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NEVSTAR CORP
Form 10KSB
September 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-KSB

(Mark one)

Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 2007

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-21071

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

Nevada

88-0309578

(State of incorporation)

(IRS Employer ID Number)

12890 Hilltop Road, Argyle, TX 76226

(Address of principal executive offices) (Zip Code)

(972) 233-0300

(Registrant's telephone number, including area code)

Securities registered under Section 12 (b) of the Exchange Act - None

Securities registered under Section 12(g) of the Exchange Act: -
Common Stock - \$0.01 par value

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Company'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.

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

The issuer's revenues for the fiscal year ended June 30, 2007 were \$-0-.

The aggregate market value of voting common equity held by non-affiliates as of September 12, 2007 was approximately \$25,417, based on a quoted price of \$0.15 per share and 169,449 shares held by non-affiliates.

As of September 12, 2007, there were 1,250,090 shares of Common Stock issued and outstanding.

Transitional Small Business Disclosure Format : Yes No

Nevstar Corporation

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Caution Regarding Forward-Looking Information

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions: demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-KSB and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

PART I

Item 1 - Description of Business

Background and Historical Operations

Nevstar Corporation (Company) was incorporated under the laws of the State of Nevada on December 2, 1993 as Mesquite Gaming Corp. On October 3, 1995, the Company changed its name to NevStar Gaming Corporation and on September 18, 1997, changed its name to NevStar Gaming & Entertainment Corporation.

The Company was formed to acquire, develop, construct, own and manage hotel/casino projects. The Company's strategy was to concentrate its efforts on "niche" markets, such as "local" or "neighborhood" casinos. The Company obtained its license and related approvals from the Nevada Gaming Commission to conduct gaming at its initial hotel/casino, Mesquite Star Hotel and Casino (The Mesquite Star) in Mesquite, Nevada, pursuant to an Order of Registration dated June 23, 1998. On July 1, 1998, the Mesquite Star, opened for business and the Company began receiving revenues from operations. The Mesquite Star was located on an approximately 25-acre property in Mesquite, Nevada.

The Company filed a Quarterly Report on Form 10-Q with the U. S. Securities and Exchange Commission ("SEC") on Form 10-Q, for the quarter ended March 31, 1999. At that time, the Company owned and operated the Mesquite Star, a hotel and casino in Mesquite, Nevada. The Company filed no further reports with the SEC until September 2002. The Company has insufficient financial records or

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supporting documentation to recreate these records for the interim period because those records were lost or destroyed as a result of the foreclosure of the principal asset of the Company, the Mesquite Star Hotel and Casino.

During 2002, the SEC was apprised of the Company's deficiencies, and a report was filed on Form 8-K dated September 30, 2002 summarizing the events which had occurred during the period since its last reporting. No reports on Form 10-K or Form 10-KSB were filed by the Company for the any annual or quarterly periods through November 22, 2002.

On December 1, 1999, the Company filed a voluntary petition for relief under Chapter 11 (the First Chapter 11 Proceeding) in the United States Bankruptcy Court, District of Nevada (Bankruptcy Court), Case No. 99-19566RCJ. The Company acted as debtor in possession during the First Chapter 11 Proceeding. In part as a result of the objections of certain of the Company's secured creditors and the Bankruptcy Court's belief that the Company could not be successfully reorganized in view of such objections, the Bankruptcy Court dismissed the First Chapter 11 Proceeding on or about March 2, 2000.

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On March 3, 2000, Randy Black (Black) was appointed by the District Court of Clark County, Nevada as receiver for the Company. On or about March 8, 2000, Black caused the casino to cease all meaningful operations and the casino was closed. The Company has not engaged in business operations since that date. Subsequently, Black acquired the first trust deed on the casino from the bank and he began foreclosure proceedings against the casino.

On July 10, 2000, the Company again filed a voluntary petition for relief under Chapter 11 (the Second Chapter 11 Proceeding) in the Bankruptcy Court, Case No. BK-S-00-15075-LBR. During the Second Chapter 11 Proceeding, the Company acted as debtor in possession. During the course of the Second Chapter 11 Proceeding, the Bankruptcy Court permitted Black to foreclose on the casino, which occurred on November 13, 2000. In April, 2001, the Company and W/F Investment Corp. (W/F) submitted to the Bankruptcy Court a plan of reorganization, which was amended from time to time (the Plan of Reorganization). On February 20, 2002, the Bankruptcy Court issued an order confirming the Plan of Reorganization. On November 22, 2002, the Plan of Reorganization became effective. The Company issued 15,141,674 shares of common stock to holders of unsecured claims; 156,428 shares of common stock to certain administrative claimants and to a previously secured claim holder, and 27,807,219 shares of common stock to the Plan Proponents. The 7,583,687 shares of Common Stock that were previously outstanding were retained by the holders of those shares. There are a total of 50,715,008 shares of common stock outstanding after the issuance of shares under the Plan of Reorganization. The Plan of Reorganization authorized a reverse split of the Common Stock, which occurred on January 12, 2006. The effect of the reverse stock split is reflected in the accompanying financial statements as of the first day of the first period presented.

On September 6, 2005, the United States Bankruptcy Court, District of Nevada, issued a final decree in the Chapter 11 proceeding, formally removing the Company from the oversight of the Bankruptcy Court and ending all bankruptcy proceedings.

Current Status

On October 11, 2005, the Company entered into a Stock Purchase Agreement with Halter Financial Investments, L.P., a Texas limited partnership (HFI) pursuant to which the Company sold 250,000 newly issued, restricted post-reverse split

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shares (75,000,000 pre-reverse split shares) of its common stock to HFI, constituting a change of control of the Company.

The Company's emergence from Chapter 11 of Title 11 of the United States Code on November 22, 2002 created the combination of a change in majority ownership and voting control - that is, loss of control by the then-existing stockholders, a court-approved reorganization, and a reliable measure of the entity's fair value - resulting in a fresh start, creating, in substance, a new reporting entity. Accordingly, the Company, post bankruptcy, has no significant assets, liabilities or operating activities. Therefore, the Company, as a new reporting entity, qualifies as a "development stage enterprise" as defined in Statement of Financial Accounting Standard No. 7, as amended.

The Company's post-bankruptcy business plan is to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

As of the date of the accompanying financial statements and subsequent thereto, the Company does not have any operations. Accordingly, the Company and Halter Financial Investments, LP (HFI), an entity controlled by the Company's President and Chief Executive Officer, have acknowledged that outside funds are necessary to support the corporate entity and comply with the periodic reporting requirements of the Securities Exchange Act of 1934, as amended. To this end, HFI has agreed to lend the Company up to \$50,000 with a maturity period not to exceed two (2) years from the initial funding date at an interest rate of 6.0% per annum. Through June 30, 2007, HFI has advanced approximately \$45,700 under this agreement, with an initial scheduled maturity date in May 2008.

During Fiscal 2007, the Company settled certain outstanding post-petition liabilities with various creditors providing professional services during the Company's bankruptcy period and prior to the October 11, 2005 change in control transaction and certain pre-petition liabilities with the Nevada Department of Taxation. As of the date of this report, the Company has nominal assets, consisting only of cash in bank and periodic trade accounts payable directly related to the maintenance of the corporate entity and compliance with the Company's responsibilities under the Securities Exchange Act of 1934, as amended; as well as the aforementioned loan payable to HFI.

The Company's equity securities are currently quoted on the Pink Sheets and have irregular trading volumes and pricing.

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Since the October 15, 2003 auction of the Company's assets, the Company may be referred to as a reporting shell corporation. Shell corporations have zero or nominal assets and typically no stated or contingent liabilities. Private companies wishing to become publicly trading may wish to merge with a shell (a reverse merger or reverse acquisition) whereby the shareholders of the private company become the majority of the shareholders of the combined company. The private company may purchase for cash all or a portion of the common shares of the shell corporation from its major stockholders. Typically, the Board and officers of the private company become the new Board and officers of the combined Company and often the name of the private company becomes the name of the combined entity.

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The Company has very limited capital, and it is unlikely that the Company will be able to take advantage of more than one such business opportunity. The Company intends to seek opportunities demonstrating the potential of long-term growth as opposed to short-term earnings. However, at the present time, the Company has not identified any business opportunity that it plans to pursue, nor has the Company reached any agreement or definitive understanding with any person concerning an acquisition.

It is anticipated that the Company's officers and directors will contact broker-dealers and other persons with whom they are acquainted who are involved with corporate finance matters to advise them of the Company's existence and to determine if any companies or businesses that they represent have a general interest in considering a merger or acquisition with a blind pool or blank check or shell entity. No direct discussions regarding the possibility of merger are expected to occur until after the effective date of this registration statement. No assurance can be given that the Company will be successful in finding or acquiring a desirable business opportunity, given the limited funds that are expected to be available for acquisitions. Furthermore, no assurance can be given that any acquisition, which does occur, will be on terms that are favorable to the Company or its current stockholders.

The Company's search will be directed toward small and medium-sized enterprises, which have a desire to become public corporations. In addition these enterprises may wish to satisfy, either currently or in the reasonably near future, the minimum tangible asset requirement in order to qualify shares for trading on NASDAQ or on an exchange such as the American Stock Exchange. (See Investigation and Selection of Business Opportunities). The Company anticipates that the business opportunities presented to it will (i) either be in the process of formation, or be recently organized with limited operating history or a history of losses attributable to under-capitalization or other factors; (ii) experiencing financial or operating difficulties; (iii) be in need of funds to develop new products or services or to expand into a new market, or have plans for rapid expansion through acquisition of competing businesses; (iv) or other similar characteristics. The Company intends to concentrate its acquisition efforts on properties or businesses that it believes to be undervalued or that it believes may realize a substantial benefit from being publicly owned. Given the above factors, investors should expect that any acquisition candidate may have little or no operating history, or a history of losses or low profitability.

The Company does not propose to restrict its search for investment opportunities to any particular geographical area or industry, and may, therefore, engage in essentially any business, to the extent of its limited resources. This include industries such as service, finance, natural resources, manufacturing, high technology, product development, medical, communications and others. The Company's discretion in the selection of business opportunities is unrestricted, subject to the availability of such opportunities, economic conditions, and other factors.

As a consequence of this registration of its securities, any entity, which has an interest in being acquired by, or merging into the Company, is expected to be an entity that desires to become a public Company and establish a public trading market for its securities. In connection with such a merger or acquisition, it is highly likely that an amount of stock constituting control of the Company would either be issued by the Company or be purchased from the current principal stockholders of the Company by the acquiring entity or its affiliates. If stock is purchased from the current principal stockholders, the transaction is likely to result in substantial gains to the current principal stockholders relative to their purchase price for such stock. In the Company's judgment, none of the officers and directors would thereby become an underwriter within the meaning of the Section 2(11) of the Securities Act of 1933, as amended as long as the

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transaction is a private transaction rather than a public distribution of securities. The sale of a controlling interest by certain principal shareholders of the Company would occur at a time when minority stockholders are unable to sell their shares because of the lack of a public market for such shares.

Depending upon the nature of the transaction, the current officers and directors of the Company may resign their management and board positions with the Company in connection with a change of control or acquisition of a business opportunity (See Form of Acquisition, below, and Risk Factors, The Company, Lack of Continuity of Management). In the event of such a resignation, the Company's current management would thereafter have no control over the conduct of the Company's business.

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It is anticipated that business opportunities will come to the Company's attention from various sources, including its officers and directors, its other stockholders, professional advisors such as attorneys and accountants, securities broker-dealers, venture capitalists, members of the financial community, and others who may present unsolicited proposals. The Company has no plan, understandings, agreements, or commitments with any individual for such person to act as a finder of opportunities for the Company.

The Company does not foresee that it will enter into a merger or acquisition transaction with any business with which its officers or directors are currently affiliated. Should the Company determine in the future, contrary to the forgoing expectations, that a transaction with an affiliate would be in the best interests of the Company and its stockholders, the Company is, in general, permitted by Delaware law to enter into a transaction if: The material facts as to the relationship or interest of the affiliate and as to the contract or transaction are disclosed or are known to the Board of Directors, and the Board in good faith authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors constitute less than a quorum; or the material facts as to the relationship or interest of the affiliate and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically authorized, approved or ratified in good faith by vote of the stockholders; or the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified, by the Board of Directors or the stockholders.

Investigation and Selection of Business Opportunities

To a large extent, a decision to participate in a specific business opportunity may be made upon management's analysis of the quality of the other Company's management and personnel, the anticipated acceptability of new products or marketing concepts, the merit of technological changes, the perceived benefit the business opportunity will derive from becoming a publicly held entity, and numerous other factors which are difficult, if not impossible, to analyze through the application of any objective criteria. In many instances, it is anticipated that the historical operations of a specific business opportunity may not necessarily be indicative of the potential for the future because of a variety of factors, including, but not limited to, the possible need to expand substantially, shift marketing approaches, change product emphasis, change or substantially augment management, raise capital and the like.

It is anticipated that the Company will not be able to diversify, but will essentially be limited to the acquisition of one business opportunity because of the Company's limited financing. This lack of diversification will not permit

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the Company to offset potential losses from one business opportunity against profits from another, and should be considered an adverse factor affecting any decision to purchase the Company's securities.

Certain types of business acquisition transactions may be completed without any requirement that the Company first submit the transaction to the stockholders for their approval. In the event the proposed transaction is structured in such a fashion that stockholder approval is not required, holders of the Company's securities (other than principal stockholders holding a controlling interest) should not anticipate that they will be provided with financial statements or any other documentation prior to the completion of the transaction. Other types of transactions require prior approval of the stockholders.

In the event a proposed business combination or business acquisition transaction is structured in such a fashion that prior stockholder approval is necessary, the Company will be required to prepare a Proxy or Information Statement describing the proposed transaction, file it with the Securities and Exchange Commission for review and approval, and mail a copy of it to all Company stockholders prior to holding a stockholders meeting for purposes of voting on the proposal. Minority shareholders that do not vote in favor of a proposed transaction will then have the right, in the event the transaction is approved by the required number of stockholders, to exercise statutory dissenter's rights and elect to be paid the fair value of their shares.

The analysis of business opportunities will be undertaken by or under the supervision of the Company's officers and directors, none of whom are professional business analysts (See Management). Although there are no current plans to do so, Company management might hire an outside consultant to assist in the investigation and selection of business opportunities, and might pay a finder's fee. Since Company management has no current plans to use any outside consultants or advisors to assist in the investigation and selection of business opportunities, no policies have been adopted regarding use of such consultants or advisors, the criteria to be used in selecting such consultants or advisors, the services to be provided, the term of service, or the total amount of fees that may be paid. However, because of the limited resources of the Company, it is likely that any such fee the Company agrees to pay would be paid in stock and not in cash.

Otherwise, in analyzing potential business opportunities, Company management anticipates that it will consider, among other things, the following factors:

- o Potential for growth and profitability indicated by new technology, anticipated market expansion, or new products;

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- o The Company's perception of how any particular business opportunity will be received by the investment community and by the Company's stockholders;
- o Whether, following the business combination, the financial condition of the business opportunity would be, or would have a significant prospect in the foreseeable future of becoming, sufficient to enable the securities of the Company to qualify for listing on an exchange or on a national automated securities quotation system, such as NASDAQ, so as to permit the trading of such securities to be exempt from the requirements of Rule 15g-9 adopted by the Securities and Exchange Commission (See Risk Factors The Company Regulations of Penny Stocks).
- o Capital requirements and anticipated availability of required funds, to be provided by the Company or from operations, through the sale of

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- additional securities, through joint ventures or similar arrangements, or from other sources;
- o The extent to which the business opportunity can be advanced;
 - o Competitive position as compared to other companies of similar size and experience within the industry segment as well as within the industry as a whole;
 - o Strength and diversity of existing management or management prospects that are scheduled for recruitment;
 - o The cost of participation by the Company as compared to the perceived tangible and intangible values and potential; and
 - o The accessibility of required management expertise, personnel, raw materials, services, professional assistance, and other required items.

In regard to the possibility that the shares of the Company would qualify for listing on NASDAQ, the current standards for initial listing include, among other requirements, that the Company (1) have net tangible assets of at least \$4.0 million, or a market capitalization of \$50.0 million, or net income of not less than \$0.75 million in its latest fiscal year or in two of the last three fiscal years; (2) have a public float (i.e., shares that are not held by any officer, director or 10% stockholder) of at least 1.0 million shares; (3) have a minimum bid price of at least \$4.00; (4) have at least 300 round lot stockholders (i.e., stockholders who own not less than 100 shares); and (5) have an operating history of at least one year or have a market capitalization of at least \$50.0 million. Many, and perhaps most, of the business opportunities that might be potential candidates for a combination with the Company would not satisfy the NASDAQ listing criteria.

No one of the factors described above will be controlling in the selection of a business opportunity, and management will attempt to analyze all factors appropriate to each opportunity and make a determination based upon reasonable investigative measures and available data. Potentially available business opportunities may occur in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex. Potential investors must recognize that, because of the Company's limited capital available for investigation and management's limited experience in business analysis, the Company may not discover or adequately evaluate adverse facts about the opportunity to be acquired.

The Company is unable to predict when it may participate in a business opportunity. It expects, however, that the analysis of specific proposals and the selection of a business opportunity may take several months or more.

Prior to making a decision to participate in a business opportunity, the Company will generally request that it be provided with written materials regarding the business opportunity containing as much relevant information as possible, including, but not limited to, such items as a description of products, services and Company history; management resumes; financial information; available projections, with related assumptions upon which they are based; an explanation of proprietary products and services; evidence of existing patents, trademarks, or service marks, or rights thereto; present and proposed forms of compensation to management; a description of transactions between such Company and its affiliates during the relevant periods; a description of present and required facilities; an analysis of risks and competitive conditions; a financial plan of operation and estimated capital requirements; audited financial statements, or if they are not available, unaudited financial statements, together with reasonable assurance that audited financial statements would be able to be produced within a reasonable period of time not to exceed 60 days following completion of a merger or acquisition transaction; and the like.

As part of the Company's investigation, the Company's executive officers and

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directors may meet personally with management and key personnel, may visit and inspect material facilities, obtain independent analysis or verification of certain information provided, check references of management and key personnel, and take other reasonable investigative measures, to the extent of the Company's limited financial resources and management expertise.

It is possible that the range of business opportunities that might be available for consideration by the Company could be limited by the impact of Securities and Exchange Commission regulations regarding purchase and sale of penny stocks. The regulations would affect, and possibly impair, any market that might develop in the Company's securities until such time as they qualify for listing on NASDAQ or on an exchange which would make them exempt from applicability of the penny stock regulations. (See Risk Factors Regulation of Penny Stocks)

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Company management believes that various types of potential merger or acquisition candidates might find a business combination with the Company to be attractive. These include acquisition candidates desiring to create a public market for their shares in order to enhance liquidity for current stockholders, acquisition candidates which have long-term plans for raising capital through public sale of securities and believe that the possible prior existence of a public market for their securities would be beneficial, and acquisition candidates which plan to acquire additional assets through issuance of securities rather than for cash, and believe that the possibility of development of a public market for their securities will be of assistance in that process. Acquisition candidates, which have a need for an immediate cash infusion, are not likely to find a potential business combination with the Company to be an attractive alternative.

Form of Acquisition

It is impossible to predict the manner in which the Company may participate in a business opportunity. Specific business opportunities will be reviewed as well as the respective needs and desires of the Company and the promoters of the opportunity and, upon the basis of the review and the relative negotiating strength of the Company and such promoters, the legal structure or method deemed by management to be suitable will be selected. Such structure may include, but is not limited to leases, purchase and sale agreements, licenses, joint ventures and other contractual arrangements. The Company may act directly or indirectly through an interest in a partnership, corporation or other form of organization. Implementing such structure may require the merger, consolidation or reorganization of the Company with other corporations or forms of business organization. In addition, the present management and stockholders of the Company most likely will not have control of a majority of the voting stock of the Company following a merger or reorganization transaction. As part of such a transaction, the Company's existing directors may resign and new directors may be appointed without any vote by stockholders.

It is likely that the Company will acquire its participation in a business opportunity through the issuance of Common Stock or other securities of the Company. Although the terms of any such transaction cannot be predicted, it should be noted that in certain circumstances the criteria for determining whether or not an acquisition is a so-called "B" tax free reorganization under the Internal Revenue Code of 1986 as amended, depends upon the issuance to the stockholders of the acquired Company of a controlling interest (i.e., 80% or more) of the common stock of the combined entities immediately following the reorganization. If a transaction were structured to take advantage of these provisions rather than other a tax free provisions provided under the Internal

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Revenue Code, the Company's current stockholders would retain in the aggregate 20% or less of the total issued and outstanding shares. This could result in substantial additional dilution in the equity of those who were stockholders of the Company prior to such reorganization. Any such issuance of additional shares might also be done simultaneously with a sale or transfer of shares representing a controlling interest in the Company by the current officers, directors and principal stockholders.

It is anticipated that any new securities issued in any reorganization would be issued in reliance upon one or more exemptions from registration under applicable federal and state securities laws to the extent that such exemptions are available. 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 or under certain conditions at specified times thereafter. The issuance of substantial additional securities and their potential sale into any trading market that might develop in the Company's securities may have a depressive effect upon such market.

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

As a general matter, the Company anticipates that it, and/or its principal stockholders will enter into a letter of intent with the management, principals or owners of a prospective business opportunity prior to signing a binding agreement. Such a letter of intent will set forth the terms of the proposed acquisition but will not bind any of the parties to consummate the transaction. Execution of a letter of intent will by no means indicate that consummation of an acquisition is probable. Neither the Company nor any of the other parties to the letter of intent will be bound to consummate the acquisition unless and until a definitive agreement is executed. Even after a definitive agreement is executed, it is possible that the acquisition would not be consummated should any party elect to exercise any right provided in the agreement to terminate it on specific grounds.

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It is anticipated that the investigation of specific business opportunities 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, the costs incurred in the related investigation would not be recoverable. Moreover, because many providers of goods and services require compensation at the time or soon after the goods and services are provided, the inability of the Company to pay until an indeterminate future time may make it impossible to produce goods and services.

Investment Company Act and Other Regulation

The Company may participate in a business opportunity by purchasing, trading or selling the securities of such business. The Company does not, however, intend to engage primarily in such activities. Specifically, the Company intends to conduct its activities so as to avoid being classified as an investment Company

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under the Investment Company Act of 1940 (the Investment Act), and therefore to avoid application of the costly and restrictive registration and other provisions of the Investment Act, and the regulations promulgated thereunder.

The Company's plan of business may involve changes in its capital structure, management, control and business, especially if it consummates the reorganization as discussed above. Each of these areas is regulated by the Investment Act, in order to protect purchasers of investment Company securities. Since the Company will not register as an investment Company, stockholders will not be afforded these protections.

Competition

The Company expects to encounter substantial competition in its efforts to locate attractive business combination opportunities. The competition may in part come from business development companies, venture capital partnerships and corporations, small investment companies, brokerage firms, and the like. Some of these types of organizations are likely to be in a better position than the Company to obtain access to attractive business acquisition candidates either because they have greater experience, resources and managerial capabilities than the Company, because they are able to offer immediate access to limited amounts of cash, or for a variety of other reasons. The Company also will experience competition from other public companies with similar business purposes, some of which may also have funds available for use by an acquisition candidate.

Employees

The Company currently has no employees. Management of the Company expects to use consultants, attorneys and accountants as necessary, and does not anticipate a need to engage any full-time employees so long as it is seeking and evaluating business opportunities. The need for employees and their availability will be addressed in connection with the decision whether or not to acquire or participate in specific business opportunities.

Risk Factors

The Company's business and plan of operation is subject to numerous risk factors, including, but not limited to, the following:

Limited Operating History makes Potential Difficult to Assess

The Company has had no operating history nor any revenues or earnings from operations since 2003. All efforts from our inception through 2003 were unsuccessful. The Company has no assets or financial resources. The Company will, in all likelihood, continue to sustain operating expenses without corresponding revenues, at least until the consummation of a business combination. This will most likely result in the Company incurring a net operating loss which will increase continuously until the Company can consummate a business combination with a target company. There is no assurance that the Company can identify such a target company and consummate such a business combination.

There is No Agreement for a Business Combination and No Minimum Requirements for a Business Combination

The Company has no current arrangement, agreement or understanding with respect to engaging in a business combination with a specific entity. There can be no assurance that the Company will be successful in identifying and evaluating suitable business opportunities or in concluding a business combination. No

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particular industry or specific business within an industry has been selected for a target company. The Company has not established a specific length of operating history or a specified level of earnings, assets, net worth or other criteria which it will require a target company to have achieved, or without which the Company would not consider a business combination with such business entity. Accordingly, the Company may enter into a business combination with a business entity having no significant operating history, losses, limited or no potential for immediate earnings, limited assets, negative net worth or other negative characteristics. There is no assurance that the Company will be able to negotiate a business combination on terms favorable to the Company.

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No Assurance of Success or Profitability

There is no assurance that the Company will acquire a favorable business opportunity. Even if the Company should become involved in a business opportunity, there is no assurance that it will generate revenues or profits, or that the market price of the Company's outstanding shares will be increased thereby.

Type of Business To Be Acquired

The type of business to be acquired may be one that desires to avoid effecting its own public offering and the accompanying expense, delays, uncertainties, and federal and state requirements which purport to protect investors. Because of the Company's limited capital, it is more likely than not that any acquisition by the Company will involve other parties whose primary interest is the acquisition of control of a publicly traded Company. Moreover, any business opportunity acquired may be currently unprofitable or present other negative factors.

Lack of Diversification

Because of the limited financial resources that the Company has, it is unlikely that the Company will be able to diversify its acquisitions or operations. The Company's probable inability to diversify its activities into more than one area will subject the Company to economic fluctuations within a particular business or industry and therefore increase the risks associated with the Company's operations.

Only One Director and Officer

Because management consists of only one person, while seeking a business combination, Timothy P. Halter, the Company's President, will be the only person responsible in conducting the day-to-day operations of the Company. The Company does not benefit from multiple judgments that a greater number of directors or officers would provide, and the Company will rely completely on the judgment of its one officer and director when selecting a target company. Mr. Halter anticipates devoting only a limited amount of time per month to the business of the Company. Mr. Halter has not entered into a written employment agreement with the Company and he is not expected to do so. The Company does not anticipate obtaining key man life insurance on Mr. Halter. The loss of the services of Mr. Halter would adversely affect development of the Company's business and its likelihood of continuing operations.

Dependence Upon Management, Limited Participation of Management

The Company will be entirely dependant upon the experience of its officer and

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director in seeking, investigating, and acquiring a business and in making decisions regarding the Company's operations. Because investors will not be able to evaluate the merits of possible future business acquisitions by the Company, they should critically assess the information concerning the Company's officers and directors. (See Management.)

Conflicts of Interest

Certain conflicts of interest exist between the Company and its officer and director. He has other business interests to which he currently devotes attention and is expected to continue to do so. As a result, conflicts of interest may arise that can be resolved only through his exercise of judgement in a manner which is consistent with his fiduciary duties to the Company. (See Management, Conflicts of Interest.)

It is anticipated that the Company's principal shareholder may actively negotiate or otherwise consent to the purchase of a portion of his common stock as a condition to, or, in connection with, a proposed merger or acquisition transaction. In this process, the Company's principal shareholders may consider his own personal pecuniary benefit rather than the best interest of other Company shareholders. Depending upon the nature of a proposed transaction, Company shareholder other than the principal shareholders may not be afforded the opportunity to approve or consent to a particular transaction.

Possible Need For Additional Financing

The Company has very limited funds, and such funds, may not be adequate to take advantage of any available business opportunities. Even if the Company's currently available funds prove to be sufficient to pay for its operations until it is able to acquire an interest in, or complete a transaction with, a business opportunity, such funds will clearly not be sufficient to enable it to exploit the opportunity. Thus, the ultimate success of the Company will depend, in part, upon its availability to raise additional capital. In the event that the Company requires modest amounts of additional capital to fund its operations until it is able to complete a business acquisition or transaction, such funds, are expected to be provided by the principal shareholder. However, the Company has not

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investigated the availability, source, or terms that might govern the acquisition of the additional capital which is expected to be required in order to exploit a business opportunity, and will not do so until it has determined the level of need for such additional financing. There is no assurance that additional capital will be available from any source or, if available, that it can be obtained on terms acceptable to the Company. If not available, the Company's operations will be limited to those that can be financed with its modest capital.

Dependence Upon Outside Advisors

To supplement the business experience of its officer and director, the Company may be required to employ accountants, technical experts, appraisers, attorneys, or other consultants or advisors. The selection of any such advisors will be made by the Company's officer, without any input by shareholders. Furthermore, it is anticipated that such persons may be engaged on an as needed basis without a continuing fiduciary or other obligation to the Company. In the event the officer of the Company considers it necessary to hire outside advisors, he may elect to hire persons who are affiliates, if those affiliates are able to

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provide the required services.

Regulation of Penny Stocks

The U. S. Securities and Exchange Commission (SEC) has adopted a number of rules to regulate "penny stocks." Because the securities of the Company may constitute "penny stocks" within the meaning of the rules (as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, largely traded in the National Association of Securities Dealers' (NASD) OTC Bulletin Board or the "Pink Sheets", the rules would apply to the Company and to its securities. The Commission has adopted Rule 15c-9 which established sales practice requirements for certain low price securities. Unless the transaction is exempt, it shall be unlawful for a broker or dealer to sell a penny stock to, or to effect the purchase of a penny stock by, any person unless prior to the transaction: (i) the broker or dealer has approved the person's account for transactions in penny stock pursuant to this rule and (ii) the broker or dealer has received from the person a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stock, the broker or dealer must: (a) obtain from the person information concerning the person's financial situation, investment experience, and investment objectives; (b) reasonably determine that transactions in penny stock are suitable for that person, and that the person has sufficient knowledge and experience in financial matters that the person reasonably may be expected to be capable of evaluating the risks of transactions in penny stock; deliver to the person a written statement setting forth the basis on which the broker or dealer made the determination (i) stating in a highlighted format that it is unlawful for the broker or dealer to affect a transaction in penny stock unless the broker or dealer has received, prior to the transaction, a written agreement to the transaction from the person; and (ii) stating in a highlighted format immediately preceding the customer signature line that (iii) the broker or dealer is required to provide the person with the written statement; and (iv) the person should not sign and return the written statement to the broker or dealer if it does not accurately reflect the person's financial situation, investment experience, and investment objectives; and (C) receive from the person a manually signed and dated copy of the written statement. It is also required that disclosure be made as to the risks of investing in penny stock and the commissions payable to the broker-dealer, as well as current price quotations and the remedies and rights available in cases of fraud in penny stock transactions. Statements, on a monthly basis, must be sent to the investor listing recent prices for the Penny Stock and information on the limited market. Shareholders should be aware that, according to Securities and Exchange Commission Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid ask differential and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. The Company's management is aware of the abuses that have occurred historically in the penny stock market. Although the Company does not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to the Company's securities.

There May Be A Scarcity of and/or Significant Competition For Business

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Opportunities and/or Combinations

The Company is and will continue to be an insignificant participant in the business of seeking mergers with and acquisitions of business entities. A large number of established and well financed entities, including venture capital firms, are active in mergers and acquisitions of companies which may be merger or acquisition target candidates for the Company. Nearly all such entities have significantly greater financial resources, technical expertise and managerial capabilities than the Company and, consequently, the Company will be at a competitive disadvantage in identifying possible business opportunities and successfully completing a business combination. Moreover, the Company will also

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compete in seeking merger or acquisition candidates with other public shell companies, some of which may also have funds available for use by an acquisition candidate.

Reporting Requirements May Delay or Preclude Acquisition

Pursuant to the requirements of Section 13 of the Exchange Act, the Company is required to provide certain information about significant acquisitions including audited financial statements of the acquired company. These audited financial statements must be furnished within 4 days following the effective date of a business combination. Obtaining audited financial statements are the economic responsibility of the target company. The additional time and costs that may be incurred by some potential target companies to prepare such financial statements may significantly delay or essentially preclude consummation of an otherwise desirable acquisition by the Company. Acquisition prospects that do not have or are unable to obtain the required audited statements may not be appropriate for acquisition so long as the reporting requirements of the Exchange Act are applicable. When a non-reporting company becomes the successor of a reporting company by merger, consolidation, exchange of securities, and acquisition of assets or otherwise, the successor company is required to provide in a Current Report on Form 8-K the same kind of information that would appear in a Registration Statement or an Annual Report on Form 10-KSB, including audited and pro forma financial statements. The Commission treats these Form 8-K filings in the same way it treats the Registration Statements on Form 10-SB filings. The Commission subjects them to its standards of review selection, and the Commission may issue substantive comments on the sufficiency of the disclosures represented. If the Company enters into a business combination with a non-reporting company, such non-reporting company will not receive reporting status until the Commission has determined that it will not review the 8-K filing or all of the comments have been cleared by the Commission.

Lack of Market Research or Marketing Organization

The Company has neither conducted, nor have others made available to it, market research indicating that demand exists for the transactions contemplated by the Company. In the event demand exists for a transaction of the type contemplated by the Company, there is no assurance the Company will be successful in completing any such business combination.

Probable Change in Control of The Company and/or Management

In conjunction with completion of a business acquisition, it is anticipated that the Company will issue an amount of the Company's authorized but unissued common stock that represents the greater majority of the voting power and equity of the Company, which will, in all likelihood, result in shareholders of a target

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company obtaining a controlling interest in the Company. As a condition of the business combination agreement, the current shareholder of the Company may agree to sell or transfer all or a portion of the Company's common stock he owns so to provide the target company with all or majority control. The resulting change in control of the Company will likely result in removal of the present officer and director of the Company and a corresponding reduction in or elimination of his participation in the future affairs of the Company.

Possible Dilution of Value of Shares Upon Business Combination

A business combination normally will involve the issuance of a significant number of additional shares. Depending upon the value of the assets acquired in such business combination, the per share value of the Company's common stock may increase or decrease, perhaps significantly.

Limited or No Public Market Exists

There is currently a limited public market for the Company's common stock, via the "Pink Sheets" and no assurance can be given that a market will develop or that a shareholder ever will be able to liquidate his investment without considerable delay, if at all. If a market should develop, the price may be highly volatile. Factors such as those discussed in this "Risk Factors" section may have a significant impact upon the market price of the securities offered hereby. Owing to the low price of the securities, many brokerage firms may not be willing to effect transactions in the securities. Even if a purchaser finds a broker willing to effect a transaction in these securities, the combination of brokerage commissions, state transfer taxes, if any, and any other selling costs may exceed the sales proceeds.

Registration of Shares is Required

It is the SEC's position that securities issued by a "shell" company cannot be sold under the exemption from registration provided by Rule 144 promulgated under the Securities Act of 1933 (the "Act"), but must be registered under the Securities Act of 1933. Any other securities issued to individuals in the capacity of management, affiliates, control persons and promoters will also be registered with the SEC prior to resale and shall be issued with appropriate

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restricted legend to reflect the registration requirements. The Company will make appropriate provisions under the Securities Act of 1933 to register the Company's shares for resale."

Blue Sky Consideration

Because the securities registered hereunder have not been registered for resale under the Blue Sky laws of any state, the holders of such shares and persons who desire to purchase them in any trading market that might develop in the future, should be aware, that there may be significant state Blue Sky law restrictions upon the ability of investors to sell the securities and of purchasers to purchase the securities. Accordingly, investors should consider the secondary market for the Company's securities to be a limited one.

Additional Risks Doing Business in a Foreign Country

The Company may effectuate a business combination with a merger target whose

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business operations or even headquarters, place of formation or primary place of business are located outside the United States of America. In such event, the Company may face the significant additional risks associated with doing business in that country. In addition to the language barriers, different presentations of financial information, different business practices, and other cultural differences and barriers that may make it difficult to evaluate such a merger target, ongoing business risks result from the international political situation, uncertain legal systems and applications of law, prejudice against foreigners, corrupt practices, uncertain economic policies and potential political and economic instability that may be exacerbated in various foreign countries.

Taxation

Federal and state tax consequences will, in all likelihood, be major considerations in any business combination that the Company may undertake. Currently, such transactions may be structured so as to result in tax-free treatment to both companies, pursuant to various federal and state tax provisions. The Company intends to structure any business combination so as to minimize the federal and state tax consequences to both the Company and the target entity; however, there can be no assurance that such business combination will meet the statutory requirements of a tax-free reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. A non-qualifying reorganization could result in the imposition of both federal and state taxes, which may have an adverse effect on both parties to the transaction.

Item 2 - Description of Property

The Company currently maintains a mailing address at 12890 Hilltop Road, Argyle, TX 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

It is likely that the Company will not establish an office until it has completed a business acquisition transaction, but it is not possible to predict what arrangements will actually be made with respect to future office facilities.

Item 3 - Legal Proceedings

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

Item 4 - Submission of Matters to a Vote of Security Holders

The Company has not conducted any meetings of shareholders during the preceding quarter or periods subsequent thereto.

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Item 5 - Market for Company's Common Stock and Related Stockholder Matters

Market for Trading

The Company's equity securities are currently quoted on the Pink Sheets over-the-counter market under the symbol "NVSC" and have irregular and infrequent trading volumes and pricing.

The table below sets forth the high and low bid prices for the Company's common stock as obtained from the "historical quotes" section of www.bigcharts.com. Bids represent inter-dealer prices, without retail mark-up, markdown or commissions, and may not represent actual transactions.

The following table sets forth the high and low closing bid prices for the periods indicated:

| Year ended June 30, 2005 | High | Low |
|--------------------------|--------|--------|
| ----- | ---- | --- |
| 1st Quarter | \$0.30 | \$0.30 |
| 2nd Quarter | 0.30 | 0.30 |
| 3rd Quarter | 0.30 | 0.30 |
| 4th Quarter | 0.30 | 0.30 |
| Year ended June 30, 2006 | | |
| ----- | | |
| 1st Quarter | \$6.01 | \$0.30 |
| 2nd Quarter | 4.50 | 1.50 |
| 3rd Quarter | 7.55 | 1.50 |
| 4th Quarter | 7.55 | 7.51 |
| Year ended June 30, 2007 | | |
| ----- | | |
| 1st Quarter | \$7.51 | \$7.51 |
| 2nd Quarter | 7.51 | 0.15 |
| 3rd Quarter | 0.15 | 0.15 |
| 4th Quarter | 0.15 | 0.15 |

These quotations are inter-dealer prices without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

As of September 12, 2007, there were approximately 671 shareholders of record of the Company's common stock

Transfer Agent

Our independent stock transfer agent is Transfer Online, Inc., located in Portland, Oregon. Their mailing address and telephone number is: 317 SW Alder Street, 2nd Floor, Portland, Oregon 97204; (503) 227-2950 (voice); (503) 227-6874 (fax).

Reports to Stockholders

The Company plans to furnish its stockholders with an annual report for each fiscal year ending June 30 containing financial statements audited by its independent certified public accountants. In the event the Company enters into a business combination with another Company, it is the present intention of management to continue furnishing annual reports to stockholders. Additionally, the Company may, in its sole discretion, issue unaudited quarterly or other interim reports to its stockholders when it deems appropriate. The Company intends to maintain compliance with the periodic reporting requirements of the

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Securities Exchange Act of 1934.

Dividend Policy

No dividends have been paid to date and the Company's Board of Directors does not anticipate paying dividends in the foreseeable future. It is the current policy of the Company's Board of Directors to retain all earnings, if any, to support future growth and expansion.

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Recent Issuances of Unregistered Securities

On October 11, 2005, the Company sold 250,000 post-reverse split shares of restricted common stock for gross proceeds of \$75,000, pursuant to a subscription agreement, to Halter Financial Investments, L. P., (a Texas Limited Partnership) (HFI), an entity controlled by Timothy P. Halter, who became the Company's current Chief Executive Officer. The Company relied upon Section 4(2) of The Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction. As a result of this transaction, HFI became the Company's controlling stockholder, owning approximately 59.60% of the 419,436 issued and outstanding shares of the Company's common stock.

The \$75,000 in proceeds was used to satisfy the pre-petition debt payable to the Nevada Gaming Commission, retire certain trade accounts payable and pay certain operating expenses of the Company to maintain compliance with the requirements of the Securities Exchange Act of 1934, as amended

On November 17, 2006, the Company sold to HFI 723,641 shares of restricted common stock for approximately \$217,000 or \$0.30 per share. The transaction was effected pursuant to the terms of a Stock Purchase Agreement entered into by the Company and HFI on October 11, 2005. The purchase transaction was effected without registration in reliance upon Section 4(2) of the Securities Act of 1933. The form and terms of the purchase agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report on Form 8-K filed with the SEC on October 12, 2005. As this selling price was substantially below the "fair value" of comparable transactions, the Company recognized a charge to operations for consulting expense of approximately \$1,736,700 equivalent to the difference between the established "fair value" of \$2.70 per share (as determined by the quoted closing price of the Company's common stock on the date of the transaction) and the selling price of \$0.30 per share.

On November 17, 2006, the Company satisfied the terms and conditions of a Settlement and Stock Issuance Agreement with W/F Investment Corp. (W/F), a shareholder of the Company, with the payment of \$100,000 cash and the issuance of 107,000 shares of restricted common stock to settle the Company's debt obligation to W/F of approximately \$501,945. The form and terms of the agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report on Form 8-K filed with the SEC on October 12, 2005.

Item 6 - Management's Discussion and Analysis or Plan of Operation

Results of Operations

The Company had no revenue for the respective years ended June 30, 2007 and

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2006, respectively.

During each of the years ended June 30, 2007 and 2006, the Company recognized general operating expenses of approximately \$10,600 and \$39,700, respectively, which were directly related to the Company's compliance with the periodic reporting requirements of the Securities Exchange Act of 1934, as amended. Further, during the quarter ended June 30, 2007, the Company recognized a one-time gain on forgiveness of debt or approximately \$44,600 related to the settlement and payment in full of the pre-petition tax liability owed to the Nevada Department of Taxation..

The Company accrued interest expense on pre-petition tax liabilities and the Line of Credit notes payable to two separate shareholders totaled approximately \$28,600 and \$40,900 for each of the years ended June 30, 2007 and 2006, respectively. During the year ended June 30, 2007, the Company settled the outstanding obligations to the Nevada Department of Taxation and W/F Investment Corp. on April 9, 2007 and November 17, 2006, respectively. There are no continuing obligation on the part of the Company for either of these items.

The Company does not expect to generate any meaningful revenue or incur operating expenses for purposes other than fulfilling the obligations of a reporting company under The Securities Exchange Act of 1934 unless and until such time that the Company's operating subsidiary begins meaningful operations.

At June 30, 2007 and 2006, the Company had working capital of approximately \$(37,900) and \$(654,800), respectively.

It is the belief of management and significant stockholders that sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

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The Company's need for working capital may change dramatically as a result of any business acquisition or combination transaction. There can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires.

Plan of Business

General

The Company intends to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

Pending negotiation and consummation of a combination, the Company anticipates

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that it will have, aside from carrying on its search for a combination partner, no business activities, and, thus, will have no source of revenue. Should the Company incur any significant liabilities prior to a combination with a private company, it may not be able to satisfy such liabilities as are incurred.

If the Company's management pursues one or more combination opportunities beyond the preliminary negotiations stage and those negotiations are subsequently terminated, it is foreseeable that such efforts will exhaust the Company's ability to continue to seek such combination opportunities before any successful combination can be consummated. In that event, the Company's common stock will become worthless and holders of the Company's common stock will receive a nominal distribution, if any, upon the Company's liquidation and dissolution.

Combination Suitability Standards

In its pursuit for a combination partner, the Company's management intends to consider only combination candidates which are profitable or, in management's view, have growth potential. The Company's management does not intend to pursue any combination proposal beyond the preliminary negotiation stage with any combination candidate which does not furnish the Company with audited financial statements for at least its most recent fiscal year and unaudited financial statements for interim periods subsequent to the date of such audited financial statements, or is in a position to provide such financial statements in a timely manner. The Company will, if necessary funds are available, engage attorneys and/or accountants in its efforts to investigate a combination candidate and to consummate a business combination. The Company may require payment of fees by such combination candidate to fund the investigation of such candidate. In the event such a combination candidate is engaged in a high technology business, the Company may also obtain reports from independent organizations of recognized standing covering the technology being developed and/or used by the candidate. The Company's limited financial resources may make the acquisition of such reports difficult or even impossible to obtain and, thus, there can be no assurance that the Company will have sufficient funds to obtain such reports when considering combination proposals or candidates. To the extent the Company is unable to obtain the advice or reports from experts, the risks of any combined enterprise's being unsuccessful will be enhanced. Furthermore, to the knowledge of the Company's officers and directors, neither the candidate nor any of its directors, executive officers, principal shareholders or general partners:

- 1) will not have been convicted of securities fraud, mail fraud, tax fraud, embezzlement, bribery, or a similar criminal offense involving misappropriation or theft of funds, or be the subject of a pending investigation or indictment involving any of those offenses;
- 2) will not have been subject to a temporary or permanent injunction or restraining order arising from unlawful transactions in securities, whether as issuer, underwriter, broker, dealer, or investment advisor, may be the subject of any pending investigation or a defendant in a pending lawsuit arising from or based upon allegations of unlawful transactions in securities; or
- 3) will not have been a defendant in a civil action which resulted in a final judgement against it or him awarding damages or rescission based upon unlawful practices or sales of securities.

The Company's officers and directors will make these determinations by asking pertinent questions of the management of prospective combination candidates. Such persons will also ask pertinent questions of others who may be involved in the combination proceedings. However, the officers and directors of the Company

will not generally take other steps to verify independently information obtained in this manner which is favorable. Unless something comes to their attention which puts them on notice of a possible disqualification which is being concealed from them, such persons will rely on information received from the management of the prospective combination candidate and from others who may be involved in the combination proceedings.

Liquidity and Capital Resources

It is the belief of management and significant stockholders that sufficient working capital necessary to support and preserve the integrity of the corporate entity will be present. However, there is no legal obligation for either management or significant stockholders to provide additional future funding. Should this pledge fail to provide financing, the Company has not identified any alternative sources. Consequently, there is substantial doubt about the Company's ability to continue as a going concern.

The Company and Halter Financial Investments, LP (HFI), an entity controlled by the Company's President and Chief Executive Officer, have acknowledged that outside funds are necessary to support the corporate entity and comply with the periodic reporting requirements of the Securities Exchange Act of 1934, as amended. To this end, HFI has agreed to lend the Company up to \$50,000 with a maturity period not to exceed two (2) years from the initial funding date at an interest rate of 6.0% per annum. Through June 30, 2007, HFI has advanced approximately \$45,700 under this agreement, with an initial scheduled maturity date in May 2008.

The Company has no current plans, proposals, arrangements or understandings with respect to the sale or issuance of additional securities prior to the location of a merger or acquisition candidate. Accordingly, there can be no assurance that sufficient funds will be available to the Company to allow it to cover the expenses related to such activities.

The Company does not currently contemplate making a Regulation S offering.

Regardless of whether the Company's cash assets prove to be inadequate to meet the Company's operational needs, the Company might seek to compensate providers of services by issuances of stock in lieu of cash. For information as to the Company's policy in regard to payment for consulting services, see Certain Relationships and Transactions.

Item 7 - Index to Financial Statements

The required financial statements begin on page F-1 of this document.

Item 8 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 8A - Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer,

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we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of June 30, 2007. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to our Company required to be included in our reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls

There were no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART III

Item 9 - Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

The directors and executive officers serving the Company are as follows:

| Name | Age | Position Held and Tenure |
|-------------------|-----|---|
| ---- | --- | ----- |
| Timothy P. Halter | 41 | President, Chief Executive Officer Chief Financial Officer and Director |

The director named above will serve until the next annual meeting of the Company's stockholders or until their successors are duly elected and have qualified. Directors will be elected for one-year terms at the annual stockholders meeting. Officers will hold their positions at the pleasure of the board of directors, absent any employment agreement, of which none currently exists or is contemplated. There is no arrangement or understanding between any of the directors or officers of the Company and any other person pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan or understanding as to whether non-management shareholders will exercise their voting rights to continue to elect the current directors to the Company's board. There are also no arrangements, agreements or understandings between non-management shareholders that may directly or indirectly participate in or influence the management of the Company's affairs.

The directors and officers will devote their time to the Company's affairs on an as needed basis, which, depending on the circumstances, could amount to as little as two hours per month, or more than forty hours per month, but more than likely encompass less than four (4) hours per month. There are no agreements or understandings for any officer or director to resign at the request of another person, and none of the officers or directors are acting on behalf of, or will act at the direction of, any other person.

Biographical Information

Timothy P. Halter - Since 1995, Mr. Halter has been the president and the sole stockholder of Halter Financial Group, Inc., a Dallas, Texas based consulting firm specializing in the area of mergers, acquisitions and corporate finance. In

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September 2005, Mr. Halter and other minority partners formed HFI. HFI conducts no business operations. Mr. Halter currently serves as a director of DXP Enterprises, Inc., a public corporation (Nasdaq: DXPE), and is an officer and director of Nevstar Corporation, a Nevada corporation, Marketing Acquisition Corp., a Nevada corporation, Energroup Technologies Corp., a Utah corporation, BTHC VIII, Inc. and BTHC X, Inc., each a Delaware corporation. Each of the afore-referenced companies is current in the filing of their periodic reports with the SEC. Except for DXP Enterprises, each of the afore-referenced companies for which Mr. Halter acts as an officer and director may be deemed shell corporations. Mr. Halter will devote as much of his time to our business affairs as may be necessary to implement our business plan.

Mr. Halter has significant experience acting in the capacity of the principal stockholder, a director and an executive officer of blank check companies. The following table identifies those companies with which Mr. Halter has been affiliated that operated as a blank check company at some point in their history and whose securities are registered under the Exchange Act. The table also details Mr. Halter's prior and present involvement with each referenced company and the current status of each company's business operations. The business descriptions provided below are derived from the respective entities' periodic reports as filed with the SEC. Except for Nevstar Corporation, BTHC VIII, Inc., BTHC X, Inc., Marketing Acquisition Corp., and Energroup Technologies Corp., we have made no independent verification of the accuracy of the disclosure found in such reports or whether the entities are current in the filing of their respective periodic reports with the SEC.

As noted in the table below, Mr. Halter is currently a director, officer and principal shareholder of Nevstar Corporation, a Nevada corporation, Marketing Acquisition Corp., a Nevada corporation, Energroup Technologies Corp., a Utah corporation, BTHC VII, Inc., BTHC VIII, Inc. and BTHC X, Inc., and BTHC XIV, Inc., each a Delaware corporation.. Regarding the other registrants listed in the table, Mr. Halter was not affiliated with any of the operating businesses prior to the consummation of the reverse merger transaction and resigned as an officer and director upon consummation of the transaction. After the merger transaction, Mr. Halter did not participate in the management of any of the registrants and ceased being a principal shareholder. Other than being a minority shareholder of certain of the registrants, Mr. Halter is not affiliated with, and does not control, any of the registrants.

| Name of Registrant | Date of Registration/SEC File Number | Nature of Interest | Current |
|--|--|---|--------------------------------------|
| Athersys, Inc. (formerly BTHC VI, Inc.) | Form 10 filed on July 6, 2006; SEC File Number 000-52108 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on June 8, 2007. | The co busine therap candid |

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| | | | |
|------------------------------|---|---|--|
| Avatar Systems, Inc. | Form 10 filed on June 25, 2001; SEC File Number 000-32925 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on November 14, 2000. | The co busine petrol soluti and fi |
| Bitech Pharma, Inc. | Form 10 filed on December 16, 2005; SEC File Number 000-51684 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on June 30, 2005. | The co busine produc protei |
| BTHC VII, Inc. | Form 10 filed on July 10, 2006; SEC File Number 000-52123 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed in July 2007. | The co the re |
| BTHC VIII, Inc. | Form 10-SB filed on September 21, 2006; SEC File Number 0-52232 | Mr. Halter acquired control on August 7, 2006 and currently serves as its sole officer and director. | The co compan |
| BTHC X, Inc. | Form 10 filed on September 22, 2006; SEC File Number 0-52237 | Mr. Halter acquired control on August 16, 2006 and currently serves as its sole officer and director. | The co compan |
| BTHC XIV, Inc. | Form 10-SB filed on July 9, 2007; SEC File Number 000-52722 | Mr. Halter acquired control on August 16, 2006 and currently serves as its sole officer and director. | The co compan |
| China Agritech, Inc. | Form 10 filed on February 2, 2002; Current SEC File Number 0-49608 | Mr. Halter acquired a controlling interest in the company on May 25, 2004, and acted as its sole officer and director until his resignation as a result of a change in control transaction completed on February 3, 2005. Mr. Halter remains a minority stockholder of the company. | The co engage produc compou |
| China BAK Battery, Inc. | The company originally filed a registration statement on Form S-1 on June 10, 2000 and a Form 8-A12G on March 29, 2002; SEC File Number 000-49712 | Mr. Halter acquired a controlling interest in the company on June 14, 2004, and acted as its sole officer and director until his resignation as a result of a change in control transaction completed on January 20, 2005. Mr. Halter remains a minority stockholder of the company | The co manufa batter produc |
| China Digital Wireless, Inc. | The company originally became obligated to file reports with the SEC in 1983 with the | Mr. Halter acquired a controlling interest in the company on February 23, 2004, and acted as | The co of val servic |

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| | | | |
|--|--|---|--|
| | <p>filing of a Registration Statement on Form S-18 (File Number 2-84351); Current SEC File Number 0-12536.</p> | <p>its sole officer and director until his resignation as a result of a change in control transaction completed on June 23, 2004. Mr. Halter remains a minority stockholder of the company.</p> | <p>subscr</p> |
| <p>China Pharma Holdings, Inc.</p> | <p>Form 10 filed on February 15, 2000; SEC File Number 000-29523</p> | <p>Mr. Halter acquired a controlling interest in the company on May 11, 2005, and acted as its sole officer and director until the completion of a change in control transaction on October 20, 2005. Mr. Halter remains a minority stockholder of the company.</p> | <p>The com busines develop and sal bio-pha</p> |
| <p>China Ritar Power Corp. (formerly Concept Ventures Corp.)</p> | <p>Form 10-SB filed on April 29, 1999; SEC File Number 000-25901</p> | <p>Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on February 16, 2007.</p> | <p>The com manufac batteri</p> |
| 19 | | | |
| <p>Games, Inc</p> | <p>Form 10 filed on November 15, 2001; SEC File Number 000-33345</p> | <p>Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on September 30, 2001.</p> | <p>The com company area of enterta</p> |
| <p>International Stem Cell Corp. (formerly BTHC III, Inc.)</p> | <p>Form 10 filed on April 4, 2006; SEC File Number 000-51891</p> | <p>Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on December 28, 2006.</p> | <p>The com the bus theraeu</p> |
| <p>KMG Chemicals, Inc.</p> | <p>Form 10 filed on December 6, 1996; SEC File Number 000-29278</p> | <p>Mr. Halter is not a current stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on October 15, 1996.</p> | <p>The com industr chemica States.</p> |
| <p>MGCC Investment Strategies, Inc.</p> | <p>The company became public via the filing of a SB-2</p> | <p>Mr. Halter remains a minority stockholder of the company. Mr.</p> | <p>The com manufac</p> |

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| | | | |
|---|--|---|--|
| | registration statement filed in October 2001, SEC File Number 000-50883 | Halter resigned as an officer and director of the company as a result of the change in control transaction completed on June 22, 2006. | |
| Millennium Quest, Inc. | The company became public via the filing of a Form 10 registration statement filed in September 2000, SEC File Number 000-31619 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of the change in control transaction completed on May3, 2007. | The com company |
| Microwave Transmission Systems, Inc. | Form 10 filed on March 31, 2000; SEC File Number 000-30722 | Mr. Halter is not a current stockholder of the company. Mr. Halter resigned as an officer and director of the company on as a result of a change in control transaction completed on August 6, 1999. | The com engaged constru wireles transmi facilit |
| Nevstar Corporation | The Company filed a registration statement on Form S-1 on September 24, 1997; SEC File Number 000-21071 | Mr. Halter acquired control of the company on October 11, 2005 and currently serves as its sole officer and director. | The co compan |
| Playlogic Entertainment, Inc. | The company filed with the SEC a registration statement on Form SB-2 on August 30, 2001 as developing gaming software. February its sole officer and director until the completion of a control transaction on June 3, | Mr. Halter acquired a controlling interest in the company on December 15, 2004, and acted and a Form 8-A12G on February 28, 2002; SEC File Number 000-49649 in a change in control transaction on June 3, 2005. Mr. Halter remains a minority stockholder of the company. | The com engaged |
| Polymedix, Inc. | Form 10 filed on April 5, 2006; SEC File Number 000-51895 | Mr. Halter resigned as an officer and director on October 6, 2005. Mr. Halter remains a minority focusing on research of stockholder of the company. infectious diseases. | The com bio-tec |
| Point Acquisition Corp. | The company became public via the filing of a Form 10 registration statement filed in September 2005, SEC File Number 000-51527 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of the change in control transaction completed on April 25, 2007 | The com the bus manufac refract |
| Redpoint Bio Corp. (formerly Robcor Properties, Inc.) | The company became public via the filing of a SB-2 registration statement filed on May 19, 2005; SEC File Number 000-51708 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on March 12, 2007. | The com engaged of biot |

| | | | |
|----------------------------|--|---|---|
| RTO Holdings, Inc. | The Company originally became public in 1986 pursuant to the filing of a registration statement under the Securities Act of 1933; SEC File Number 000-15579 | Mr. Halter acquired control of the company on June 21, 2006 and served as its sole officer and director until August 29, 2006 when a change in control transaction was consummated. Mr. Halter remains a minority stockholder of the company. | The com engaged and ope manufac |
| Segmentz, Inc. | Form 10 filed on January 30, 2002; SEC File Number 000-49606 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as officer and director of the company as a result of a change in control transaction completed on January 31, 2001. | The com engaged providi service U.S. an |
| Shelron Group, Inc. | Form 10 filed on October 11, 2000; SEC File Number 000-31176 | Mr. Halter is not a current stockholder of the company. Mr. Halter resigned as an officer and developing business director of the company as a intelligence software and result of a change in control comparative shopping transaction completed on April 26, software programs. 2000. | The com engaged |
| Sutor Technology, Inc. | The company originally became obligated to file reports with the SEC as the result of its 1989 filing of a registration statement on Form SB-2; SEC File Number 333-83351. | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on February 1, 2007. | The com the bus manufac steel f |
| Tiens Biotech Group, Inc. | Form 10 filed on March 7, 2002; SEC File Number 000-49666 | Mr. Halter remains a minority stockholder of the company. Mr. Halter resigned as an officer and director of the company as a result of a change in control transaction completed on February 11, 2002. | The Co engage manufa market suppl |
| Winner Medical Group, Inc. | The company originally became obligated to file reports with the SEC as the result of its 1989 filing of a registration | Mr. Halter acquired a controlling interest in the company on November 4, 2005, and acted as its sole officer and director until | The com the dev manufac of medi |

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statement on Form S-18; SEC File Number 000-16547.

the completion of a change in control transaction on December 16, 2005. Mr. Halter remains a minority stockholder of the company.

medical

Zeolite Exploration Company

The company originally became public with the filing of a Registration Statement on Form SB-2 on October 23, 2002; SEC File Number 333-74670

Mr. Halter acquired a controlling interest in the company on November 30, 2005, and acted as its sole officer and director until the completion of a change in control transaction on March 31, 2006. Mr. Halter remains a minority stockholder of the company.

The co operat precip carbon compan

In addition to the companies listed above, Mr. Halter is an officer, director, and shareholder of several private companies.

It is specifically noted that the relative success or failure of any of the entities referenced above subsequent to Mr. Halter's affiliation should not be deemed an indication of the possibility of our success or failure upon the completion of our current plan of operations.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who own more than ten percent of a registered class of the Company's equity securities ("10% holders"), to file with the Securities and Exchange Commission (SEC) initial reports of ownership and reports of changes in ownership of Common stock and other equity securities of the Company.

Directors, officers and 10% holders are required by SEC regulation to furnish the Company with copies of all of the Section 16(a) reports they file. Based solely on a review of reports furnished to the Company or written representations from the Company's directors and executive officers during the fiscal year ended June 30, 2007 and/or 2006 no Section 16(a) filing requirements applicable to its directors, officers and 10% holders for such year were complied with.

Conflicts of Interest

None of the officers of the Company will devote more than a small portion of their respective time to the affairs of the Company. There will be occasions when the time requirements of the Company's business conflict with the demands of the officers' other business and investment activities. Such conflicts may require that the Company attempt to employ additional personnel. There is no assurance that the services of such persons will be available or that they can be obtained upon terms favorable to the Company.

The officers, directors and principal shareholders of the Company may actively negotiate for the purchase of a portion of their common stock as a condition to, or in connection with, a proposed merger or acquisition transaction. It is anticipated that a substantial premium may be paid by the purchaser in conjunction with any sale of shares by the Company's officers, directors and

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principal shareholders made as a condition to, or in connection with, a proposed merger or acquisition transaction. The fact that a substantial premium may be paid to members of Company management to acquire their shares creates a conflict of interest for them and may compromise their state law fiduciary duties to the Company's other shareholders. In making any such sale, members of Company management may consider their own personal pecuniary benefit rather than the best interests of the Company and the Company's other shareholders, and the other shareholders are not expected to be afforded the opportunity to approve or consent to any particular buy-out transaction involving shares held by members of Company management.

The Company has adopted a policy under which any consulting or finders fee that may be paid to a third party for consulting services to assist management in evaluating a prospective business opportunity would be paid in stock rather than in cash. Any such issuance of stock would be made on an ad hoc basis. Accordingly, the Company is unable to predict whether, or in what amount, such stock issuance might be made.

It is not currently anticipated that any salary, consulting fee, or finders fee shall be paid to any of the Company's directors or executive officers, or to any other affiliate of the Company except as described under Executive Compensation above.

Although management has no current plans to cause the Company to do so, it is possible that the Company may enter into an agreement with an acquisition candidate requiring the sale of all or a portion of the Common Stock held by the Company's current stockholders to the acquisition candidate or principals thereof, or to other individuals or business entities, or requiring some other form of payment to the Company's current stockholders, or requiring the future employment of specified officers and payment of salaries to them. It is more likely than not that any sale of securities by the Company's current stockholders to an acquisition candidate would be at a price substantially higher than that originally paid by such stockholders. Any payment to current stockholders in the context of an acquisition involving the Company would be determined entirely by the largely unforeseeable terms of a future agreement with an unidentified business entity.

Item 10 - Executive Compensation

Since the change in control in October 2005, management of the Company requires less than four (4) hours per calendar quarter. Accordingly, no officer or director has received any compensation from the Company. Until the Company acquires additional capital, it is not anticipated that any officer or director will receive compensation from the Company other than reimbursement for out-of-pocket expenses incurred on behalf of the Company. See Certain Relationships and Related Transactions.

Prior to the October 2005 change in control, no compensation of any type was paid to any Company officer or director.

The Company has no stock option, retirement, pension, or profit-sharing programs for the benefit of directors, officers or other employees, but the Board of Directors may recommend adoption of one or more such programs in the future.

(Remainder of this page left blank intentionally)

Item 11 - Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of the date of this Registration Statement, the number of shares of Common Stock owned of record and beneficially by executive officers, directors and persons who hold 5% or more of the outstanding Common Stock of the Company. Also included are the shares held by all executive officers and directors as a group.

| Name and address ----- | Number of Shares ----- | % of Class Beneficially Owned ----- |
|---|---------------------------|---|
| Halter Financial Investments, L. P. 12890 Hilltop Road Argyle TX 76226 | 973,641 | 77.89% |
| W/F Investment Corp. 1900 Avenue of the Stars, Suite 2410, Los Angeles CA 90067 | 107,000 | 8.56% |
| Executive Officers and Directors as a group (three persons) | 973,641 | 77.89% |

Halter Financial Investments, L. P. is controlled by the Company's sole director and officer, Timothy P. Halter.

Item 12 - Certain Relationships and Related Transactions

The Company currently maintains a mailing address at 12890 Hilltop Road, Argyle, Texas 76226. The Company's telephone number there is (972) 233-0300. Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of the mailing address as these offices are used virtually full-time by other businesses of the Company's President.

Item 13 - Exhibits and Reports on Form 8-K

Exhibits

- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

Reports on Form 8-K

None

Item 14 - Principal Accountant Fees and Services

| Year ended June 30, 2007 ----- | Year ended June 30, 2006 ----- |
|--------------------------------------|--------------------------------------|
| | |

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| | | | |
|----|--------------------|----------|----------|
| 1. | Audit fees | \$16,000 | \$17,500 |
| 2. | Audit-related fees | -- | -- |
| 3. | Tax fees | -- | -- |
| 4. | All other fees | -- | -- |
| | | ----- | ----- |
| | Totals | \$16,000 | \$17,500 |
| | | ===== | ===== |

The Company has not designated a formal audit committee. However, as defined in Sarbanes-Oxley Act of 2002, the entire Board of Directors (Board), in the absence of a formally appointed committee, is, by definition, the Company's audit committee.

In discharging its oversight responsibility as to the audit process, commencing with the engagement of Rose, Snyder & Jacobs, the Board obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence as required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." The Board discussed with the

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auditors any relationships that may impact their objectivity and independence, including fees for non-audit services, and satisfied itself as to the auditors' independence.

The Board discussed and reviewed with the independent auditors all matters required to be discussed by auditing standards generally accepted in the United States of America, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees".

The Board reviewed the audited financial statements of the Company as of and for the years ended June 30, 2007 and 2006 with management and the independent auditors. Management has the sole ultimate responsibility for the preparation of the Company's financial statements and the independent auditors have the responsibility for their examination of those statements.

Based on the above-mentioned review and discussions with the independent auditors and management, the Board of Directors approved the Company's audited financial statements and recommended that they be included in its Annual Report on Form 10-KSB for the year ended June 30, 2007 for filing with the U. S. Securities and Exchange Commission.

The Company's principal accountant, Rose, Snyder & Jacobs did not engage any other persons or firms other than the principal accountant's full-time, permanent employees.

(Remainder of this page left blank intentionally)

(Financial statements follow, beginning on Page F-1)

Nevstar Corporation
(a development stage company)

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| Statements of Operations and Comprehensive Loss for the years ended June 30, 2007 and 2006 and for the period from November 22, 2002 (date of bankruptcy settlement) through June 30, 2007 | F-4 |
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LETTERHEAD OF ROSE, SNYDER & JACOBS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

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Board of Directors and Stockholders
Nevstar Corporation

We have audited the accompanying balance sheets of Nevstar Corporation (the Company) (a Nevada corporation and development stage company) as of June 30, 2007 and 2006 and the related statements of operations, changes in shareholders' deficit and cash flows for the years ended June 30, 2007 and 2006, and for the period from November 22, 2002 (date of bankruptcy settlement) through June 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevstar Corporation as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years ended June 30, 2007 and 2006, and for the period from November 22, 2002 through June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company did not generate revenue and is not operating which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note C. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Rose, Snyder & Jacobs
Rose, Snyder & Jacobs
A Corporation of Certified Public Accountants

Encino, California
August 22, 2007

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Nevstar Corporation

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(a development stage enterprise)

Balance Sheets

June 30, 2007 and 2006

| | June 30, 2007 | June 30, 2006 |
|--|---------------|---------------|
| | ----- | ----- |
| Assets | | |
| Assets | | |
| Assets | | |
| Cash on hand and in bank | \$ 9,342 | \$ 2,146 |
| | ----- | ----- |
| Total Assets | \$ 9,342 | \$ 2,146 |
| | ===== | ===== |
| Liabilities and Stockholders' Deficit | | |
| Current Liabilities | | |
| Current portion of long-term pre-petition tax liabilities | \$ -- | \$ 113,638 |
| Accounts payable - trade | 275 | 52,797 |
| Accrued interest payable | 1,233 | 99,927 |
| Line of credit payable to shareholder | 45,753 | 390,625 |
| | ----- | ----- |
| | 47,261 | 656,987 |
| | ----- | ----- |
| Long-Term Liabilities | | |
| Line of credit payable to shareholder | -- | 7,500 |
| | ----- | ----- |
| Total Liabilities | 47,261 | 664,487 |
| | ----- | ----- |
| Commitments and contingencies | | |
| Stockholders' Deficit Preferred stock - \$0.01 par value. | | |
| 10,000,000 shares authorized | | |
| None issued and outstanding | -- | -- |
| Common stock - \$0.01 par value. | | |
| 150,000,000 shares authorized. | | |
| 1,250,090 and 419,449 shares | | |
| issued and outstanding, respectively | 12,501 | 4,194 |
| Additional paid-in capital | 2,925,425 | 577,956 |
| Accumulated deficit prior to development stage | (1,001,679) | (1,001,679) |
| Deficit accumulated during development stage | (1,974,166) | (242,812) |
| | ----- | ----- |
| Total Stockholders' Deficit | (37,919) | (662,341) |
| | ----- | ----- |
| Total Liabilities and Stockholders' Deficit | \$ 9,342 | \$ 2,146 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

Nevstar Corporation
(a development stage enterprise)
Statements of Operations and Comprehensive Loss
Years ended June 30, 2007 and 2006 and
Period from November 22, 2002 (date of bankruptcy settlement)
through June 30, 2007

| | Year ended June 30, 2006 ----- | Year ended June 30, 2007 ----- | Per November (date of settlement) June ----- |
|---|--------------------------------------|--------------------------------------|---|
| Revenues | \$ -- | \$ -- | \$ -- |
| Operating Expenses | | | |
| General and administrative expenses | 10,627 | 39,706 | |
| Consulting expense related to issuance of common stock at less than "fair value" | 1,736,738 | -- | 1 |
| Total Operating Expenses | 1,747,365 ----- | 39,706 ----- | 1 ----- |
| Loss from Operations | (1,747,365) | (39,706) | (1) |
| Other Expense | | | |
| Other income | -- | -- | |
| Gain on settlement of liabilities | 44,581 | 9,985 | |
| Interest expense | (28,570) | (40,854) | |
| Loss before Provision for Income Taxes | (1,731,354) | (70,575) | (1) |
| Provision for Income Taxes | -- | -- | |
| Net Loss | (1,731,354) | (70,575) | (1) |
| Other Comprehensive Income | -- | -- | |
| Comprehensive Loss | \$ (1,731,354) ===== | \$ (70,575) ===== | \$ (1) ===== |
| Loss per weighted-average share of common stock outstanding, computed on Net Loss - basic and fully diluted | \$ (1.86) ===== | \$ (0.20) ===== | |

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| | | |
|--|------------------|------------------|
| Weighted-average number of shares of common stock outstanding | 933,764 ===== | 349,586 ===== |
|--|------------------|------------------|

The accompanying notes are an integral part of these financial statements.

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Nevstar Corporation
(a development stage enterprise)
Statement of Changes in Stockholders'
Deficit Period from November 22, 2002 (date of bankruptcy
settlement) through June 30, 2007

| | Common Stock ----- Shares | Amount ----- | Additional paid-in capital ----- | Accumulated deficit prior to development stage ----- |
|--|---------------------------------|-----------------|---|---|
| Stock issued pursuant to Plan of Reorganization at Settlement Date on November 22, 2002 | 50,715,008 | \$ 507,150 | \$ -- | \$(1,001,679) |
| Effect of January 12, 2006 1 for 300 reverse stock split | (50,545,559) | (505,456) | 505,456 | -- |
| | ----- | ----- | ----- | ----- |
| As restated | 169,449 | 1,694 | 505,456 | (1,001,679) |
| Net loss for the period | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balances at June 30, 2003 | 169,449 | 1,694 | 505,456 | (1,001,679) |
| Net loss for the year | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balances at June 30, 2004 | 169,449 | 1,694 | 505,456 | (1,001,679) |

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| | | | | |
|--------------------------------|-----------|-----------|--------------|---------------|
| Net loss for the year | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balances at | | | | |
| June 30, 2005 | 169,449 | 1,694 | 505,456 | (1,001,679) |
| Private placement sale | | | | |
| of common stock | 250,000 | 2,500 | 72,500 | -- |
| Net loss for the year | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balances at | | | | |
| June 30, 2006 | 419,449 | 4,194 | 577,956 | (1,001,679) |
| Issuance of common stock | | | | |
| for private placement for cash | 723,641 | 7,237 | 209,856 | -- |
| for retirement of debt and | | | | |
| accrued interest | 107,000 | 1,070 | 400,875 | -- |
| Consulting expense for | | | | |
| value of common stock | | | | |
| sold at less than "fair value" | -- | -- | 1,736,738 | -- |
| Net loss for the year | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balances at | | | | |
| June 30, 2007 | 1,250,090 | \$ 12,501 | \$ 2,925,425 | \$(1,001,679) |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

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Nevstar Corporation
(a development stage enterprise)
Statements of Cash Flows
Years ended June 30, 2007 and 2006 and
Period from November 22, 2002 (date of bankruptcy settlement)
through June 30, 2007

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| | Year ended June 30, 2007 ----- | Year ended June 30, 2006 ----- | settl Jun -- |
|---|--------------------------------------|--------------------------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Net Loss | \$(1,731,354) | \$ (70,575) | \$ (|
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation | -- | -- | |
| Consulting expense related to issuance of common stock at less than "fair value" | 1,736,738 | -- | |
| Gain on negotiated debt reduction in pre-petition tax liabilities | (44,581) | (9,985) | |
| Increase (Decrease) in | | | |
| Accounts payable - trade | (52,522) | 250 | |
| Pre-petition tax liabilities | (85,000) | (47,234) | |
| Accrued interest payable | 28,570 | 36,869 | |
| | ----- | ----- | ----- |
| Net cash used in operating activities | (148,149) | (90,675) | ----- |
| | ----- | ----- | ----- |
| Cash Flows from Investing Activities | -- | -- | ----- |
| | ----- | ----- | ----- |
| Cash Flows from Financing Activities | | | |
| Proceeds from sale of common stock | 217,092 | 75,000 | |
| Proceeds from loans payable to stockholders | 38,253 | 17,821 | |
| Cash paid on loans payable to stockholders | (100,000) | -- | |
| | ----- | ----- | ----- |
| Net cash provided by financing activities | 155,345 | 92,821 | ----- |
| | ----- | ----- | ----- |
| Increase in Cash and Cash Equivalents | 7,196 | 2,146 | |
| Cash and cash equivalents at beginning of period | 2,146 | -- | |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 9,342 | \$ 2,146 | \$ |
| | ===== | ===== | ===== |
| Supplemental Disclosures of | | | |
| Interest and Income Taxes Paid | | | |
| Interest paid during the period | \$ -- | \$ 3,985 | \$ |
| | ===== | ===== | ===== |
| Income taxes paid (refunded) | \$ -- | \$ -- | \$ |
| | ===== | ===== | ===== |
| Supplemental Disclosures of | | | |
| Non-Cash Investing and Financing Activities | | | |
| Conversion of note payable and accrued interest to stockholder into common stock | \$ 401,946 | \$ -- | \$ |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements
June 30, 2007 and 2006

Note A - Organization and Description of Business

Nevstar Corporation (Company) was incorporated under the laws of the State of Nevada on December 2, 1993 as Mesquite Gaming Corp. On October 3, 1995, the Company changed its name to NevStar Gaming Corporation and on September 18, 1997, changed its name to NevStar Gaming & Entertainment Corporation.

The Company was formed to acquire, develop, construct, own and manage hotel/casino projects. The Company's strategy was to concentrate its efforts on "niche" markets, such as "local" or "neighborhood" casinos. The Company obtained its license and related approvals from the Nevada Gaming Commission to conduct gaming at its initial hotel/casino, Mesquite Star Hotel and Casino (The Mesquite Star) in Mesquite, Nevada, pursuant to an Order of Registration dated June 23, 1998. On July 1, 1998, the Mesquite Star, opened for business and the Company began receiving revenues from operations. The Mesquite Star was located on an approximately 25-acre property in Mesquite, Nevada.

On December 1, 1999, the Company filed a voluntary petition for relief under Chapter 11 (the First Chapter 11 Proceeding) in the United States Bankruptcy Court, District of Nevada (Bankruptcy Court), Case No. 99-19566RCJ. The Company acted as debtor in possession during the First Chapter 11 Proceeding. In part as a result of the objections of certain of the Company's secured creditors and the Bankruptcy Court's belief that the Company could not be successfully reorganized in view of such objections, the Bankruptcy Court dismissed the First Chapter 11 Proceeding on or about March 2, 2000.

On March 3, 2000, Randy Black (Black) was appointed by the District Court of Clark County, Nevada as receiver for the Company. On or about March 8, 2000, Black caused the casino to cease all meaningful operations and the casino was closed. The Company has not engaged in business operations since that date. Subsequently, Black acquired the first trust deed on the casino from the bank and he began foreclosure proceedings against the casino.

On July 10, 2000, the Company again filed a voluntary petition for relief under Chapter 11 (the Second Chapter 11 Proceeding) in the Bankruptcy Court, Case No. BK-S-00-15075-LBR. During the Second Chapter 11 Proceeding, the Company acted as debtor in possession. During the course of the Second Chapter 11 Proceeding, the Bankruptcy Court permitted Black to foreclose on the casino, which occurred on November 13, 2000. In April, 2001, the Company and W/F Investment Corp. (W/F) submitted to the Bankruptcy Court a plan of reorganization, which was amended from time to time (the Plan of Reorganization). On February 20, 2002, the Bankruptcy Court issued an order confirming the Plan of Reorganization. On November 22, 2002, the Plan of Reorganization became effective. The Company issued 15,141,674 shares of common stock to holders of unsecured claims; 156,428 shares of common stock to certain administrative claimants and to a previously secured claim holder, and 27,807,219 shares of common stock to the Plan Proponents. The 7,583,687 shares of Common Stock that were previously outstanding were retained by the holders of those shares. There are a total of 50,715,008 shares of common Stock outstanding after the issuance of shares under the Plan of Reorganization. The Plan of Reorganization authorized a reverse split of the Common Stock, which occurred on January 12, 2006. The effect of the

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reverse stock split is reflected in the accompanying financial statements as of the first day of the first period presented.

On September 6, 2005, the United States Bankruptcy Court, District of Nevada, issued a final decree in the Chapter 11 proceeding, formally removing the Company from the oversight of the Bankruptcy Court and ending all bankruptcy proceedings.

On October 11 2005, the Company entered into a Stock Purchase Agreement with Halter Financial Investments, L.P., a Texas limited partnership (HFI) pursuant to which the Company sold 250,000 newly issued, restricted post-reverse split shares (75,000,000 pre-reverse split shares) of its common stock to HFI, constituting a change of control of the Company.

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Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note A - Organization and Description of Business - Continued

The Company's emergence from Chapter 11 of Title 11 of the United States Code on November 22, 2002 created the combination of a change in majority ownership and voting control - that is, loss of control by the then-existing stockholders, a court-approved reorganization, and a reliable measure of the entity's fair value - resulting in a fresh start, creating, in substance, a new reporting entity. Accordingly, the Company, post bankruptcy, has no significant assets, liabilities or operating activities. Therefore, the Company, as a new reporting entity, qualifies as a "development stage enterprise" as defined in Statement of Financial Accounting Standard No. 7, as amended.

The Company's post-bankruptcy business plan is to locate and combine with an existing, privately-held company which is profitable or, in management's view, has growth potential, irrespective of the industry in which it is engaged. However, the Company does not intend to combine with a private company which may be deemed to be an investment company subject to the Investment Company Act of 1940. A combination may be structured as a merger, consolidation, exchange of the Company's common stock for stock or assets or any other form which will result in the combined enterprise's becoming a publicly-held corporation.

As of the date of the accompanying financial statements and subsequent thereto, the Company does not have any operations.

Note B - Preparation of Financial Statements

The Company follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and has a year-end of June 30.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses

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during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented

Note C - Going Concern Uncertainty

The Company has no post-bankruptcy operating history, limited cash on hand, no other operating assets and has a business plan with inherent risk. Because of these factors, the Company's auditors have issued an audit opinion on the Company's financial statements for each of the years ended June 30, 2007 and 2006, respectively, which includes a statement describing the Company's going concern status. This means, in the Company's auditor's opinion, substantial doubt exists about the Company's ability to continue as a going concern at the date of their opinion.

The Company's majority stockholder maintains the corporate status of the Company and has provided all nominal working capital support on the Company's behalf since the bankruptcy discharge date. Because of the Company's lack of operating assets, its continuance is fully dependent upon the majority stockholder's continuing support. The majority stockholder intends to continue the funding of nominal necessary expenses to sustain the corporate entity.

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Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note C - Going Concern Uncertainty - Continued

The Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a timely basis. Further, the Company faces considerable risk in its business plan and a potential shortfall of funding due to our inability to raise capital in the equity securities market. If no additional operating capital is received during the next twelve months, the Company will be forced to rely on existing cash in the bank and additional funds loaned by management and/or significant stockholders. In the event, the Company is unable to acquire advances from management and/or significant stockholders, the Company's ongoing operations would be negatively impacted.

The Company's business plan is to seek an acquisition or merger with a private operating company which offers an opportunity for growth and possible appreciation of our stockholders' investment in the then issued and outstanding

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common stock. However, there is no assurance that the Company will be able to successfully consummate an acquisition or merger with a private operating company or, if successful, that any acquisition or merger will result in the appreciation of our stockholders' investment in the then outstanding common stock.

The Company remains dependent upon additional external sources of financing; including being dependent upon its management and/or significant stockholders to provide sufficient working capital in excess of the Company's initial capitalization to preserve the integrity of the corporate entity.

The Company anticipates offering future sales of equity securities. However, there is no assurance that the Company will be able to obtain additional funding through the sales of additional equity securities or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company.

It is the intent of management and significant stockholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, no formal commitments or arrangements to advance or loan funds to the Company or repay any such advances or loans exist. There is no legal obligation for either management or significant stockholders to provide additional future funding.

Note D - Summary of Significant Accounting Policies

1. Cash and cash equivalents

For Statement of Cash Flows purposes, the Company considers all cash on hand and in banks, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

2. Income Taxes

The Company uses the asset and liability method of accounting for income taxes. At June 30, 2006 and 2005, respectively, the deferred tax asset and deferred tax liability accounts, as recorded when material to the financial statements, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes.

As of June 30, 2007 and 2006, the deferred tax asset related to the Company's net operating loss carryforward is fully reserved. Due to the provisions of Internal Revenue Code, the Company may have no net operating loss carryforwards available to offset financial statement or tax return taxable income in future periods as a result of a change in control involving 50 percentage points or more of the issued and outstanding securities of the Company.

3. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the respective period presented in our accompanying financial statements.

Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note D - Summary of Significant Accounting Policies - Continued

3. Earnings (loss) per share - continued

Fully diluted earnings (loss) per share is computed similar to basic income (loss) per share except that the denominator is increased to include the number of common stock equivalents (primarily outstanding options and warrants).

Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net income (loss) position at the calculation date.

At June 30, 2007 and 2006, and subsequent thereto, the Company had no outstanding common stock equivalents.

The weighted-average number of shares issued and outstanding as reflected in the accompanying financial statements have been adjusted to give effect to the aforementioned 1-for-300 reverse stock split.

4. Pending and/or New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes (FIN 48)". This interpretation requires the recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company does not anticipate that the adoption of this accounting pronouncement will have a material effect on its financial statements.

The Company is also of the opinion that any other pending accounting pronouncements, either in the adoption phase or not yet required to be adopted, will not have a significant impact on the Company's financial position or results of operations.

Note E - Fair Value of Financial Instruments

The carrying amount of cash, accounts payable and notes payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Interest rate risk is the risk that the Company's earnings are subject to fluctuations in interest rates on either investments or on debt and is fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to interest rate risk, if any.

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Financial risk is the risk that the Company's earnings are subject to fluctuations in interest rates or foreign exchange rates and are fully dependent upon the volatility of these rates. The company does not use derivative instruments to moderate its exposure to financial risk, if any.

Note F - Pre-Petition Tax Liabilities

Certain pre-petition tax liabilities to the Nevada Department of Taxation were agreed to be retired, pursuant to the Bankruptcy Code and stipulations entered into between the parties and the Company, plus interest at 5% in quarterly payments ending September, 2009. The Company settled this debt for \$85,000 cash on April 9, 2007 and recognized an approximate \$44,580 gain on debt extinguishment.

During the quarter ended December 31, 2005, the Company reached a settlement agreement with the Nevada Gaming Commission and paid approximately \$51,220 as a "settlement in full" on the outstanding debt, resulting in an approximate \$9,985 gain on debt extinguishment.

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Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note G - Line of Credit Notes Payable to Shareholders

W/F Investment Corp.

The Company had a \$250,000 revolving line of credit with W/F Investment Corp, a company shareholder and key participant of the Company's Plan of Reorganization in the Second Chapter 11 Proceeding. As of June 30, 2007 and 2006, respectively, this Line of Credit has an outstanding balance of approximately \$-0- and \$390,625.

Proceeds from this Line of Credit were used to pay the Company's obligations, including the bankruptcy related allowed administrative expenses, accounting, legal and related expenses. The Line of Credit bore interest at prime plus 2%, payable monthly. The Line of Credit was due October 31, 2007. Accrued interest on the Line of Credit totaled approximately \$-0- and \$88,219 at June 30, 2007 and 2006, respectively.

On November 17, 2006, the Company satisfied the terms and conditions of a Settlement and Stock Issuance Agreement with W/F Investment Corp. (W/F), a shareholder of the Company, with the payment of \$100,000 cash and the issuance of 107,000 shares of restricted common stock to settle the Company's aggregate approximately \$501,946 debt obligation to W/F. The form and terms of the agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report on Form 8-K filed with the SEC on October 12, 2005.

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Halter Financial Investments, LP

The Company and Halter Financial Investments, LP (HFI), an entity controlled by the Company's President and Chief Executive Officer, have acknowledged that outside funds are necessary to support the corporate entity and comply with the periodic reporting requirements of the Securities Exchange Act of 1934, as amended. To this end, HFI has agreed to lend the Company up to \$50,000 with a maturity period not to exceed two (2) years from the initial funding date at an interest rate of 6.0% per annum. Through June 30, 2007 and 2006, respectively, HFI has advanced approximately \$45,753 and \$7,500, respectively, under this agreement, with an initial scheduled maturity date in May 2008.

Note H - Income Taxes

The components of income tax (benefit) expense for each of the years ended June 30, 2007 and 2006 and for the period from November 22, 2002 (date of bankruptcy settlement) through June 30, 2007 is as follows:

| | Year ended June 30, 2007 ----- | Year ended June 30, 2006 ----- | Period from November 22, 2002 (date of bankruptcy settlement) through June 30, 2007 ----- |
|----------|--------------------------------------|--------------------------------------|--|
| Federal: | | | |
| Current | \$ -- | \$ -- | \$ -- |
| Deferred | -- | -- | -- |
| | ----- | ----- | ----- |
| | -- | -- | -- |
| | ----- | ----- | ----- |
| State: | | | |
| Current | -- | -- | -- |
| Deferred | -- | -- | -- |
| | ----- | ----- | ----- |
| | -- | -- | -- |
| | ----- | ----- | ----- |
| Total | \$ -- ===== | \$ -- ===== | \$ -- ===== |

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Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note H - Income Taxes - Continued

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As a result of a October 28, 2005 change in control, the Company has a net operating loss carryforward of approximately \$41,000 to offset future taxable income. The amount and availability of any net operating loss carryforwards may be subject to limitations set forth by the Internal Revenue Code. Factors such as the number of shares ultimately issued within a three year look-back period; whether there is a deemed more than 50 percent change in control involving holders of 5.0% or more of the issued and outstanding shares of common stock; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of the carryforwards.

The Company's income tax expense (benefit) for each of the years ended June 30, 2007 and 2006 and for the period from November 22, 2002 (date of bankruptcy settlement) through June 30, 2007 respectively, differed from the statutory federal rate of 34 percent as follows:

| | Year ended June 30, 2007 ----- | Year ended June 30, 2006 ----- |
|---|--------------------------------------|--------------------------------------|
| Statutory rate applied to income before income taxes | \$ (588,700) | \$ (24,000) |
| Increase (decrease) in income taxes resulting from: | | |
| State income taxes | -- | -- |
| Compensation expense related to common stock issuances at less than "fair value" | 590,500 | -- |
| Other, including reserve for deferred tax asset and application of net operating loss carryforward | (1,800) | 24,000 |
| | ----- | ----- |
| Income tax expense | \$ -- ===== | \$ -- ===== |

The Company's available net operating loss carryforward, subsequent to the October 28, 2005 change in control, is approximately \$41,000 and gives rise to a deferred tax asset of approximately \$14,000 as of June 30, 2007. This deferred tax asset is fully reserved due to the uncertainty of it's ultimate utilization, if any, in future periods.

Note I - Common Stock Transactions

Authorized Shares and Reincorporation

On January 3, 2006, the Company filed an Amendment and Restatement of its Articles of Incorporation with the Secretary of State of the State of Nevada. This Amendment allows for the issuance of up to 150,000,000 shares, consisting of any combination of Common Stock, par value \$0.01 and up to 10,000,000 shares of Preferred Stock, par value \$0.01 per share. Prior to this change, the Company was authorized to issue up to 126,396,000 shares of \$0.01 par value Common Stock and up to 10,000,000 shares of \$0.01 par value Preferred Stock. The effect of this change is reflected in the accompanying financial statements as of the first day of the first period presented.

On January 12, 2006, the Company effected a 1-for-300 share reverse stock split of the then issued and outstanding common stock. The reverse stock split did not

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change the number of authorized shares of common stock or the par value of the Company's common stock. Except for any changes as a result of the treatment of fractional shares, each stockholder holds the same percentage of common stock outstanding immediately following the reverse stock split as such stockholder did immediately prior to the reverse stock split.

This action caused the issued and outstanding shares to decrease from 125,715,008 to approximately 419,436. The effect of this action is reflected in the accompanying financial statements as of the first day of the first period presented.

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Nevstar Corporation
(a development stage enterprise)
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note I - Common Stock Transactions - Continued

Stock issuances

On October 11, 2005, the Company sold 250,000 post-reverse split shares of restricted common stock for gross proceeds of \$75,000, pursuant to a subscription agreement, to Halter Financial Investments, L. P., (a Texas Limited Partnership), an entity controlled by Timothy P. Halter, who became the Company's current Chief Executive Officer. The Company relied upon Section 4(2) of The Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction.

On November 17, 2006, the Company sold to HFI 723,641 shares of restricted common stock for approximately \$217,000 or \$0.30 per share. The transaction was effected pursuant to the terms of a Stock Purchase Agreement entered into by the Company and HFI on October 11, 2005. The purchase transaction was effected without registration in reliance upon Section 4(2) of the Securities Act of 1933. The form and terms of the purchase agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report on Form 8-K filed with the SEC on October 12, 2005. As this selling price was substantially below the "fair value" of comparable transactions, the Company recognized a charge to operations for consulting expense of approximately \$1,736,700 equivalent to the difference between the established "fair value" of \$2.70 per share (as determined by the quoted closing price of the Company's common stock on the date of the transaction) and the selling price of \$0.30 per share.

On November 17, 2006, the Company satisfied the terms and conditions of a Settlement and Stock Issuance Agreement with W/F Investment Corp. (W/F), a shareholder of the Company, with the payment of \$100,000 cash and the issuance of 107,000 shares of restricted common stock to settle the Company's debt obligation to W/F of approximately \$501,945. The form and terms of the agreement were agreed upon as part of the October 2005 change in control transaction as disclosed in the Company's Current Report on Form 8-K filed with the SEC on October 12, 2005.

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(Signatures follow on next page)

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SIGNATURES

In accord with Section 13 or 15(d) of the Securities Act of 1933, as amended, the Company caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Nevstar Corporation

Dated: September 12, 2007

By: /s/ Timothy P. Halter

Timothy P. Halter
President, Sole Director
Chief Executive Officer and
Chief Financial Officer

In accordance with the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date as indicated.

Nevstar Corporation

Dated: September 12, 2007

By: /s/ Timothy P. Halter

Timothy P. Halter
President, Sole Director
Chief Executive Officer and
Chief Financial Officer