home based business and related topics. From September 1997 to the present, he has been engaged in private stock trading for his own account. From 1989 to 1997, Mr. Adimey was the president, general manager and co-owner of New Adventures, Inc., Las Vegas, Nevada, a communications company specializing in national voice mail, answering services, and telephone and credit card billing services. New Adventure, Inc., was sold in 1997. In 1997, Mr. Adimey was responsible for communications and marketing of Strikers USA, Ltd., a multi-million dollar pool tournament. Mr. Adimey attended one year of college at The University of Nevada at Las Vegas, and one semester of computer training at Clark Community College.

#### CONTROL PERSONS

In December, 1997, the Company issued a total of 171,199 post-split shares of common stock to Kirby Cochran, Roger Lund and James C. Lewis, in consideration of cash and services contributed to the Company. In February, 1999, the Company sold a total of 200,000 post-split shares of restricted common stock to Lawrence Grobstein, for the sum of \$10,000. These individuals may be considered to be "control persons" of the Company. (See "ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT").

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#### ITEM 10. EXECUTIVE COMPENSATION

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##### REMUNERATION DURING FISCAL YEAR

During the fiscal year ended December 31, 1998, no officer or director received any cash compensation. Set forth below is a summary of all compensation received by officers and directors during the fiscal year:

##### CASH COMPENSATION TABLE

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<TABLE>

<CAPTION> NAME OF INDIVIDUAL OR NUMBER IN GROUP COMPENSATION	CAPACITY IN WHICH SERVED	CASH
<S>	<C>	<C>
Lawrence Sapperstein	President, Director	\$0 in cash
Lawrence Grobstein	President, Director	\$0 in cash (1)
Anthony Adimey	Director	\$0 in cash

(1) In February, 1999, Mr. Grobstein purchased a total of 200,000 shares of common stock for \$10,000. (See "ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.")

ITEM 11.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the name and address, as of the date of the filing of this report, the approximate number of shares of common stock owned of record or beneficially by each person who owned of record, or was known by the Company to own beneficially, more than 5% of the common stock, and the name and shareholdings of each officer and director, and all officers and directors as a group:

<TABLE>  
<CAPTION>

Name of Person or Group	Amount and Nature of Ownership		
	Sole Voting and Investment Power (1)	Shared Voting and Investment Power	Percent of Class
<S>	<C>	<C>	<C>
PRINCIPAL SHAREHOLDERS:			
Lawrence Grobstein	200,000	-0-	28.15
Kirby Cochran	80,000	-0-	11.26
Roger Lund	51,199	-0-	7.21
James C. Lewis	40,000	-0-	6.00

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OFFICERS AND DIRECTORS:

Lawrence Sapperstein	9,682 (2)	-0-	1.37
Lawrence Grobstein	-----See above-----		
Anthony Adimey	6,000	-0-	.8

ALL OFFICERS AND DIRECTORS AS

(1) See "ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS."

(2) Includes 4,682 Shares held in a closely-held company owned by Mr. Sapperstein.

-----  
ITEM 12.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS  
-----

SALES, ISSUANCES AND TRANSFERS OF RESTRICTED STOCK

In February, 1999, the Company sold a total of 200,000 post-split restricted shares of common stock to Lawrence Grobstein, Secretary/Treasurer and a director, for the sum of \$10,000. This stock was sold to provide the Company with necessary operating capital to perform administrative tasks and continue business.

In February, 1999, the Company issued a total of 5,000 shares each to Lawrence Sapperstein, President and director, and Anthony Adimey, a director, for services rendered on behalf of the Company.

In December, 1997, the Company authorized the issuance of a total of 171,199 shares of post-split restricted common stock to Kirby Cochran, Roger Lund and James C. Lewis, legal counsel, for services rendered in connection with efforts to reactivate the Company and cash having a total value of \$17,120, as follows: Kirby Cochran - 80,000 shares; Roger Lund - 51,199 shares; and James C. Lewis - 40,000 shares.

None of the transactions described above can be considered to be the result of arms' length negotiations. All of the share figures described above give effect to a 1-for-100 reverse split authorized by the Company's shareholders in August, 1998.

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PART IV  
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ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K  
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EXHIBITS

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

<S> Exhibit No.	<C> SEC Ref.	<C> Title of Document	<C> Page No.
1	(3) (i)	Articles of Incorporation, as amended	E-1
2	(3) (ii)	By-Laws	E-2
3	(27)	Financial Data Schedules	*

</TABLE>

\* The Financial Data Schedule is presented only in the electronic filing with the Securities and Exchange Commission.

REPORTS ON FORM 8-K

During the fiscal year ended December 31, 1998, the Company filed no reports on Form 8-K.

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SIGNATURES  
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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

REGISTRANT:

BREAKTHROUGH ELECTRONICS, INC.

By /s/ Lawrence A. Sapperstein

-----  
Lawrence Sapperstein, Principal Executive Officer

Date: August 15, 1999  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

By /s/ Lawrence A. Sapperstein

-----  
Lawrence A. Sapperstein, President, and Principal Executive Officer and Principal Financial Officer

Date: August 15, 1999  
-----

By /s/ Lawrence Grobstein

-----  
Lawrence Grobstein, Secretary/Treasurer

Date: August 15, 1999  
-----

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PAUL M. HEALEY  
Certified Public Accountant  
3170 W. Sahara, Suite D-21  
Las Vegas, NV 89102  
(702) 368-0664 Phone - (702) 368-1363 Fax

Independent Auditor Report

April 17, 1999

To the Board of Directors and Shareholders of  
Breakthrough Electronics, Inc.  
Las Vegas, NV

I have audited the accompanying balance sheets of Breakthrough Electronics, Inc. (A Development Stage Company) as of December 31, 1998 and 1997 and the related statements of income and retained earnings, cash flows and changes in stockholders' equity for the three years then ended, and for the period from July 31, 1986 (Inception) to December 31, 1998. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements audited by me present fairly, in all material respects, the financial position of Breakthrough Electronics, Inc., at December 31, 1998 and 1997, and the results of its operations and cash flows, and changes in stockholders' equity for the three years then ended, and for the period from July 31, 1986 (Inception) to December 31, 1998, in conformity with generally accepted accounting principles.

Paul M. Healey, CPA

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BREAKTHROUGH ELECTRONICS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1998	1997
CURRENT ASSETS		
Cash	\$ 780	\$ 0
CURRENT LIABILITIES		
Accrued Taxes	7,580	7,580
Accounts Payable	2,000	6,000
TOTAL LIABILITIES	9,580	13,580

STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock, Authorized 50,000,000 Shares at \$.001 Par Value, 500,000 and 446,940 Shares Issued and Outstanding, respectively	500	447
Additional Paid In Capital	795,321	778,254
Retained Deficits	(804,621)	(792,281)
	-----	-----
TOTAL STOCKHOLDERS' DEFICIT	(8,800)	(13,580)
	-----	-----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 780	\$ 0
	=====	=====

</TABLE>

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997, AND 1996

<TABLE>  
<CAPTION>

	1998	1997	1996	July 31, 1986 (Inception) to December 31, 1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
REVENUES	\$ 0	\$ 0	\$ 0	\$ 78,000
OPERATING EXPENSES				
Advertising & Promotional	0	0	0	5,031
Engineering & Development	0	0	0	85,135
Insurance	0	0	0	4,676
Travel & Entertainment	452	0	0	29,315
Outside Services	0	0	0	127,199
Rent	0	0	0	22,395
Payroll	0	0	0	204,045
Payroll Taxes	0	0	0	19,679
Telephone	0	0	0	14,729
Office	132	0	0	11,169
Engineering Supplies	0	0	0	12,763
Other	636	0	0	10,551
Patent Expenses	0	0	0	10,380

Professional	11,120	6,000	0	34,909
Depreciation & Amortization	0	0	0	32,032
Loss on Abandonment	0	0	0	29,979
Bad Loan Write Off	0	0	0	228,634
	-----	-----	-----	-----
TOTAL OPERATING EXPENSES	12,340	6,000	0	882,621
	-----	-----	-----	-----
NET INCOME (LOSS)	(12,340)	(6,000)	0	(804,621)
	-----	-----	-----	-----
RETAINED (DEFICIT) BEGINNING OF PERIOD	(792,281)	(786,281)	(786,281)	0
	-----	-----	-----	-----
RETAINED DEFICIT END OF PERIOD	\$ (804,621)	\$ (792,281)	\$ (786,281)	\$ (804,621)
	=====	=====	=====	=====

</TABLE>

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS

<TABLE>  
<CAPTION>

	1998	1997	1996	JULY 31, 1986 (INCEPTION) TO DECEMBER 31, 1998
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
CASH FLOWS PROVIDED BY OPERATIONS				
Net Income (Loss)	\$ (12,340)	\$ (6,000)	\$ 0	\$ (804,621)
Increase (Decrease):				
Other Assets	0	0	0	0
Accrued Expenses	0	0	0	7,580
Accounts Payable	(4,000)	6,000	0	2,000
	-----	-----	-----	-----
Net Cash Flow (Outlay) From Operations	(16,340)	0	0	(795,041)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds From:				
Sale of Common Stock	53	0	0	500
Paid in Capital	17,067	0	0	795,321
	-----	-----	-----	-----
	17,120	0	0	795,821
	-----	-----	-----	-----
NET INCREASE (DECREASE)				

IN CASH	780	0	0	780
CASH AT THE BEGINNING OF PERIOD	0	0	0	0
CASH AT END OF PERIOD	\$ 780	\$ 0	\$0	\$ 780

</TABLE>

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1998  
AND FROM THE PERIOD JULY 31, 1986 (DATE OF INCEPTION)  
THROUGH DECEMBER 31, 1998

<TABLE>  
<CAPTION>

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During Development Stage
	Shares	Amount		
<S>	<C>	<C>	<C>	<C>
Sale Stock - Insiders July 31, 1986	11,394	\$11	\$22,777	
Deficit 1986				(152)
Balance December 31, 1986	11,394	11	22,777	(152)
Sale Stock - Insiders April 10, 1987	7,750	8	15,492	
Issuance Stock - Insiders Technology Rights	130,000	130	(130)	
Sale Stock - Public October 2, 1987	20,150	20	201,480	
Sale Stock - Public November 2, 1987	24,500	24	179,433	
Exercise Stock Warrants December 17, 1987	406	1	6,093	
Issuance Stock - Services December 27, 1987	28,000	28	55,972	
Deficit 1987				(103,524)
Balance December 31, 1987	222,200	222	481,117	(103,676)
Exercise Stock Warrants February 1, 1988	2,240	2	30,654	
Deficit 1988				(188,157)
Balance December 31, 1988	224,440	224	511,771	(291,833)

Deficit 1989				(359,617)
Balance December 31, 1989	224,440	224	511,771	(651,450)
Issuance Stock Debt Exchange	50,000	50	99,950	
Deficit 1990				(9,108)
Balance December 31, 1990	274,440	274	611,721	(660,558)
Deficit 1991				(159)

</TABLE>

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1998  
AND FROM THE PERIOD JULY 31, 1986 (DATE OF INCEPTION)  
THROUGH DECEMBER 31, 1998

<TABLE>				
<CAPTION>				
<S>	<C>	<C>	<C>	<C>
Balance December 31, 1991	274,440	274	611,721	(660,717)
Deficit 1992				(85)
Balance December 31, 1992	274,440	274	611,721	(660,802)
Issue Stock Technology Acquisition	30,000	30	2,970	
Issue Stock Technology Acquisition	9,500	10	940	
Issue Stock Debt Exchange	50,000	50	49,092	
Deficit 1993				(335)
Balance December 31, 1993	363,940	364	664,723	(661,137)
Issue Stock Technology Acquisition	30,000	30	(30)	
Insider Loans Payable Forgiven			97,253	
Deficit 1994				(114,047)
Balance December 31, 1994	393,940	394	761,946	(775,184)
Issuance Stock Stock Issuance Services	53,000	53	(53)	
Debt Forgiveness Insider to Paid In Capital			16,361	

Deficit 1995				(11,097)
Balance December 31, 1995	446,940	447	778,254	(786,281)
Deficit 1996				
Balance December 31, 1996	446,940	447	778,254	(786,281)
Deficit 1997				(6,000)
Balance December 31, 1997	446,940	447	778,254	(792,281)
Stock Issuance Services	171,198	171	16,949	
Stock Cancellations	(118,138)	(118)	118	
Deficit 1998				(12,340)
Balance December 31, 1998	500,000	\$500	\$795,321	\$ (804,621)

</TABLE>

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1998 and 1997

NOTE 1 -- ACCOUNTING POLICIES

Organization of the Company

Breakthrough Electronics, Inc., formerly Golden Queens Mining Company, was incorporated on July 31, 1986 under the laws of the State of Nevada. The Company changed its name to Breakthrough Electronics, Inc. on June 10, 1987. The change was in response to the Company's new business focus of developing an electronic telephone screening device then known as "Phoneguard". Phoneguard was acquired through the issuance of common stock with no acquisition cost assigned. The Company is still in the development stage, as it has virtually no revenue to date.

The Company is authorized to issue up to 50,000,000 shares of common stock, \$.001 par value. Over the years, the Company has raised capital under both public offerings as well as private stock sales. The Company intended to utilize capital raised to complete the research and development of Phoneguard, and then implement a marketing plan thereafter. As of the reporting date, the Company has expended all of the capital raised, without completing the intended task. As of the reporting date, the Company has ceased any and all operations, and its technology has rapidly become outdated. Currently, the Company's sole business focus, is the contemplation of acquiring, or being acquired by, an existing company via either purchase or merger. The Company has begun preliminary discussions with potential candidate companies, but has not as of the date of this report come to any contractual arrangement.

The financial statements reflect certain capital equipment items which have been fully expensed either from previous depreciation expense or loss on asset abandonment. The total original expenditures for all capital equipment has been included in losses to date, and is not segregated in the statement of cash flows.

BREAKTHROUGH ELECTRONICS, INC.  
 (A DEVELOPMENT STAGE COMPANY)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 1998 and 1997

NOTE 2 -- COMMON STOCK PUBLIC OFFERING

On October 2 and November 2, 1987 the Company completed a public offering which raised \$201,500 and \$245,000 through the sale of 503,750 and 612,500 units respectively. Each unit consisted of 4 shares of common stock and 1 warrant to purchase common stock. On December 17, 1987, 162,500 warrants were exercised to purchase 40,625 shares of common stock for a total of \$ 6,094. Four warrants entitled the shareholders to purchase 1 share of common stock at \$.15 per share. The Company incurred approximately \$ 65,000 in costs related to this offering.

On December 28, 1987 the Company issued a Notice of Call of Warrants to the shareholders. The call price of the warrant was \$.001 per warrant. All warrants which were not exercised or tendered back to the Company by February 1, 1988 expired.

On February 1, 1988, 895,976 warrants were exercised to purchase 223,994 shares of common stock for \$30,656.

NOTE 3 -- INCOME TAXES

The company has the following net operating loss and research credit carryforwards expiring as follows:

<S>	Net Operating Loss	Research Credit
<C>	<C>	<C>
December 31, 2001	\$ 152	\$
2002	105,804	
2003	196,227	8,730
2004	114,047	

</TABLE>

The company has filed annual corporate tax returns through the tax year 1993 only.

BREAKTHROUGH ELECTRONICS, INC.  
 (A DEVELOPMENT STAGE COMPANY)  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1998 and 1997

NOTE 4 GENERAL INFORMATION

The company entered into an agreement with Cipher Voice, Inc., (CVI) whereby it granted CVI an exclusive license to the use of the Company's Phoneguard technology. The license agreement provided for a profit sharing arrangement based on anticipated future sales of the Phoneguard. CVI also raised capital through a public offering during 1994. The intent of CVI was to attempt to complete the research and development of Phoneguard. As was the case with the Company, CVI never completed its intended task, and expended all of its capital and has ceased operations as of the reporting date. CVI has subsequently been purchased by a third party unrelated company. Both the Company and CVI were

founded by Barry Rose, who at one time served as President of both CVI and the Company.

It is uncertain, as of the issuance date of these financial statements, as to the marketability or value of the research and development efforts of the Company or CVI. Management has indicated that it feels that given the rapid advancements ongoing in the technology field, as well as the passage of time, that there is limited or no value to the technology. If the Company were to be acquired by another entity, consideration should be given to any residual value of the research and development to date.

During 1995, the company and Barry Rose agreed to an arrangement whereby Rose returned 11,813,850 shares of common stock to the company in the form of Treasury Stock.

During August 1998, the Company obtained consents from a majority of stockholders authorizing a reverse split of the Company's Common Stock, on a 1 for 100 basis. The split became effective during February 1999. All references to shares outstanding and earnings per share have been adjusted to reflect the effect of the reverse split on a retroactive basis.

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ARTICLES OF INCORPORATION

OF

GOLDEN QUEENS MINING CO.

FIRST. The name of the corporation is:

GOLDEN QUEENS MINING CO.

SECOND: Its principal office in the State of Nevada is located at 8585 O'Hare Road, Las Vegas, Clark County, Nevada 89131. The name and address of its resident agent is H. Barry Rose, 8585 O'Hare Road, Las Vegas, Nevada 89131.

THIRD. The nature of the business, or objects or purposes proposed to be transacted , promoted or carried on are:

To engage in any lawful activity and to manufacture, purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

To hold, purchase and convey real and personal estate and to mortgage or lease any such real and personal estate with its franchises and to take the same by devise or bequest.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage, or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, relating to or useful in connection with any business of this corporation.

To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of or any bonds, securities or evidences of the indebtedness created by any other corporation or corporations of this state, or any other state or government, and, while owner of such stock, bonds, securities or evidences of indebtedness, to exercise all the rights, powers and privileges of ownership, including the right to

vote, if any.

To borrow money and contract debts when necessary for the transaction of its business, or for the exercise of its corporate rights, privileges or franchises, or for any other lawful purpose of its incorporation; to issue bonds, promissory notes, bills of exchange, debentures, and other obligations and evidences of indebtedness, payable at specified time or times , or payable upon the happening of a specified event or events, whether secured by mortgages pledge or otherwise, or unsecured, for money borrowed, or in payment for property purchased, or acquired, or for any other lawful objects.

To purchase, hold, sell and transfer shares of its own capital stock, and use therefor its capital, capital surplus, surplus, or other property or funds; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital; and provided further, that shares of its own capital stock belonging to it shall not be voted upon, directly or indirectly, nor counted as outstanding, for the purpose of computing any stockholders' quorum or vote.

To conduct business, have one or more offices, and hold, purchase, mortgage and convey real and personal property in this state, and in any of the several states, territories, possessions and dependencies of the United States, the District of Columbia, and in any foreign countries.

To do all and everything necessary and proper for the accomplishment of the objects hereinbefore enumerated or necessary or incidental to the protection and benefit of the corporation, and, in general , to carry on any lawful business necessary or incidental to the attainment of the objects of the corporation, whether or not such business is similar in nature to the objects hereinbefore set forth.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in these articles of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FOURTH. The amount of the total authorized capital stock of the corporation is Twenty Five Thousand Dollars (\$25,000.00) consisting of Twenty Five Million (25,000,000) shares of stock of the par value of One Tenth of a Cent (\$.001) each.

FIFTH. The governing board of this corporation shall be known as directors, and the number of directors may from time to time be increased or decreased in such manner as shall be provided by the by-laws of this

corporation, provided that the number of directors shall not be reduced to less than three (3) , except that in cases where all the shares of the corporation are owned beneficially and of record by either one or two stockholders, the number of directors may be less than three (3) but not less than the number of stockholders.

The names and post-office addresses of the first board of directors, which shall be Five in number, are as follows:

<TABLE>

<CAPTION>

NAME	POST OFFICE ADDRESS
<S>	<C>
H. Barry Rose	8585 O'Hare Road Las Vegas, NV 89131
Robert P. Branch	1506 Mancha Drive Boulder City, NV 89050
Donald L. Laughlin	2596 Stratford Avenue Las Vegas, NV 89121
Frank T. Fox	439 North 600 West Cedar City, UT 84720
Ben Goldfarb	2016 Pine Knoll Drive Walnut Creek, CA 94595

</TABLE>

SIXTH. The name and post-office address of each of the incorporators signing the articles of incorporation are as follows:

<TABLE>

<CAPTION>

NAME	POST-OFFICE ADDRESS
<S>	<C>
Patrick J. Fitzgibbon	1700 Broadway Denver, Colorado 80290
Carol M. Carpenter	1700 Broadway Denver, Colorado 80290
Barbara A. Sena	1700 Broadway Denver,, Colorado 80290

</TABLE>

SEVENTH. The corporation is to have perpetual existence.

EIGHTH. In furtherance, and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

Subject to the by-laws, if any, adopted by the stockholders, to make,

alter or amend the by-laws o.f the corporation.

To fix the amount to be reserved as working capital over and above its capital stock paid in, to

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authorize and cause to be executed mortgages and liens upon the real and personal property of this corporation. By resolution passed by a -majority of the whole board, to designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation, which, to the extent provided in the resolution or in the by-laws of the corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the corporation or as may be determined from time to time by resolution adopted by the board of directors.

When and as authorized by the affirmative vote Of stockholders holding stock entitling them to exercise at l e a s t a majority of the voting power given at a stockholders' meeting called for that purpose . , or when authorized by the written consent of the holders of at least a majority of the voting stock issued and outstanding, the board of directors shall have power and authority at any meeting to sell, lease or exchabge all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions as its board of directors deem expedient and for the best interests of the corporation.

NINTH. Meetings of stockholders may be held outside the State of Nevada, if the by-laws so provide. The books of the corporation may be kept -(subject to any provision contained in the statutes) -outside the State of Nevada at such place or places as may be designated f rom time to time by the board of directors or in the by-laws; of the corporation.

TENTH. This corporation reserves the right to amend, alter, change or repeal any provision contained in the articles of incorporation, in the manner nOw or hereafter prescribed by statute, or by the articles Of incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

ELEVENTH: No shareholder shall have the right to cumulative voting at elections of directors.

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Nevada, and make and file these articles of incorporation, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set our hands this 29th day of July,

/s/ Patrick J. Fitzgibbon

-----  
Patrick J. Fitzgibbon

/s/ Carol M. Carpenter

-----  
Carol M. Carpenter

/s/ Barbara A. Sena

-----  
Barbara A. Sena

STATE OF Colorado

COUNTY OF Denver

On this 29th day of July, 1986, before me, a Notary Public, personally appeared Patrick J. Fitzgibbon, Carol M. Carpenter and Barbara A. Sena, who severally acknowledged that they executed the above instrument.

/s/

-----  
Notary Public

BYLAWS

OF

BREAKTHROUGH ELECTRONICS, INC.

A NEVADA CORPORATION

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BYLAWS

OF

BREAKTHROUGH ELECTRONICS, INC.

ARTICLE I

OFFICES

SECTION 1.01 REGISTERED OFFICE. The registered office shall be in the city of Reno, county of Washoe, state of Nevada.

SECTION 1.02 LOCATIONS OF OFFICES. The corporation may also have offices at such other places both within and without the state of Nevada as

the board of directors may from time to time determine or the business of the corporation may require.

## ARTICLE II

### STOCKHOLDERS

SECTION 2.01 ANNUAL MEETING. The annual meeting of the stockholders shall be held on the second Tuesday of the third month following the anniversary of incorporation or at such other time designated by the board of directors and as is provided for in the notice of the meeting, PROVIDED, that whenever such date falls on a legal holiday, the meeting shall be held on the next succeeding business day, beginning with the year following the filing of the articles of incorporation, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors shall not be held on the day designated herein for the annual meeting of the stockholders, or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as may be convenient.

SECTION 2.02 SPECIAL MEETINGS. Special meetings of the stockholders may be called at any time by the chairman of the board, the president, or by the board of directors, or in their absence or disability, by a vice president.

SECTION 2.03 PLACE OF MEETINGS. The board of directors may designate any place, either within or without the state of incorporation, as the place of meeting for any annual meeting or for any special meeting called by the board of directors. A waiver of notice signed by all stockholders entitled to vote at a meeting may designate any place, either within or without the state of incorporation, as the place for the holding of such meeting. If no designation is made, the place of meeting shall be at the principal office of the corporation.

SECTION 2.04 NOTICE OF MEETINGS. The secretary or assistant secretary, if any, shall cause notice of the time, place and purpose or purposes of all meetings of the stockholders (whether annual or special), to be mailed at least ten days, but not more than sixty days, prior to the meeting, to each stockholder of record entitled to vote.

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SECTION 2.05 WAIVER OF NOTICE. Any stockholder may waive notice of any meeting of stockholders (however called or noticed, whether or not called or noticed and whether before, during, or after the meeting), by signing a written waiver of notice or a consent to the holding of such meeting, or an approval of the minutes thereof. Attendance at a meeting, in person or by proxy, shall constitute waiver of all defects of notice regardless of whether waiver, consent, or approval is signed or any objections are made, unless attendance is solely for the purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. All such waivers, consents, or approvals shall be made a part of the minutes of the meeting.

SECTION 2.06 FIXING RECORD DATE. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect to any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than sixty days and, in case of a meeting of stockholders, not less than ten days prior to the date on which the particular action requiring such determination of stockholders is to be taken. If no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting, the day preceding the date on which notice of the meeting is mailed shall be the record date. For any other purpose, the record date shall be the close of business on the date on which the resolution of the board of directors pertaining thereto is adopted. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof. Failure to comply with this section shall not affect the validity of any action taken at a meeting of stockholders.

SECTION 2.07 VOTING LISTS. The officers of the corporation shall cause to be prepared from the stock ledger at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The original stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section, or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

SECTION 2.08 QUORUM. Stock representing one-half of the voting power of all outstanding stock of the corporation entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute or by the articles of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the

adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 2.09 VOTE REQUIRED. Except as provided in section 3.01 of these bylaws regarding election of directors, when a quorum is present at any meeting, the vote of the holders of stock having a majority of the voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one on which by express provision of the statutes of the state of Nevada or of the articles of incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question.

SECTION 2.10 VOTING OF STOCK. Unless otherwise provided in the articles of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, subject to the modification of such voting rights of any class or classes of the corporation's capital stock by the articles of incorporation.

SECTION 2.11 PROXIES. At each meeting of the stockholders, each stockholder entitled to vote shall be entitled to vote in person or by proxy, PROVIDED, however, that the right to vote by proxy shall exist only in case the instrument authorizing such proxy to act shall have been executed in writing by the registered holder or holders of such stock, as the case may be, as shown on the stock ledger of the corporation or by his attorney thereunto duly authorized in writing. Such instrument authorizing a proxy to act shall be delivered at the beginning of such meeting to the secretary of the corporation or to such other officer or person who may, in the absence of the secretary, be acting as secretary of the meeting. In the event that any such instrument shall designate two or more persons to act as proxy, a majority of such persons present at the meeting, or, if only one be present, that one shall (unless the instrument shall otherwise provide) have all of the powers conferred by the instrument upon all persons so designated. Persons holding stock in a fiduciary capacity shall be entitled to vote the stock so held, and the persons whose shares are pledged shall be entitled to vote, unless the transfer by the pledgor in the books of the corporation he shall have expressly empowered the pledgee to vote thereon, in which case the pledgee, or his proxy, may represent such stock and vote thereon. No proxy shall be voted or acted on after three years from its date, unless the proxy provides for a longer period.

SECTION 2.12 WRITTEN CONSENT TO ACTION BY STOCKHOLDERS. Unless otherwise provided in the articles of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were

present and voted.

SECTION 2.13 CONTROL SHARE PROVISION. The provisions of sections 78.378 to 78.3793 of the Nevada Revised Statutes, or any successor provisions thereof, pertaining to the acquisition of a controlling interest in the corporation shall not apply to the corporation or the acquisition of a controlling interest by any person.

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### ARTICLE III

#### DIRECTORS

SECTION 3.01 NUMBER, TERM, AND QUALIFICATIONS. The number of directors which shall constitute the whole board shall be not less than one nor more than nine. Within the limits above specified, the number of directors shall be determined by resolution of the board of directors or by the stockholders at the annual meeting of the stockholders or a special meeting called for such purpose, except as provided in section 3.02 of this article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be residents of the state of incorporation or stockholders of the corporation.

SECTION 3.02 VACANCIES AND NEWLY CREATED DIRECTORSHIPS. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

SECTION 3.03 GENERAL POWERS. The business of the corporation shall be managed under the direction of its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute, the articles of incorporation, or bylaws directed or required to be exercised or done by the stockholders.

SECTION 3.04 REGULAR MEETINGS. A regular meeting of the board of directors shall be held without other notice than this bylaw immediately following, and at the same place as, the annual meeting of shareholders. The board of directors may provide by resolution, the time and place either within or without the state of incorporation, for the holding of additional regular meetings without other notice than such resolution.

SECTION 3.05 SPECIAL MEETINGS. Special meetings of the board of directors may be called by or at the request of the chairman of the board, president, vice president or any two directors. The person or persons authorized to call special meetings of the board of directors may fix any place, either within or without the state of incorporation, as the place for holding any special meeting of the board of directors called by them.

SECTION 3.06 MEETINGS BY TELEPHONE CONFERENCE CALL. Members of the board of directors may participate in a meeting of the board of directors or a committee of the board of directors by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

SECTION 3.07 NOTICE. Notice of any special meeting shall be given at least five days prior thereto by written notice delivered personally or mailed to each director at his regular business address or residence, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting solely for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

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SECTION 3.08 QUORUM. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors, but if less than a majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 3.09 MANNER OF ACTING. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, and individual directors shall have no power as such.

SECTION 3.10 COMPENSATION. By resolution of the board of directors, the directors may be paid their expenses, if any, of attendance at each meeting of the board of directors, and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

SECTION 3.11 PRESUMPTION OF ASSENT. A director of the corporation who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered or certified mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 3.12 RESIGNATIONS. A director may resign at any time by delivering a written resignation to either the president, a vice president, the

secretary or assistant secretary, if any. The resignation shall become effective on its acceptance by the board of directors; provided, that if the board has not acted thereon within ten days from the date presented, the resignation shall be deemed accepted.

SECTION 3.13 WRITTEN CONSENT TO ACTION BY DIRECTORS. Any action required to be taken at a meeting of the directors of the corporation or any other action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting, if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same legal effect as a unanimous vote of all the directors or members of the committee.

SECTION 3.14 REMOVAL. At a meeting expressly called for that purpose, one or more directors may be removed by a vote of a majority of the shares of outstanding stock of the corporation entitled to vote at an election of directors.

#### ARTICLE IV

##### OFFICERS

SECTION 4.01 NUMBER. The officers of the corporation shall be a president, a secretary, a treasurer, and such other officers as may be appointed by the board of directors, including, a chairman of the board, one or more vice presidents, an assistant secretary, an assistant treasurer, or a general manager.

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SECTION 4.02 ELECTION, TERM OF OFFICE AND QUALIFICATIONS. The officers shall be chosen by the board of directors annually at its annual meeting. In the event of failure to choose officers at an annual meeting of the board of directors, officers may be chosen at any regular or special meeting of the board of directors. Each such officer (whether chosen at an annual meeting of the board of directors to fill a vacancy or otherwise) shall hold his office until the next ensuing annual meeting of the board of directors and until his successor shall have been chosen and qualified, or until his death or until his resignation or removal in the manner provided in these bylaws. Any one person may hold any two or more of such offices. No person holding two or more offices shall act in or execute any instrument in the capacity of more than one office. The chairman of the board, if any, shall be and remain director of the corporation during the term of his office. No other officer need be a director.

SECTION 4.03 SUBORDINATE OFFICERS, ETC. The board of directors from time to time may appoint such other officers or agents as it may deem advisable, each of whom shall have such title, hold office for such period, have such authority and perform such duties as the board of directors from time to time may determine. The board of directors from time to time may delegate to any officer or agent the power to appoint any such subordinate officer or agents and

to prescribe their respective titles, terms of office, authorities and duties. Subordinate officers need not be stockholders or directors.

SECTION 4.04 RESIGNATIONS. Any officer may resign at any time by delivering a written resignation to the board of directors, the president, or the secretary. Unless otherwise specified therein, such resignation shall take effect upon delivery.

SECTION 4.05 REMOVAL. Any officer may be removed from office at any special meeting of the board of directors called for that purpose or at a regular meeting, by the vote of a majority of the directors, with or without cause. Any officer or agent appointed in accordance with the provisions of section 4.03 hereof may also be removed, either with or without cause, by any officer upon whom such power of removal shall have been conferred by the board of directors.

SECTION 4.06 VACANCIES AND NEWLY CREATED OFFICES. If any vacancy shall occur in any office by reason of death, resignation, removal, disqualification or any other cause, or if a new office shall be created, then such vacancies or newly created offices may be filled by the board of directors at any regular or special meeting.

SECTION 4.07 THE CHAIRMAN OF THE BOARD. The chairman of the board, if there be such an officer, shall have the following powers and duties:

- (a) He shall preside at all stockholders' meetings;
- (b) He shall preside at all meetings of the board of directors;  
and
- (c) He shall be a member of the executive committee, if any.

SECTION 4.08 THE PRESIDENT. The president shall have the following powers and duties:

- (a) If no general manager has been appointed, he shall be the chief executive officer of the corporation, and, subject to the direction of the board of directors, shall have general charge of the business, affairs and property of the corporation and general supervision over its officers,

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employees and agents;

- (b) If no chairman of the board has been chosen, or if such officer is absent or disabled, he shall preside at meetings of the stockholders and board of directors;
- (c) He shall be a member of the executive committee, if any;

(d) He shall be empowered to sign certificates representing stock of the corporation, the issuance of which shall have been authorized by the board of directors; and

(e) He shall have all power and perform all duties normally incident to the office of a president of a corporation and shall exercise such other powers and perform such other duties as from time to time may be assigned to him by the board of directors.

SECTION 4.09 THE VICE PRESIDENTS. The board of directors may, from time to time, designate and elect one or more vice presidents, one of whom may be designated to serve as executive vice president. Each vice president shall have such powers and perform such duties as from time to time may be assigned to him by the board of directors or the president. At the request or in the absence or disability of the president, the executive vice president or, in the absence or disability of the executive vice president, the vice president designated by the board of directors or (in the absence of such designation by the board of directors) by the president, as senior vice president, shall perform all the duties of the president, and when so acting, shall have all the powers of, and be subject to all the restrictions on, the president.

SECTION 4.10 THE SECRETARY. The secretary shall have the following powers and duties:

(a) He shall keep or cause to be kept a record of all of the proceedings of the meetings of the stockholders and of the board of directors in books provided for that purpose;

(b) He shall cause all notices to be duly given in accordance with the provisions of these bylaws and as required by statute;

(c) He shall be the custodian of the records and of the seal of the corporation, and shall cause such seal (or a facsimile thereof) to be affixed to all certificates representing stock of the corporation prior to the issuance thereof and to all instruments, the execution of which on behalf of the corporation under its seal shall have been duly authorized in accordance with these bylaws, and when so affixed he may attest the same;

(d) He shall see that the books, reports, statements, certificates and other documents and records required by statute are properly kept and filed;

(e) He shall have charge of the stock ledger and books of the corporation and cause the such books to be kept in such manner as to show at any time the amount of the stock of the corporation of each class issued and outstanding, the manner in which and the time when such stock was paid for, the names alphabetically arranged and the addresses of the holders of record thereof, the amount of stock held by each holder and time when each became such holder of record; and he shall exhibit at all reasonable times to any director, on application, the original or duplicate stock ledger. He shall cause the stock ledger referred to in section 6.04 hereof to be kept

and exhibited at the principal office of the corporation, or at such other place as the board of directors shall determine, in the manner and for the purpose provided in such section;

(f) He shall be empowered to sign certificates representing stock of the corporation, the issuance of which shall have been authorized by the board of directors; and

(g) He shall perform in general all duties incident to the office of secretary and such other duties as are given to him by these bylaws or as from time to time may be assigned to him by the board of directors or the president.

SECTION 4.11 THE TREASURER. The Treasurer shall have the following powers and duties:

(a) He shall have charge and supervision over and be responsible for the monies, securities, receipts and disbursements of the corporation;

(b) He shall cause the monies and other valuable effects of the corporation to be deposited in the name and to the credit of the corporation in such banks or trust companies or with such banks or other depositories as shall be selected in accordance with section 5.03 hereof;

(c) He shall cause the monies of the corporation to be disbursed by checks or drafts (signed as provided in section 5.04 hereof) drawn upon the authorized depositories of the corporation, and cause to be taken and preserved property vouchers for all monies disbursed;

(d) He shall render to the board of directors or the president, whenever requested, a statement of the financial condition of the corporation and of all of his transactions as treasurer, and render a full financial report at the annual meeting of the stockholders, if called on to do so;

(e) He shall cause to be kept correct books of account of all the business and transactions of the corporation and exhibit such books to any directors on request during business hours;

(f) He shall be empowered from time to time to require from all officers or agents of the corporation reports or statements giving such information as he may desire with respect to any and all financial transactions of the corporation; and

(g) He shall perform in general all duties incident to the office of treasurer and such other duties as are given to him by these bylaws or as from time to time may be assigned to him by the board of directors or the president.

SECTION 4.12 GENERAL MANAGER. The board of directors may employ and appoint a general manager who may, or may not, be one of the officers or directors of the corporation. The general manager, if any, shall have the following powers and duties:

(a) He shall be the chief executive officer of the corporation and, subject to the directions of the board of directors, shall have general charge of the business affairs and property of the corporation and general supervision over its officers, employees and agents;

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(b) He shall have the exclusive management of the business of the corporation and of all of its dealings, but at all times subject to the control of the board of directors;

(c) Subject to the approval of the board of directors or the executive committee, if any, he shall employ all employees of the corporation, or delegate such employment to subordinate officers, or such division chiefs, and shall have authority to discharge any person so employed; and

(d) He shall make a report to the president and directors quarterly, or more often if required to do so, setting forth the result of the operations under his charge, together with suggestions looking to the improvement and betterment of the condition of the corporation, and shall perform such other duties as the board of directors shall require.

SECTION 4.13 SALARIES. The salaries or other compensation of the officers of the corporation shall be fixed from time to time by the board of directors except that the board of directors may delegate to any person or group of persons the power to fix the salaries or other compensation of any subordinate officers or the agents appointed in accordance with the provision of section 4.03 hereof. No officer shall be prevented from receiving any such salary or compensation by reason of the fact that he is also a director of the corporation.

SECTION 4.14 SURETY BONDS. In case the board of directors shall so require, any officer or agent of the corporation shall execute to the corporation a bond in such sums and with such surety or sureties as the board of directors may direct, conditioned upon the faithful performance of his duties to the corporation, including responsibility for negligence and for the accounting of all property, monies or securities of the corporation which may come into his hands.

## ARTICLE V

### EXECUTION OF INSTRUMENTS, BORROWING OF MONEY AND DEPOSIT OF CORPORATE FUNDS

SECTION 5.01 EXECUTION OF INSTRUMENTS. Subject to any limitation contained in the articles of incorporation or these bylaws, the president or any

vice president or the general manager, if any, may, in the name and on behalf of the corporation, execute and deliver any contract or other instrument authorized in writing by the board of directors. The board of directors may, subject to any limitation contained in the articles of incorporation or in these bylaws, authorize in writing any officer or agent to execute and deliver any contract or other instrument in the name and on behalf of the corporation; any such authorization may be general or confined to specific instances.

SECTION 5.02 LOANS. No loan or advance shall be contracted on behalf of the corporation, no negotiable paper or other evidence of its obligation under any loan or advance shall be issued in its name, and no property of the corporation shall be mortgaged, pledged, hypothecated, transferred or conveyed as security for the payment of any loan, advance, indebtedness or liability of the corporation, unless and except as authorized by the board of directors. Any such authorization may be general or confined to specific instances.

SECTION 5.03 DEPOSITS. All monies of the corporation not otherwise employed shall be deposited

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from time to time to its credit in such banks or trust companies or with such bankers or other depositories as the board of directors may select, or as from time to time may be selected by any officer or agent authorized to do so by the board of directors.

SECTION 5.04 CHECKS, DRAFTS, ETC. All notes, drafts, acceptances, checks, endorsements, and, subject to the provisions of these bylaws, evidences of indebtedness of the corporation shall be signed by such officer or officers or such agent or agents of the corporation and in such manner as the board of directors from time to time may determine. Endorsements for deposit to the credit of the corporation in any of its duly authorized depositories shall be in such manner as the board of directors from time to time may determine.

SECTION 5.05 BONDS AND DEBENTURES. Every bond and debenture issued by the corporation shall be evidenced by an appropriate instrument which shall be signed by the president or a vice president and by the secretary and sealed with the seal of the corporation. The seal may be a facsimile, engraved or printed. Where such bond or debenture is authenticated with the manual signature of an authorized officer of the corporation or other trustee designated by the indenture of trust or other agreement under which such security is issued, the signature of any of the corporation's officers named thereon may be a facsimile. In case any officer who signed, or whose facsimile signature has been used on any such bond or debenture, shall cease to be an officer of the corporation for any reason before the same has been delivered by the corporation, such bond or debenture may nevertheless be adopted by the corporation and issued and delivered as though the person who signed it or whose facsimile signature has been used thereon had not ceased to be such officer.

SECTION 5.06 SALE, TRANSFER, ETC. OF SECURITIES. Sales, transfers, endorsements and assignments of stocks, bonds and other securities owned by or standing in the name of the corporation, and the execution and delivery on behalf of the corporation of any and all instruments in writing incident to any

such sale, transfer, endorsement or assignment, shall be effected by the president, or by any vice president, together with the secretary, or by any officer or agent thereunto authorized by the board of directors.

SECTION 5.07 PROXIES. Proxies to vote with respect to stock of other corporations owned by or standing in the name of the corporation shall be executed and delivered on behalf of the corporation by the president or any vice president and the secretary or assistant secretary of the corporation, or by any officer or agent thereunder authorized by the board of directors.

## ARTICLE VI

### CAPITAL SHARES

SECTION 6.01 STOCK CERTIFICATES. Every holder of stock in the corporation shall be entitled to have a certificate, signed by the president or any vice president and the secretary or assistant secretary, and sealed with the seal (which may be a facsimile, engraved or printed) of the corporation, certifying the number and kind, class or series of stock owned by him in the corporation; PROVIDED, however, that where such a certificate is countersigned by (a) a transfer agent or any assistant transfer agent, or (b) registered by a registrar, the signature of any such president, vice president, secretary, or assistant secretary may be a facsimile. In case any officer who shall have signed, or whose facsimile signature or signatures shall have been used on any such certificate, shall cease to be such officer of the corporation, for any reason, before the delivery of such certificate by the corporation, such certificate may nevertheless be adopted by

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the corporation and be issued and delivered as though the person who signed it, or whose facsimile signature or signatures shall have been used thereon, has not ceased to be such officer. Certificates representing stock of the corporation shall be in such form as provided by the statutes of the state of incorporation. There shall be entered upon the stock books of the corporation at the time of issuance of each share, the number of the certificate issued, the name and address of the person owning the stock represented thereby, the number and kind, class or series of such stock and the date of issuance thereof. Every certificate exchanged or returned to the corporation shall be marked "cancelled" with the date of cancellation.

SECTION 6.02 TRANSFER OF STOCK. Transfers of stock of the corporation shall be made on the books of the corporation by the holder of record thereof, or by his attorney thereunto duly authorized by a power of attorney duly executed in writing and filed with the secretary of the corporation or any of its transfer agents, and on surrender of the certificate or certificates, properly endorsed or accompanied by proper instruments of transfer, representing such stock. Except as provided by law, the corporation and transfer agents and registrars, if any, shall be entitled to treat the holder of record of any stock as the absolute owner thereof for all purposes, and accordingly shall not be bound to recognize any legal, equitable or other claim to or interest in such stock on the part of any other person whether or not it or they shall have express or other notice thereof.

SECTION 6.03 REGULATIONS. Subject to the provisions of the articles of incorporation, the board of directors may make such rules and regulations as they may deem expedient concerning the issuance, transfer, redemption and registration of certificates for stock of the corporation.

SECTION 6.04 MAINTENANCE OF STOCK LEDGER AT PRINCIPAL PLACE OF BUSINESS. A stock ledger (or books where more than one kind, class or series of stock is outstanding) shall be kept at the principal place of business of the corporation, or at such other place as the board of directors shall determine, containing the names alphabetically arranged of original stockholders of the corporation, their addresses, their interest, the amount paid on their shares, and all transfers thereof and the number and class of stock held by each. Such stock ledgers shall at all reasonable hours be subject to inspection by persons entitled by law to inspect the same.

SECTION 6.05 TRANSFER AGENTS AND REGISTRARS. The board of directors may appoint one or more transfer agents and one or more registrars with respect to the certificates representing stock of the corporation, and may require all such certificates to bear the signature of either or both. The board of directors may from time to time define the respective duties of such transfer agents and registrars. No certificate for stock shall be valid until countersigned by a transfer agent, if at the date appearing thereon the corporation had a transfer agent for such stock, and until registered by a registrar, if at such date the corporation had a registrar for such stock.

SECTION 6.06 CLOSING OF TRANSFER BOOKS AND FIXING OF RECORD DATE.

(a) The board of directors shall have power to close the stock ledgers of the corporation for a period of not to exceed sixty days preceding the date of any meeting of the stockholders, or the date for payment of any dividend, or the date for the allotment of rights, or capital stock shall go into effect, or a date in connection with obtaining the consent of stockholders for any purpose.

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(b) In lieu of closing the stock ledgers as aforesaid, the board of directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining any such consent, as a record date for the determination of the stockholders entitled to a notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock or to give such consent.

(c) If the stock ledgers shall be closed or a record date set for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for or such record date shall be at least ten days immediately preceding such

meeting.

SECTION 6.07 LOST OR DESTROYED CERTIFICATES. The corporation may issue a new certificate for stock of the corporation in place of any certificate theretofore issued by it, alleged to have been lost or destroyed, and the board of directors may, in their discretion, require the owner of the lost or destroyed certificate or his legal representatives, to give the corporation a bond in such form and amount as the board of directors may direct, and with such surety or sureties as may be satisfactory to the board, to indemnify the corporation and its transfer agents and registrars, if any, against any claims that may be made against it or any such transfer agent or registrar on account of the issuance of such new certificate. A new certificate may be issued without requiring any bond when, in the judgment of the board of directors, it is proper to do so.

## ARTICLE VII

### EXECUTIVE COMMITTEE AND OTHER COMMITTEES

SECTION 7.01 HOW CONSTITUTED. The board of directors may designate an executive committee and such other committees as the board of directors may deem appropriate, each of which committees shall consist of one or more directors. Members of the executive committee and of any such other committee shall be designated annually at the annual meeting of the board of directors; provided, however, that at any time the board of directors may abolish or reconstitute the executive committee and of any such other committee shall hold office until his successor shall have been designated or until his resignation or removal in the manner provided in these bylaws.

SECTION 7.02 POWERS. During the intervals between meetings of the board of directors, the executive committee shall have and may exercise all powers of the board of directors in the management of the business and affairs of the corporation, except for the power to fill vacancies in the board of directors or to amend these bylaws, and except for such powers as by law may not be delegated by the board of directors to an executive committee.

SECTION 7.03 PROCEEDINGS. The executive committee, and such other committees as may be designated hereunder by the board of directors, may fix its own presiding and recording officer or officers, and may meet at such place or places, at such time or times and upon such notice (or without notice) as it shall determine from time to time. It will keep a record of its proceedings and shall report such proceedings to the board of directors at the meeting of the board of directors next following.

SECTION 7.04 QUORUM AND MANNER OF ACTING. At all meetings of the executive committee, and

of such other committees as may be designated hereunder by the board of directors, the presence of members constituting a majority of the total authorized membership of the committee shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a

majority of the members present at any meeting at which a quorum is present shall be the act of such committee. The members of the executive committee, and of such other committees as may be designated hereunder by the board of directors, shall act only as a committee and the individual members thereof shall have no powers as such.

SECTION 7.05 RESIGNATIONS. Any member of the executive committee, and of such other committees as may be designated hereunder by the board of directors, may resign at any time by delivering a written resignation to either the president, the secretary, or assistant secretary, or to the presiding officer of the committee of which he is a member, if any shall have been appointed and shall be in office. Unless otherwise specified therein, such resignation shall take effect upon delivery.

SECTION 7.06 REMOVAL. The board of directors may at any time remove any member of the executive committee or of any other committee designated by it hereunder either for or without cause.

SECTION 7.07 VACANCIES. If any vacancy shall occur in the executive committee or of any other committee designated by the board of directors hereunder, by reason of disqualification, death, resignation, removal or otherwise, the remaining members shall, until the filling of such vacancy, constitute the then total authorized membership of the committee and continued to act, unless such committee consisted of more than one member prior to the vacancy or vacancies and is left with only one member as a result thereof. Such vacancy may be filled at any meeting of the board or directors.

SECTION 7.08 COMPENSATION. The board of directors may allow a fixed sum and expenses of attendance to any member of the executive committee, or of any other committee designated by it hereunder, who is not an active salaried employee of the corporation for attendance at each meeting of the said committee.

## ARTICLE VIII

### INDEMNIFICATION, INSURANCE, AND OFFICER AND DIRECTOR CONTRACTS

SECTION 8.01 INDEMNIFICATION: THIRD PARTY ACTIONS. The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceedings, whether civil, criminal, administrative, or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit, or proceeding, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or on a plea of NOLO CONTENDERE or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he

reasonably believed to be in or not opposed to the best

interests of the corporation, and with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

SECTION 8.02 INDEMNIFICATION: CORPORATE ACTIONS. The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be or not opposed to the best interests of the corporation. Indemnification shall not be made for any claim, issue, or matter as to which such a person shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines on application that in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

SECTION 8.03 DETERMINATION. To the extent that a director, officer, employee, or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in sections 8.01 and 8.02 hereof, or in defense of any claim, issue, or matter therein, he must be indemnified against expenses, including attorney's fees, actually and reasonably incurred by him in connection the defense. Any indemnification under sections 8.01 and 8.02, unless ordered by a court or advanced pursuant to section 8.04, must be made by the corporation only as authorized in the specific case on a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances. The determination must be made: (i) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the act, suit, or proceeding; (ii) if a majority vote of a quorum consisting of directors who are not parties to the act, suit, or proceeding so orders, by independent legal counsel in a written opinion; (iii) if a quorum consisting of directors who are not parties to the act, suit, or proceeding cannot be obtained, by independent legal counsel in a written opinion; or (iv) by the stockholders by a majority vote of a quorum of stockholders at any meeting duly called for such purpose.

SECTION 8.04 ADVANCES. Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit, or proceeding on receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation.

SECTION 8.05 SCOPE OF INDEMNIFICATION. The indemnification and advancement of expenses authorized in or ordered by the corporation pursuant to sections 8.01, 8.02, 8.04:

(a) does not exclude any other rights to which a person seeking indemnification or advancement of expenses, including corporate personnel other than directors or officers, may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court

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pursuant to section 8.02 or for the advancement of expenses made pursuant to section 8.04, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud, or a knowing violation of law and was material to the case of action; and

(b) continues for a person who has ceased to be a director, officer, employee, or agent and inures to the benefit of the heirs, executors, and administrators of such a person.

SECTION 8.06 INSURANCE. The corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him and incurred by him in any such capacity as a director, officer, employee, or agent, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against any such liability and expenses. The other financial arrangements made by the corporation pursuant to this section 8.06 may include the creation of a trust fund, the establishment of a program of self-insurance, the securing of its obligation of indemnification by granting a security interest or other lien on any assets of the corporation, the establishment of a letter of credit, guarantee, or surety, all as may be determined by resolution of the board of directors; PROVIDED, that no financial arrangement made pursuant to this section 8.06 may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud, or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

(a) Any insurance or other financial arrangement made on behalf of a person pursuant to this section 8.06 may be provided by the corporation or any other person approved by the board of directors, even if all or part of the other person's stock or other securities is owned by the corporation.

(b) In the absence of fraud, the decision of the board of directors as to the propriety of the terms and conditions of any

insurance or other financial arrangement made pursuant to this section 8.06 and the choice of the person to provide the insurance or other financial arrangement is conclusive, and the insurance or other financial arrangement is not void or voidable and does not subject any director approving it to personal liability for his action even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.

SECTION 8.07 OFFICER AND DIRECTOR CONTRACTS. No contract or other transaction between the corporation and one or more of its directors or officers, or between the corporation and any corporation, firm, or association in which one or more of the corporation's directors or officers are directors or officers or are financially interested, is either void or voidable solely on the basis of such relationship or solely because any such director or officer is present at the meeting of the board of directors or a committee thereof which authorized or approved the contract or transaction, or because the vote or votes of common or interested directors are counted for such purpose, if:

(a) the fact the common directorship or financial interest is disclosed or known to the

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board of directors or committee and noted in the minutes and the board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such director or directors;

(b) the fact that the common directorship or financial interest is disclosed or known to the stockholders and they approve or ratify the contract or transaction in good faith by a majority vote of the shares voted at a meeting of stockholders called for such purpose or written consent of stockholders holding a majority of the shares entitled to vote (the votes of the common or interested directors or officers shall be counted in any such vote of stockholders); or

(c) the contract or transaction is fair as to the corporation at the time it is authorized or approved.

#### ARTICLES IX

#### FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors.

#### ARTICLE X

#### DIVIDENDS

The board of directors may from time to time declare, and the corporation may pay, dividends on its outstanding stock in the manner and upon the terms and conditions provided by the articles of incorporation and by law.

ARTICLE XI

AMENDMENTS

All bylaws of the corporation, whether adopted by the board of directors or the stockholders, shall be subject to amendment, alteration, or repeal, and new bylaws may be made, except that no bylaw adopted or amended by the stockholders shall be altered or repealed by the board of directors.

CERTIFICATE OF SECRETARY

The undersigned does hereby certify that he/she is the secretary of Breakthrough Electronics, Inc., a corporation duly organized and existing under and by virtue of the laws of the state of Nevada; that the above and foregoing bylaws of said corporation were duly and regularly adopted as such by the board of directors of said corporation by unanimous consent dated August 15, 1998, and that the above and foregoing bylaws are now in full force and effect and supersede and replace any prior bylaws of the corporation.

DATED this 1st day of September, 1998.

s/s Larry Grobstein

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Larry Grobstein, Secretary

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