

TETON ENERGY CORP  
Form S-3/A  
September 15, 2008

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**As filed with the Securities and Exchange Commission on September 15, 2008**

**Registration No. 333-153007**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM S-3/A**

**(Amendment No. 2)**

**REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933**

**TETON ENERGY CORPORATION**

**And the Guarantors Identified in Footnote (\*) on the following page**

(Exact name of registrant as specified in its charter)

**Delaware**

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

**84-1482290**

*(I.R.S. Employer  
Identification Number)*

**410 17<sup>th</sup> Street Suite 1850  
Denver, CO 80202  
(303) 565-4600**

(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

**Karl F. Arleth  
President and Chief Executive Officer**

**Teton Energy Corporation  
410 17<sup>th</sup> Street Suite 1850  
Denver, CO 80202  
(303) 565-4600**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copy to:*

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**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement as determined by market conditions and other factors.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

(Do not check if a smaller reporting company)

**CALCULATION OF REGISTRATION FEE**

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum	Amount of Registration Fee
			Aggregate Offering Price	
10.75% Secured Subordinated Convertible Debentures due 2013	\$40,000,000.00 <sup>(1)</sup>	100%	\$40,000,000.00 <sup>(1)</sup>	\$ 1,572.00 <sup>(2)</sup>
Common Stock, \$0.001 par value per share	8,411,937 <sup>(3)</sup>	N/A	N/A	N/A <sup>(4)</sup>
Subordinated Guarantees of the 10.75% Secured Subordinated Convertible Debentures due 2013	N/A <sup>(5)</sup>	N/A <sup>(5)</sup>	N/A <sup>(5)</sup>	N/A <sup>(5)</sup>

(1) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended (the Securities Act ). Exclusive of accrued interest, if any.

(2)

The registration fee is calculated pursuant to Section 6(b) of the Securities Act on the basis of the offering price of the Debentures.

- (3) The Debentures are convertible into shares of the Company's common stock at an initial conversion rate of \$6.50 per share. The Debentures provide that if investors convert into the common stock or if the Debentures are called by the Company before the three-year anniversary of the original issuance date, the holders of the Debentures will be entitled to a payment in an amount equal to all interest that would have accrued if the principal amount subject to such conversion had remained outstanding through such three-year anniversary (the Interest Make-Whole ),

and the Company may, at its option, pay the Interest Make-Whole premium in cash or shares of common stock. The Debentures are convertible into a maximum of 8,411,937 shares of the Company's common stock, assuming the payment of the maximum Interest Make-Whole premium in shares, or 6,153,852 shares excluding the Interest Make-Whole premium. As it is as yet undetermined whether the Interest Make-Whole premium will be paid in shares, the Company has elected to register the maximum number of shares of common stock issuable pursuant to the Debentures. Pursuant to Rule 416(a), this registration statement also includes an indeterminate number of

shares that may be issued in connection with a stock split, stock dividend, recapitalization or similar transaction.

(4) No additional consideration will be received for any shares of common stock issued upon conversion of the Debentures, and accordingly, no registration fee is required pursuant to Rule 457(i) of the Securities Act.

(5) The Debentures are the obligations of the Company and are guaranteed by certain subsidiaries of the Company as listed on the following pages. Pursuant to Rule 457(n) under the Securities Act, no additional registration fee is required.

\* The following domestic subsidiaries of Teton Energy Corporation are guarantors and co-registrants. The address for each is 410 17<sup>th</sup> Street, Suite 1850, Denver, Colorado, 80202, and the telephone number is (303) 565-4600.

Exact name of registrant as specified in its charter; address, including zip code, and telephone number, including area code, of registrant's principal executive offices	State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.
Teton North America LLC	Colorado	84-1482290
Teton Piceance LLC	Colorado	84-1482290
Teton DJ LLC	Colorado	84-1482290

Teton Williston LLC	Colorado	84-1482290
Teton Big Horn LLC	Colorado	84-1482290
Teton DJCO LLC	Colorado	84-1482290

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED SEPTEMBER 15, 2008  
PRELIMINARY PROSPECTUS**

**\$40,000,000**

**10.75% Secured Subordinated Convertible Debentures due 2013,  
up to 8,411,937 Shares of Common Stock  
issuable upon conversion of the Debentures  
and  
Subordinated Guaranty and Pledge Agreement**

This prospectus relates to \$40,000,000 aggregate principal amount of our 10.75% Secured Subordinated Convertible Debentures Due 2013 (the "Debentures") which we sold and issued in a private placement that closed on June 18, 2008. The selling securityholders named herein may use this prospectus to resell from time to time the Debentures and the shares of our common stock issuable pursuant to the terms of the Debentures.

The Debentures are convertible by holders into shares of our common stock based on an initial conversion price of \$6.50 per share, subject to adjustment as described herein. The Debentures contain a no-call provision for the first two years of the five-year term and a provisional call thereafter if the price of the underlying common stock exceeds 150% of the conversion price, or \$9.75, for any 20 trading days in a 30-trading day period. If investors convert into the common stock or if we call the Debentures before the three-year anniversary of the original issuance date, the holders of the Debentures are entitled to a payment in an amount equal to the present value of all interest which would have accrued if the principal amount subject to such conversion had remained outstanding through such three-year anniversary. The Debentures are secured by a second lien on all assets in which our senior lender maintains a lien under our amended and restated senior Credit Agreement. The obligations under the Debentures are further guaranteed by each of our subsidiaries pursuant to a Subordinated Guaranty and Pledge Agreement which also may be resold hereunder.

The Debentures bear interest at a rate of 10.75% per year payable semiannually in arrears on July 1 and January 1 of each year. The first such payment was made on July 1, 2008. The Debentures will mature on June 18, 2013, unless earlier converted, redeemed or repurchased. The purchasers of the Debentures have a 90-day put option whereby they may elect to reduce their investment in the Debentures by a total of 25% of the face amount at the original purchase price. This put option expires on September 18, 2008.

The selling securityholders will receive all of the net proceeds from this offering. Additional selling securityholders may be named by prospectus supplement.

Our common stock is listed on the NASDAQ Capital Market under the symbol "TEC". The closing sale price of our common stock as reported on the NASDAQ Capital Market on September 12, 2008 was \$3.60 per share. The Debentures are not listed and we do not intend to list the Debentures on any national securities exchange.

**Investing in our securities involves a high degree of risk. See "Risk Factors," beginning on page 7 of this prospectus and those contained in our incorporated documents, to read about factors you should consider before buying our Debentures, the related Guarantees or shares of our common stock.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is \_\_\_\_\_, 2008.



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**SUMMARY**

*This summary highlights selected information about us. This summary is not complete and does not contain all of the information that you should consider before investing in our securities. You should carefully read the entire prospectus and the documents incorporated by reference herein and therein, including the Risk Factors section and the financial statements and related notes, before making an investment decision in our securities. Unless the context requires otherwise or unless otherwise noted, all references in this prospectus to Company, Teton, we, us, and our to Teton Energy Corporation and its subsidiaries. Unless otherwise indicated, the term year, fiscal year or fiscal refers to our fiscal year ending December 31st.*

**Our Company**

Teton Energy Corporation was formed in November 1996 and is incorporated in the State of Delaware. We are an independent oil and gas exploration and production company focused on the acquisition, exploration and development of North American properties. Our current operations are concentrated in the prolific Rocky Mountain and Mid-continent regions of the U.S. We have leasehold interests in the Central Kansas Uplift, the Piceance Basin in western Colorado, the eastern Denver-Julesburg Basin in Colorado, Kansas and Nebraska, the Williston Basin in North Dakota and the Big Horn Basin in Wyoming. Teton is headquartered in Denver, Colorado, and is publicly traded on the American Stock Exchange under the ticker symbol TEC.

**Central Kansas Uplift**

In April 2008, we acquired reserves, production and certain oil and gas properties in the Central Kansas Uplift of Kansas from Shelby Resources, LLC, a private oil and gas company, and a group of approximately 14 other working interest owners for approximately \$53.6 million, after post-closing adjustments. The purchase price was funded with \$40.2 million of cash, \$13.0 million of our common stock and warrant coverage of 625,000 shares at a \$6.00 exercise price with a two-year term, valued at \$434,000. The purchase price included 50 producing wells, 22 wells with production behind pipe, 5 proved undeveloped locations and 29 identified probable locations on the 8,719 gross acres, all of which is operated by us. Additionally, the purchase price included 39,385 gross (23,631 net) undeveloped acres operated by us at a 60% working interest.

**Piceance Basin**

Our non-operated properties in the Piceance Basin, which are operated by Berry Petroleum, originally consisted of a 25% working interest (19.69% net revenue interest) in a 6,314-acre block located in Garfield County, Colorado, immediately to the northwest of Grand Valley gas field, the westernmost of the four gas fields that comprise the continuous, basin-centered, tight gas sand accumulation (the Piceance Fairway ).

On October 1, 2007, we completed the sale of one-half of the 25% working interest in the Piceance assets for \$41.4 million total consideration (including post-closing adjustments), including \$36.7 million of cash, and \$4.7 million worth of acreage (499,904 gross acres) and production (1 MMcfd) in the DJ Basin (see further discussion of DJ Basin assets below). We purchased the original acreage for approximately \$4,000 per acre and realized approximately \$48,000 per acre on this sale. After the sale, we have a 12.5% working interest in the 6,314 gross acres (789 net).

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These properties are in the vicinity of major gas production from continuous basin-centered, tight gas sand accumulations within the Williams Fork formation of the Upper Cretaceous Mesaverde group and the shallower Lower Tertiary Wasatch formation. The primary targets for drilling on this acreage are the 1,500 -2,500 thick, gas-saturated sands of the middle and lower Williams Fork formation at approximately 6,000 -9,000 in depth. In addition, the subject acreage is surrounded on the west, east and southeast by completed gas wells. To the northwest of the block is the Trail Ridge gas field (Wasatch and Mesaverde). To the west, south and east are gas wells of the greater Grand Valley field.

**DJ Basin**

We own an interest in 970,132 gross (610,473 net) acres in the Denver-Julesburg Basin, a geologic depression encompassing Eastern Colorado, Southwest Wyoming, Northwest Kansas and Western Nebraska. Our acreage in the basin is comprised of four main operating areas, the Teton-Noble AMI, operated by Noble Energy, Inc. ( Noble ) and our operated areas of Washco, Frenchmen Creek and South Frenchmen Creek.

**Teton Noble AMI**

We acquired our first interest in this play through a series of transactions between April 2005 and July 2005 that resulted in our accumulating over 182,000 gross acres. In December 2005, we entered into an Acreage Earning Agreement ( Earning Agreement ) with Noble, under which Noble paid us \$3 million and earned a 75% working interest in our DJ Basin acreage after drilling and completing 20 wells, at no cost to us. Pursuant to the Earning Agreement, we retained a 25% working interest in the AMI created by the Earning Agreement, and both parties share all costs at each individual s respective percentages. Through June 30, 2008, the parties have grown our shared acreage position to 330,152 gross acres (75,310 net) in the eastern DJ Basin located on the Nebraska-Colorado border in Chase, Dundy, Perkins, and Keith Counties, Nebraska.

The drilling target of this play is primarily the Niobrara formation, within which is trapped biogenic gas in the Beecher Island Chalk of the Upper Cretaceous Niobrara formation. The gas is contained in shallow structural traps at depths ranging from 1,700-2,500 feet. The acreage is located approximately 20 to 30 miles to the east of the main Niobrara gas productive trend that has been established to the west in Yuma, Phillips, and Sedgwick Counties, Colorado, and in Duell and Garden Counties, Nebraska.

**Washco**

As part of the sale of a one-half interest in our Piceance properties (see comments under Piceance Basin above), we acquired a large, contiguous block of operated acreage in the DJ Basin of 499,904 gross acres (413,786 net) primarily in Washington and Yuma Counties, Colorado. The acreage is southwest of our existing acreage in the DJ Basin the Teton Noble AMI and Frenchman Creek prospect areas. There was also approximately 1 MMcfd of production net to Teton associated with this acreage acquisition. This production breaks down as follows: 125 bopd net, primarily from the Spotted Dog Field, a J sand producer, and 300 Mcfd of gas net, from Niobrara reservoirs. The drilling targets of this play are the Niobrara formation for gas, and the J and D sands for oil. The gas is contained in shallow structural traps at depths ranging from 1,700-2,500 feet. The oil is contained either in four-way structural traps or stratigraphic traps with depths ranging from 4,300-4,500 feet.

**Frenchman Creek**

The Frenchman Creek acreage block, 28,204 gross acres (11,689 net), is located in Phillips County, Colorado, in the eastern DJ Basin. In 2007, we entered into an agreement with Targe Energy Exploration

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and Production, LLC ( Targe ) to carry us on two pilot wells in exchange for a proportionate share of Targe s 3-D seismic. In exchange, Targe earned a 50 percent interest in the acreage block. The project is operated by us. The two pilot wells drilled by Targe were dry holes. We have staked and permitted 9 additional locations for Niobrara test wells. We intend to acquire additional 3-D seismic later in the year in order to help determine the location and order of any future drilling.

**South Frenchman Creek**

In November 2007, we acquired bolt-on acreage (contiguous to our current acreage) in the DJ Basin that allowed us to establish a new area, operated by us, of 111,872 gross acres (109,688 net) in Yuma County, Colorado, southern Dundy County, Nebraska and northwestern Cheyenne County, Kansas. The acreage is in proximity to existing Niobrara gas production and deeper Lansing-Kansas City oil production.

**Williston Basin**

On May 5, 2006, we acquired a 25% working interest from American Oil and Gas, Inc. ( American ) in approximately 87,192 gross acres in the Williston Basin located in Williams County, North Dakota, which has grown to 88,472 gross acres (18,732 net). In addition to our 25% working interest and American s 50% working interest, we have two other partners in the acreage: Evertson Energy Company ( Evertson ), which is the operator and has a 20% working interest, and Sundance Energy, Inc., which has a 5% working interest.

The targets of this prospect are the oil of the Mississippian Bakken formation and the natural gas of the Red River formation of the Williston Basin. This Bakken shale produces from horizontal wells at a depth of approximately 10,500 feet. The lateral legs will vary from 3,000 to 9,000 feet in length. Although the primary area with notable production from the Bakken is in Richland County, Montana, several wells have been completed directly to the east of our acreage block. Multiple stage fracture stimulation is used to increase recoveries. We participated in a Red River test well in November 2007 and in a 3D seismic survey in the Red River lead area in January 2008, and we believe there are as many as 10 gross future locations for Red River wells. Secondary horizons in this area include the Madison, Duperow, Nisku, and Interlake formations.

**Big Horn Basin**

In 2007, we acquired 16,417 gross acres (15,132 net) in the Big Horn Basin of Wyoming that will allow us to further add to our growing operating presence. We have grown this acreage position to 22,780 gross acres at June 30, 2008. The Greybull and Peay Sand formations are conventional oil and gas targets for this play and the Mowry Shale is an unconventional horizontal gas target.

We have signed an Exploration Agreement with Unit Petroleum ( Unit ), wherein Unit will carry us on the drilling of two wells in exchange for an interest in those wells. Unit will pay 90% of the costs to casing point of the first well, a vertical well to test the Greybull formation, and, after that point in time, costs will be shared by us and Unit on a 50/50 basis. The second well to be drilled by Unit is a horizontal well to test the Mowry formation. Unit will pay 60% of the well costs to casing point after which point all future costs will be shared by us and Unit on a 50/50 basis. In exchange, Unit will then earn 50% of our interest in the entire prospect. We are currently in the process of obtaining permits for first Greybull well.

**Recent Developments**

On June 30, 2008, we completed the syndication of our revolving credit facility with a group of four banks, including JPMorgan Chase Bank as administrative agent.

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On July 14, 2008, at a meeting of our Board of Directors, Dominic J. Bazile, II, the Company's current Executive Vice President and Chief Operating Officer, was appointed to our Board of Directors. Mr. Bazile will serve until standing for election at the annual meeting of our shareholders, tentatively scheduled for May 7, 2009. In accordance with the corporate governance rules of the American Stock Exchange, our Board has determined that Mr. Bazile is not independent as a result of his current employment with the Company, and thus was not appointed to serve on any Board committees. Mr. Bazile will not receive any additional compensation for his service on the Board of Directors. On August 4, 2008, the Compensation Committee of our Board of Directors certified the results of the performance milestones associated with the 2007 and 2008 grants of performance share units to certain officers and directors of the Company that were created in accordance with the Company's 2005 Long-Term Incentive Plan (the "LTIP"). As a consequence of such certification, an aggregate of 454,464 shares of common stock vested as of such date. On August 28, 2008, we announced that our Board of Directors approved the decision to switch the listing of our common stock from the American Stock Exchange to the NASDAQ Stock Market LLC®. Effective September 8, 2008, the Company commenced trading on the NASDAQ Capital Market under the symbol NASDAQ: TEC.

**How to Contact Us**

Our principal executive offices are located at 410 17<sup>th</sup> Street, Suite 1850, Denver, Colorado 80202. Our main telephone number is (303) 565-4600. We maintain a website at [www.teton-energy.com](http://www.teton-energy.com), however, the information contained on our website does not constitute part of this prospectus.

**SUMMARY OF THE OFFERING AND THE DEBENTURES**

<b>Issuer:</b>	Teton Energy Corporation
<b>Selling Securityholders:</b>	The securities to be offered and sold under this prospectus will be offered and sold by the selling securityholders named in this prospectus or in any supplement to this prospectus. See Selling Securityholders.
<b>Securities Offered:</b>	(i) \$40,000,000 principal amount of 10.75% Secured Subordinated Convertible Debentures due 2013, (ii) the related Subordinated Guaranty and Pledge Agreement, and (iii) up to 8,411,937 shares of common stock which are issuable upon conversion of the Debentures and upon satisfaction of the Interest-Make Whole premium in shares of common stock.
<b>Shares of Common Stock Outstanding prior to this Offering:</b>	21,954,490 shares, as of September 12, 2008
<b>Shares of Common Stock Outstanding After this Offering:</b>	21,954,490 shares
<b>Maturity of Debentures:</b>	June 18, 2013, unless earlier converted or redeemed.
<b>Initial Conversion Price of Debentures:</b>	\$6.50
<b>Debenture Interest Rate:</b>	The Debentures bear interest at a rate of 10.75% per annum. Interest on the Debentures began accruing on June 18, 2008. Interest is payable semi-annually in arrears on January 1

and July 1 of each year. The first interest payment was made on July 1, 2008.

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**Interest Make-Whole Premium:**

In the event that you are required to convert or we redeem all or any portion of the Debentures prior to the third anniversary of the Original Issue Date (i.e., June 18, 2011), we have agreed to pay the present value of all interest which would have accrued on the principal amount being converted or redeemed after the date of such conversion or redemption as if no payment of such principal amount were made prior to the third anniversary. Interest make-whole may be paid in cash or registered shares of our common stock solely at our option and subject to certain conditions. The value of each such share of stock shall generally be determined based on ninety percent of the lower of the (i) VWAP for such stock for the ten (10) trading days immediately prior to the date such payment is due, and (ii) the closing price of the stock on the day immediately preceding the conversion date or redemption date.

**Security:**

The Debentures are secured by a second lien on all of our assets in which our senior lender maintains a lien.

**Debenture Ranking:**

In accordance with an Intercreditor and Subordination Agreement we entered into with our senior secured lender and our subsidiary guarantees, the Debentures are subordinated in right of payment to our senior secured revolving credit facility and senior in right of payment to all of our existing and future indebtedness subordinated to the Debentures.

**Change of Control:**

In the event of a Change of Control Transaction, the Debentures are (i) subject to repurchase by us, at the holder's option, at a purchase price equal to the sum of 103 percent of the principal amount being redeemed together with 100 percent of any accrued but unpaid interest and the Interest Make-Whole premium, if any, and (ii) are subject to an increase in the number of Conversion Shares issuable following a Change of Control Transaction based upon the change of control date and the price of our common stock.

**Optional Redemption at the Election of the Company:**

The Debentures contain a two-year no-call provision and a provisional call thereafter if the price of the underlying shares of common stock exceeds 150% of the conversion price, or \$9.75, for any 20 trading days in a 30-trading day period.

**Optional Redemption at the Election of the Holder:**

The Debentures contain a 90-day put option whereby the holders may elect to reduce their investment in the Debentures by up to a total of 25% of the face amount at the original purchase price.

**Global Debentures:**

The Debentures are evidenced by one or more Global Debentures and, as soon as reasonably practicable after the effectiveness of the registration statement of which this prospectus forms a part, we will deposit the Global Debentures with DTC and register the Global Debentures in the name of Cede & Co. as DTC's nominee.

**American Stock Exchange Symbol:**

Our common stock is listed for trading on the NASDAQ Capital Market under the symbol TEC. The Debentures are not listed and we do not intend to list the Debentures on the NASDAQ Capital Market or any other national securities exchange.



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**Use of Proceeds:**

The selling securityholders will receive all proceeds from the sale of our securities in this offering. We will not receive any of the proceeds from the sale of our Debentures, Subordinated Guarantees or shares of common stock by the selling securityholders.

**Dividend Policy:**

We have not paid any dividends on our common stock since inception, and we do not anticipate the declaration or payment of any dividends at any time in the foreseeable future.

**Risk Factors:**

See Risk Factors beginning on page 7 of this prospectus and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our securities.

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**RISK FACTORS**

*Investing in our securities involves risk. In evaluating the Company, careful consideration should be given to the following risk factors, in addition to the other information included or incorporated by reference in this Form S-3. Each of these risk factors could materially adversely affect our business, operating results or financial condition, as well as adversely affect the value of an investment in our common stock. In addition, the "Forward-Looking Statements" located in this prospectus, and the forward-looking statements included or incorporated by reference herein describe additional uncertainties associated with our business.*

**Risks Related to our Business**

***We have incurred significant losses. We expect future losses and we may never become profitable.***

We have incurred significant losses in the past. For the years ended December 31, 2007, 2006, and 2005, we incurred net income (losses) from operations of \$2.4 million, (\$5.7 million), and (\$4.1 million), respectively. In addition, we had an accumulated deficit of \$66.1 million at June 30, 2008. There can be no assurance that we will be able to maintain profitability.

***Substantially all of our producing properties are located in the prolific Rocky Mountain and Mid-continent regions of the U.S. making us vulnerable to risks associated with operating in only two geographic areas.***

Our current operations are focused on the prolific Rocky Mountain and Mid-continent regions, which means our producing properties are geographically concentrated in those areas. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by significant governmental regulation, transportation capacity constraints, curtailment of production or interruption of transportation of oil and natural gas produced from the wells in these regions.

***We may be unable to fund our planned capital expenditures.***

We spend and will continue to spend a substantial amount of capital for the acquisition, exploration, exploitation, development and production of oil and gas reserves. We have historically addressed our short and long-term liquidity needs through the use of cash flow provided by operating activities, borrowing under bank credit facilities and the issuance of equity. Without adequate financing we may not be able successfully to execute our operating strategy. The availability of these sources of capital will depend upon a number of factors, some of which are beyond our control.

These factors include:

general economic and financial market conditions;

oil and natural gas prices; and

our market value and operating performance.

We may be unable to execute our operating strategy if we cannot obtain adequate capital. If low oil and natural gas prices, lack of adequate gathering or transportation facilities, operating difficulties or other factors, many of which are beyond our control, cause our revenues and cash flows from operating activities to decrease, we may be limited in our ability to spend the capital necessary to complete our capital expenditures program.

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***Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition, or results of operations.***

Our future success will depend on the success of our exploration, exploitation, development and production activities. Our oil and natural gas exploration and production activities are subject to numerous risks beyond our control; including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Our cost of drilling, completing and operating wells are often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical.

***Acquisitions are a part of our business strategy and are subject to the risks and uncertainties of evaluating recoverable reserves and potential liabilities.***

Our business strategy includes a continuing acquisition program. In addition to leaseholds, we are seeking to acquire producing properties including the possibility of acquiring producing properties through the acquisition of an entire company. Possible future acquisitions could result in our incurring additional debt, contingent liabilities and expenses, all of which could have a material adverse effect on our financial condition and operating results.

The successful acquisition of producing and non-producing properties requires an assessment of a number of factors, many of which are inherently inexact and may prove to be inaccurate. These factors include: evaluating recoverable reserves, estimating future oil and gas prices, estimating future operating costs, estimating future development costs, estimating the costs and timing of plugging and abandonment and potential environmental and other liabilities, assessing title issues and other factors. Our assessments of potential acquisitions will not reveal all existing or potential problems, nor will such assessments permit us to become familiar enough with the properties fully to assess their capabilities and deficiencies. In the course of our due diligence, we may not inspect every well or pipeline.

Inspections may not reveal structural and environmental problems, such as pipeline corrosion or groundwater contamination, when they are made. We may not be able to obtain contractual indemnities from a seller of a property for liabilities that we assume. We may be required to assume the risk of the physical condition of acquired properties in addition to the risk that the acquired properties may not perform in accordance with our expectations. As a result, some of the acquired businesses or properties may not produce revenues, reserves, earnings or cash flow at anticipated levels and, in connection with these acquisitions, we may assume liabilities that were not disclosed to or known by us or that exceed our estimates.

***Our ability to complete acquisitions could be affected by competition with other companies and our ability to obtain financing or regulatory approvals.***

In pursuing acquisitions, we compete with other companies, many of which have greater financial and other resources to acquire attractive companies and properties. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our strategy of completing acquisitions is dependent upon, among other things, our ability to obtain adequate financing and, in some cases, regulatory approvals.

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***Our acquisitions may pose integration risks and other difficulties.***

Increasing our reserve base through acquisitions is an important part of our business strategy. Our failure to integrate acquired businesses successfully into our existing business, or the expense incurred in consummating acquisitions, could result in our incurring unanticipated expenses and losses.

In addition, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations.

Possible future acquisitions could result in our incurring additional debt, contingent liabilities and expenses, all of which could have a material adverse effect on our financial condition and operating results.

***Competitive industry conditions may negatively affect our ability to conduct operations.***

Competition in the oil and gas industry is intense and oil and gas companies actively bid for desirable oil and gas properties, as well as for the equipment, supplies, labor and services required to operate and develop their properties. Some of these resources may be limited and have higher prices due to strong demand. Many of our competitors have financial resources that are substantially greater than ours, which may adversely affect our ability to compete within the industry.

***We have limited operating control over some of our current production.***

Approximately half of our current production comes through joint operating agreements under which we own partial non-operated interests in oil and natural gas properties. For that production, we do not have control over normal operating procedures, expenditures or future development of underlying properties. Consequently, a portion of our operating results are beyond our control. The failure of an operator of our wells to perform operations adequately, or an operator's breach of the applicable agreements, could reduce our production and revenues. In addition, the success and timing of our drilling and development activities on properties operated by others depends upon a number of factors outside of our control, including the operator's timing and amount of capital expenditures, expertise and financial resources, inclusion of other participants in drilling wells and the use of technology. Since we do not have a majority interest in our current non-operated properties, we may not be in a position to remove the operator in the event of poor performance. Further, significant cost overruns of an operation in any one of our current non-operated projects may require us to increase our capital expenditure budget and could result in some wells becoming uneconomic.

***Oil and gas prices fluctuate widely, and low prices for an extended period of time are likely to have a material adverse impact on our business, results of operations and financial condition.***

Our revenues, profitability, future growth and reserve calculations depend on reasonable prices for oil and natural gas. These prices also affect the amount of our cash flow available for capital expenditures and payments on our debt, and our ability to borrow and raise additional capital. The amount we can borrow under our senior secured revolving credit facility (see Note 6 to our Consolidated Financial Statements as of and for the six months ended June 30, 2008, which are incorporated in this prospectus by reference) is subject to periodic borrowing base re-determinations based in part on changing expectations of future crude oil and natural gas prices. Lower prices may also reduce the amount of oil and gas that we can produce economically.

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Among the factors that can cause fluctuations are:

domestic and foreign supply, and perceptions of supply, of oil and natural gas;

level of consumer demand;

political conditions in oil and gas producing regions;

weather conditions;

world-wide economic conditions;

domestic and foreign governmental regulations; and

price and availability of alternative fuels.

We have multiple hedges placed on our oil and gas production to attempt to mitigate this problem to some extent. See Item 7A Quantitative and Qualitative Disclosures about Market Risk, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which is incorporated in this prospectus by reference.

***Our use of oil and natural gas price hedging contracts involves credit risk and may limit future revenues from price increases while not hedging may result in significant fluctuations in our net income and stockholders equity.***

We enter into hedging transactions for our oil and natural gas production to reduce our exposure to fluctuations in the prices of oil and natural gas. We may in the future enter into additional hedging arrangements to reduce our exposure to fluctuations in the market prices of oil and natural gas. Hedging transactions expose us to risk of financial loss in some circumstances, including if production is less than the total volumes hedged or the other party to the contract defaults on its obligations. Hedging transactions will also limit the benefit we otherwise would have received from increases in the price for oil and natural gas, when the respective price goes above our hedged price.

***Our credit facility has substantial restrictions and financial covenants, and we may have difficulty obtaining additional credit, which could adversely affect our operations.***

Our revolving credit facility limits the amounts we can borrow to a borrowing base amount, determined by our lenders in their sole discretion, based upon, among other things, our level of proved reserves and the projected revenues from the oil and natural gas properties securing our loan. The lenders on our revolving credit facility can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding. Any increase in the borrowing base requires the consent of the lenders.

Upon a downward adjustment of the borrowing base, if borrowings in excess of the revised borrowing base are outstanding, we could be forced to repay our indebtedness in excess of the borrowing base under the revolving credit facility if we do not have any substantial unpledged properties to pledge as additional collateral.

***Our debt level and the covenants in the agreements governing our debt could negatively impact our financial condition, results of operations and business prospects.***

Our level of indebtedness, and the covenants contained in the agreements governing our debt, could have important consequences for our operations, including:

requiring us to dedicate a substantial portion of our cash flow from operations to required payments on debt, thereby reducing the availability of cash flow for working capital, capital expenditures and other general business activities;

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limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate and other activities;

limiting our flexibility reacting to changes in our business and the industry in which we operate;

placing us at a competitive disadvantage relative to other less-leveraged competitors; and

making us vulnerable to increases in interest rates, because borrowings under our credit facility may be at floating interest rates which are subject to change from time to time, based on LIBOR or U.S. prime rates.

***The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business.***

Our revolving credit facility contains various restrictive covenants that limit our management's discretion in operating our business. In particular, these agreements will limit our and our subsidiaries' ability to, among other things:

pay dividends on, redeem or repurchase our capital stock or redeem or repurchase our subordinated debt;

make loans to others;

make investments;

incur additional indebtedness;

create certain liens;

sell assets;

enter into agreements that allow dividends or other payments from our subsidiaries to us;

consolidate, merge or transfer all or substantially all of the assets of us and our subsidiaries taken as a whole;

engage in transactions with affiliates;

enter into hedging contracts;

create unrestricted subsidiaries; and

enter into sale and leaseback transactions.

In addition, our revolving credit facility also requires us to maintain a certain working capital ratio and a certain debt to EBITDAX (as defined in the revolving credit facility as earnings before interest, taxes, depreciation, amortization and exploration expense and other non-cash items) ratio. If we fail to comply with the restrictions in the revolving credit facility (or any other subsequent financing agreements), a default may occur which might allow the creditors (if the agreements so provide) to accelerate the related indebtedness as well as any other indebtedness to which a cross-acceleration or cross-default provision applies. In addition, lenders may be able to terminate any commitments they had made to make available further funds.

***Seasonal weather conditions and lease stipulations can adversely affect the conduct of drilling activities on our properties.***

Oil and natural gas operations, in the areas in which we operate, can be adversely affected by seasonal weather conditions and lease stipulations designed to protect various wildlife, particularly in the Rocky Mountain region where we currently operate. In certain areas, drilling and other oil and natural gas activities can only be conducted during the spring and summer months. This may limit operations in those areas and can intensify competition during those

months for drilling rigs, oil field equipment, services, supplies and qualified personnel, which may lead to periodic shortages. Resulting shortages or high costs could delay our operations and materially increase our operating and capital costs.

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***Our reserves and future net revenues may differ significantly from our estimates.***

The estimates of reserves and future net revenues are not exact and are based on many variable and uncertain factors; therefore, the estimates may vary substantially from the actual amounts depending, in part, on the assumptions made and may be subject to adjustment either up or down in the future. The actual amounts of production, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves to be encountered may vary substantially from the estimated amounts. In addition, estimates of reserves are extremely sensitive to the market prices for oil and gas.

***The loss of key personnel could adversely affect our business.***

We currently have key employees that serve in senior management roles. The loss of any one of these employees could severely harm our business. Although we have a life insurance policy on our Chief Executive Officer, of which we are a part beneficiary, we do not currently maintain key man insurance on the lives of any of the other key employees. Furthermore, competition for experienced personnel is intense. If we cannot retain our current personnel or attract additional experienced personnel, our ability to compete could be adversely affected.

***We may incur non-cash charges to our operations as a result of current and future financing transactions.***

Under current accounting rules, we have incurred \$8.0 million of non-cash charges for the six months ended June 30, 2008, and may incur additional non-cash charges to future operations beyond the stated contractual interest payments required under our current and potential future financing arrangements. While such charges are generally non-cash, they impact our results of operations and earnings per share and have been and may be material.

**Risks Relating To Our Common Stock**

***Our insiders beneficially own a significant portion of our stock.***

As of September 12, 2008, our executive officers, directors and affiliated persons beneficially own approximately 7.75% of our common stock. As a result, our executive officers, directors and affiliated persons will have significant influence to:

- elect or defeat the election of our directors;
- amend or prevent amendment of our articles of incorporation or bylaws;
- effect or prevent a merger, sale of assets or other corporate transaction; and
- affect the outcome of any other matter submitted to the stockholders for vote.

In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.



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***The anti-takeover effects of provisions of our charter, by-laws and of certain provisions of Delaware corporate law could deter, delay, or prevent an acquisition or other change in control of us and could adversely affect the price of our common stock.***

Our amended certificate of incorporation, our by-laws and Delaware General Corporation Law contain various provisions that could have the effect of delaying or preventing a change in control of us or our management which stockholders may consider favorable or beneficial. These provisions include the following:

We are authorized to issue blank check preferred stock, which is preferred stock that can be created and issued by the Board of Directors without prior stockholder approval, with rights senior to those of our common stockholders;

We are subject to Section 203 of the Delaware General Corporation Law (the "DGCL"). In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder. A business combination includes a merger, sale of 10% or more of our assets and certain other transactions resulting in a financial benefit to the stockholder. For purposes of Section 203, an interested stockholder includes any person that is:

- o the owner of 15% or more of the outstanding voting stock of the corporation;
- o an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation, at any time within three years immediately prior to the relevant date; and
- o an affiliate or associate of the persons defined as an interested stockholder.

Any one of these provisions could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock.

**Risk Factors Relating to the Debentures**

***The terms of the Indenture limit our ability to incur certain additional indebtedness.***

The Indenture governing the Debentures contains negative covenants with respect to our incurring any indebtedness other than the Permitted Indebtedness, as defined in the Indenture and the Debentures, or any liens other than the Permitted Liens, as defined in the Indenture and the Debentures (see Description of Debentures Certain Definitions for description of Permitted Indebtedness and Permitted Liens). These provisions may limit our ability to access the capital markets or obtain sufficient capital for our business needs.

***We may not have the funds necessary to repurchase the Debentures or pay amounts due when necessary, including with respect to the Interest Make-Whole premium, and our senior secured revolving credit facility contains limitations on our ability to pay the principal return in cash to holders of Debentures upon conversion or to repurchase the Debentures under certain circumstances.***

Your ability to convert your Debentures into cash and shares of our common stock (if any) or to require us to repurchase your Debentures (either on September 18, 2008, or in connection with a designated event) is subject to limitations imposed by our senior secured revolving credit facility and by any limitations we may have in any other credit facilities or indebtedness we may incur in the future. Under our senior secured revolving credit facility and subject to an Intercreditor and Subordination Agreement

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we entered into with the lenders of our senior secured revolving credit facility and the guarantors of our Debentures, we are not permitted to pay the principal return in cash with respect to any redemption of Debentures without the prior approval of the lenders of our senior secured revolving credit facility.

With respect to any repurchase or redemption of the Debentures, you should be aware that the indebtedness under the senior secured revolving credit facility will become due and payable on August 9, 2011. If the senior indebtedness under the senior secured revolving credit facility is not paid upon maturity, we would be in default under such agreement and accordingly we would be prohibited from repurchasing or redeeming the Debentures. Moreover, we may have to refinance our senior secured revolving credit facility on or before its maturity and any new senior credit agreement we may enter into may have restrictions on our ability to repurchase or redeem the Debentures to a similar extent.

In addition, our ability to repurchase the Debentures or pay the principal return in cash, including with respect to the Interest Make-Whole premium, may be limited by law, by the Indenture, by the terms of other agreements relating to our senior indebtedness and, as mentioned above, by indebtedness and agreements that we may enter into in the future that may replace, supplement or amend our existing or future debt. If any of our senior indebtedness were to be accelerated, holders of the Debentures would not be entitled to receive any payments until all of our senior indebtedness had been paid in full.

Finally, we might not have sufficient funds available to repurchase or redeem the Debentures or pay the principal return in cash, including with respect to the Interest Make-Whole premium, at the Debentures' maturity.

***Although secured, the Debentures are subordinated to our senior indebtedness, and the guarantee of each subsidiary guarantor is similarly subordinated to its senior indebtedness.***

The Debentures and the guarantees provided by certain of our subsidiaries, although secured, rank junior in right of payment to all of our existing and future senior indebtedness, as defined in the Indenture relating to the Debentures. This means that, upon any payment or distribution of our assets in a bankruptcy, insolvency, or similar proceeding, we will not be permitted to make any payments on the Debentures until all of our senior indebtedness has been paid in full. Likewise, upon any payment or distribution of assets of any subsidiary guarantor in a bankruptcy, insolvency or similar proceeding, that subsidiary guarantor will not be permitted to make any payments in respect of its guarantee in respect of the Debentures until all of its senior indebtedness has been paid in full.

In addition, we will also be prohibited from making any payments on the Debentures if any of our designated senior indebtedness is not paid when due or has been declared due and payable because of a default, and any subsidiary guarantor will be prohibited from making any payments under its guarantee if any designated senior indebtedness of such subsidiary guarantor or of us is not paid when due or has been declared due and payable because of a default. In addition, in the event of certain other defaults in respect of our designated senior indebtedness, we may be prohibited from making payments on the Debentures and, in the event of certain other defaults in respect of designated senior indebtedness of any subsidiary guarantor or of us, such subsidiary guarantor may be prohibited from making payments under its guarantee. See Description of the Debentures Ranking of the Debentures Subordination of the Debentures. As of June 30, 2008, we and our subsidiaries had approximately \$22 million of outstanding senior indebtedness, to which the Debentures are subordinated. In addition, the subsidiary guarantors guarantee all borrowings and amounts payable by us under our senior secured revolving credit facility.

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Such guarantees rank senior in right of payment to the guarantees of the subsidiary guarantors under the Debentures. Substantially all of our and our subsidiaries (including the subsidiary guarantors ) assets secure our obligations under our senior secured revolving credit facility, which permits us to borrow up to \$150,000,000. If we default on any payments required under our senior secured revolving credit facility, or if we fail to comply with other provisions governing these obligations such as the maintenance of certain required financial ratios, the senior lenders could declare all amounts outstanding, together with accrued and unpaid interest, immediately due and payable. If we are unable to repay amounts due, the lenders could proceed against the collateral securing the debt and we then may not have enough assets left to pay you or other holders of our Debentures.

***The adjustment to the conversion rate upon the occurrence of certain types of fundamental transactions may not adequately compensate the holders for the lost option value of the Debentures as a result of such fundamental transactions.***

If certain types of fundamental transactions occur on or prior to the date when the Debentures may be redeemed, you are entitled to receive, for each share of our common stock that would have been issuable upon conversion of the Debentures immediately prior to the occurrence of such fundamental transaction, the same kind and amount of securities, cash or property as you would have been entitled to receive upon the occurrence of such fundamental transaction if you had been, immediately prior to such fundamental transaction, a holder of one share of common stock. The determination of the conversion price shall be appropriately adjusted. Although such adjustments are designed to compensate you for the lost option value of your Debentures as a result of certain types of fundamental transactions, the adjustment is only an approximation of such lost value based upon assumptions made on the date of this prospectus and may not adequately compensate you for such loss.

***The subsidiary guarantees may be unenforceable or federal and state statutes may allow courts to void our Subordinated Guarantees and other laws may limit payments under the subsidiary guarantees.***

The Debentures will be guaranteed by certain of our existing subsidiaries and may be guaranteed by certain future subsidiaries. If, during that time, a bankruptcy case or lawsuit is initiated with respect to a subsidiary guarantor, the debt represented by the subsidiary guarantee entered into by that subsidiary guarantor may be reviewed under federal bankruptcy law and comparable provisions of state fraudulent transfer laws. Under these laws, a guarantee could be voided, or claims in respect of a guarantee could be further subordinated to other indebtedness, guarantees and other liabilities of the subsidiary guarantor (which, depending on the amount of such indebtedness and other obligations, could reduce the subsidiary guarantor's liability on its subsidiary guarantee of the Debentures to zero), if, among other things, such subsidiary guarantor at the time it incurred the debt evidenced by the guarantee:

received less than reasonably equivalent value or fair consideration for entering into the guarantee;

was insolvent or rendered insolvent by reason of entering into the guarantee;

was engaged in a business or transaction for which the subsidiary guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts or contingent liabilities beyond its ability to pay such debts or contingent liabilities as they became due.

In addition, under these circumstances any payment by the subsidiary guarantor pursuant to its subsidiary guarantee could be voided and holders of the Debentures could be required to return those payments to the subsidiary guarantor or to a fund for the benefit of our creditors or creditors of the subsidiary guarantor.

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The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a subsidiary guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was at the time greater than the fair saleable value of all of its assets;

if the present fair saleable value of its assets was at the time less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

There can be no assurance as to what standard a court would apply to evaluate the parties' intent or to determine whether the applicable subsidiary guarantor was insolvent at the time of, or rendered insolvent upon consummation of, the applicable transaction or that, regardless of the standard, a court would not determine that the subsidiary guarantor was insolvent or rendered insolvent as a result of that transaction. Accordingly, we cannot assure you that the subsidiary guarantees of the Debentures, or any payments made under the subsidiary guarantees, will not be deemed to violate applicable bankruptcy, fraudulent transfer, or similar laws. Each subsidiary guarantee is limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable subsidiary guarantor, after giving effect to all of its other liabilities, without rendering the subsidiary guarantee, as it relates to such subsidiary guarantor, voidable under applicable laws relating to fraudulent conveyance or fraudulent transfer or similar laws.

Other laws, including corporate distribution laws, limit or may limit the amount that any subsidiary guarantor will be permitted to pay under its subsidiary guarantee of the Debentures. Such limitations could restrict, perhaps substantially, the amount that any subsidiary guarantor would be permitted to pay under its subsidiary guarantee, could prohibit that subsidiary guarantor from making any payments under its subsidiary guarantee or could possibly require that amounts paid by any subsidiary guarantor under its subsidiary guarantee of the Debentures be returned.

***An active trading market for the Debentures may not develop.***

The Debentures are a new issue of securities for which there is currently no public market. Although the Debentures will, at the time of issuance, be eligible for trading in The PORTAL Market,<sup>(SM)</sup> Debentures sold using this prospectus will no longer be eligible for trading in The PORTAL Market.<sup>(SM)</sup> The Debentures are not listed, and we do not intend to apply for listing of the Debentures, on any securities exchange or to arrange for quotation on any automated dealer quotation system. As a result, we do not know whether an active trading market will develop or be sustained for the Debentures. To the extent that an active trading market does not develop or is not sustained, the liquidity and trading prices for the Debentures may be harmed.

If the Debentures are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the price, and volatility in the price, of our shares of common stock, our performance and other factors.

We have not been advised by the initial purchasers or any other party that they intended to make a market in the Debentures. Any market-making activity that may be established by holders of the Debentures or any other party may be discontinued at any time, for any reason or for no reason, without notice. We cannot assure you that any firm or person will make a market in the Debentures. The liquidity of any market for the Debentures will depend upon the number of holders of the Debentures, our results of

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operations and financial condition, the market for similar securities, the interest of securities dealers in making a market in the Debentures and other factors. Even if a firm or person commits to make a market in the Debentures, an active or liquid trading market for the Debentures may not develop.

***The price at which the Debentures may be purchased or sold could be significantly affected by the market price of our common stock, which may fluctuate significantly.***

We expect that the pricing of the Debentures will be significantly affected by the market price of our common stock.

Factors that could affect our common stock price include the following:

fluctuations in our quarterly results of operations and cash flows;

the public's reaction to our press releases, announcements and filings with the SEC;

additions or departures of key personnel;

&