MIRENCO INC
Form 10-K
April 14, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

¨ TRANSITION REPORT UNDER SECTION13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER: 333-41092

Mirenco, Inc.

(Name of registrant in its charter)

Iowa	**39-1878581**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

206 May Street, Radcliffe, IA 50230

(Address of principal executive offices) (Zip Code)

Issuer s telephone Number: **(515) 899-2164**

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

Securities registered under Section 12(g) of the Exchange Act: Common Stock: No par value

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes **o** No **X**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes **o** No **X**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes **o** No **o**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **X**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer **o**   Accelerated filer **o**

Non-accelerated filer   **o**   Smaller reporting company **x**

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

As of June 30, 2010, we had 14,225,995 shares held by persons not considered affiliates of the company. The closing price on that date was $.04 for an aggregate market value of shares held by non-affiliates of $569,040. The number of shares of registrant s common stock outstanding, as of April 14, 2011, was 31,969,427.

DOCUMENTS INCORPORATED BY REFERENCE

None.

AVAILABLE INFORMATION

Information about us is also available at our website at www.mirenco.com, under Investors, which includes links to reports we have filed with the Securities and Exchange Commission. The contents of our website are not incorporated by reference in this Form 10-K.

TABLE OF CONTENTS

Cautionary Statement on Forward-Looking Statements.

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

Such forward-looking statements are based on current expectations, estimates and projections about the Company's business, based on management's current beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", believes", "plans", "seeks", "estimates", and similar expressions or variations of these words are intended to identify such forward-looking statements. Additionally, statements that refer to the Company's estimated or anticipated future results, sales or marketing strategies, new product development or performance or other non-historical facts are forward-looking and reflect the Company's current perspective based on existing information. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include those that may be included in this annual report as well as previous public filings with the Securities and Exchange Commission. The discussion of the Company's financial condition and results of operations included in Item 7 should also be read in conjunction with the financial statements and related notes included in Item 8 of this annual report. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. Description of Business

(a) Development

Mirenco, Inc. (the Company , our , we) was organized and incorporated in the State of Iowa on February 21, 1997. We develop, market and distribute technologically advanced products improving efficiencies in engine combustion and equipment application. The Company also offers consultative services in evaluating diesel engines through its Mirenco Diesel Evaluation Procedure (MDEP) which consists of testing procedures, comparison to other engines on its proprietary data base and making recommendations for maintenance activities and/or application of the Company s patented technology.

(b) Business

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

(1) Products and Services

D-Max and C-Max are devices that improve engine exhaust emissions and fuel mileage while reducing vehicle maintenance costs using precise programmable computer management of the vehicle's throttle position. The device controls the fuel flow directly proportional to the engine s combustion capability and desired rate of acceleration. This product is designed for diesel powered vehicles, with a high frequency of starting and stopping, such as buses, over-the-road trucks, delivery vehicles and construction equipment.

The C-Max product is primarily the same as the D-Max except it operates on digitally controlled engines, thus opening up a completely new market relative to the heavy-duty diesel engine. The application for this technology is the same as the D-Max. It has been particularly effective in the reduction of black smoke or Diesel Particulate Matter, DPM, in off-road construction equipment as well as heavy-duty underground equipment used in mining, gravel, and sandpit operations.

The HydroFire System is a sophisticated fuel alternative that provides all the benefits of the D-Max plus the additional benefit of cutting oxides of nitrogen (NOx) emissions under performance conditions where NOx is produced. Specifically, NOx is produced under heavy loads and high engine temperatures. When these conditions occur, HydroFire Injection injects a patented fluid, HydroFireFluid, into the engine to reduce the NOx production by approximately 50%. The HydroFireFluid, a water-alcohol-lubricant mixture and blending process, is patented. Specifically, water cuts the NOx production, alcohol serves as antifreeze for the water, and HydroFireLubricant serves to eliminate the potential solvent and/or corrosive characteristics of the hydrous alcohol in the engine and/or storage containers. HydroFire Systems are designed primarily for heavy transport vehicles such as buses and over-the-road trucks.

EconoCruise, currently in development, is a highly sophisticated throttle control system which provides advanced levels of "intelligence" to common cruise control technology. EconoCruise utilizes Global Positioning System signals to "know" the topography of the road ahead, thereby allowing the vehicle to best manage throttle and emissions. We anticipate that this product will be marketable to the population of existing vehicles as an "add-on" and that the rights to the patented technology and proprietary design work will be marketable to automakers.

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

Mirenco, Inc. also offers MDEP (Mirenco Diesel Evaluation Procedure). MDEP consists of an evaluation of a diesel engine based on a comparison with like engines. An evaluation is completed by performing a modified SAE-J1667 as well as a MIR 120 Second Transient evaluation. The Company has developed an extensive database of evaluation results for thousands of diesel engines using these techniques.

From these results, the Company can evaluate the condition of the engine, determine commonalities among engine types, evaluate the entire fleet and recommend appropriate maintenance procedures for each specific vehicle. From these results, we can also make recommendations for the appropriate engine service that will improve engine combustion.

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

(2) Marketing methods

Our strategy is to market and sell our products primarily through third party distributors and to a lesser extent through direct sales. For the year ended December 31, 2010, sales through third party distributors accounted for 67% of our sales. As disclosed in an 8-K dated January 15, 2009, we have entered into a distributor agreement with Whayne Supply Company (Whayne). We expect that Whayne will be the exclusive distributor for our MDEP, Fuel Tracker, data base management and related services for off-road, heavy equipment and on-highway vehicles and equipment markets throughout the United States and Canada. We believe that our relationship with Whayne will bring value to the Company by providing exposure to 60 Caterpillar dealers and their customers across the US and Canada. Revenues during 2010 fell below the Company s expectations and Whayne did not meet the minimum sales requirements defined in the contract, however, fourth quarter sales showed a significant improvement and we believe sales will continue to grow. We believe that our continued relationship with Whayne will significantly improve the Company s revenues in the future. The Company signed an amended agreement with Whayne, as disclosed on our 8K, dated May 5, 2010.

(3) Competition

The market for our products and services is characterized by rapid technological developments, frequent new product introductions and evolving, varying industry and regulatory standards. We believe there is no known vehicle retrofit device that can compete with our current or contemplated spectrum of products and services. The Company s technologies and solutions are aimed at reducing wasted fuel and excess emissions through engine maintenance, repair and fine tuning. We believe our greatest advantage over other competing products is that the Company s overall program keeps engines burning fuel efficiently thereby extending the vehicle s useful life. In our view, this is the Company s advantage over other environmental solutions which either filter engine exhaust emissions (with the risk of clogging) or exhaust catalysts that burn fuel with no useful application of the energy produced.

(4) Production suppliers

We currently outsource the production of D-Max and C-Max according to our specifications to ICE Corporation, an FAA certified electronic manufacturing company located in Manhattan, Kansas. Generally all materials required to manufacture and assemble our product line are readily available shelf items. Orders are typically manufactured and delivered within, at most, a ten week time frame. We believe that our payment terms are standard for the industry. We are not required to order or accept delivery of any product based on a predetermined time schedule, and production unit costs decrease with increasing quantities.

At the present time, we intend to continue outsourcing production to companies that can meet our specifications for high quality and reliability. Management has contacted other companies capable of producing our products at the desired levels should the need arise.

(5) Patents and trademarks

The following patent applications have been filed by Dwayne Fosseen, Chief Executive Officer and President and are currently pending in the patent office:

1.

Application 12/130,098 for Fuel Tracking System; filed May 30, 2008.

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

1.

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

2.

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

3.

US Patent No. 5,315,977 for Fuel Limiting Method and Apparatus for an Internal Combustion Engine; Issued 5/31/1994; Valid until 5/31/2011; owned by Dwayne Fosseen, subject to a 1993 license to American Technologies, LC, which license was assigned by American Technologies to Mirenco in 1999.

4.

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

We currently own the registered trademark for Mirenco, issued October 6, 2009. We have also made the following Trademark filings:

1.

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

2.

US Application No. 77/895,100 for MIRENCO YOU CANNOT MANAGE WHAT YOU CANNOT MEASURE (DESIGN) Notice of Allowance Received, statement of use due July 13, 2011.

(6) Government regulation

Currently, all conventional vehicles, as well as most alternate fuel vehicles and certain retrofit technologies legally sold in the United States, must be "verified" by the Environmental Protection Agency (EPA) to qualify for the "Low Emission Vehicle" ("LEV") classification necessary to meet federal fleet vehicle conversion requirements. Our products have not been verified by the EPA, however, we do not currently market our products for use in federal fleets.

In addition, the MSHA has been performing extensive air quality testing in underground mines. This activity has produced a new emphasis on the underground mining industry to consider new methods to improve the air quality for its employees. We have made significant inroads in marketing both our methodology and technology in the underground mining markets.

We believe our products to be "retrofit devices" as defined under EPA regulations. We are, however, subject to the regulatory risk that the EPA may construe distribution of the products to be also governed by "fuel additive" regulations. These more stringent regulations sometimes require scientific testing for both acute and chronic toxicity, which is not required for approval of pollution control products deemed as "retrofit devices". Such additional compliance procedures could substantially delay the wide commercialization of HydroFire products. We believe the EPA "fuel additive" regulations do not apply to our DriverMax products, since our product does not involve the introduction of additives into the engine air intake system, as those terms are defined in EPA regulations and generally understood in the automotive engineering community.

We are not aware of any proposed regulatory changes that could have a material adverse effect on our operations and/or sales efforts. Further, we have not been required to pay any fines for, and are not aware of any issues of, noncompliance with environmental laws.

(7) Research and development

The Company expenses research and development costs as incurred, classifying them as operating expenses. Such costs include certain prototype products, test parts, consulting fees, and costs incurred with third parties to determine the feasibility of products. Costs incurred for research and development were $54,426 and $58,064 for 2010 and 2009, respectively.

(8) Employees

As of December 31, 2010 and April 12, 2011, we had 10 fulltime employees. There have been no management-labor disputes, and we are not a party to any collective bargaining agreement.

ITEM 1(A). Risk Factors

N/A for smaller reporting companies

ITEM 2. Properties

Mirenco, Inc. owns a 21,600 square foot office, warehouse and distribution facility located in Radcliffe, Iowa. The building is located on 1.2 acres of land.

In addition, Mirenco, Inc. rents an adjacent shop building on a month to month basis for $800 per month, from an officer and stockholder.

ITEM 3. Legal Proceedings

None.

PART II

ITEM 4. (Removed)

ITEM 5. Market for Common Equity and Related Stockholder Matters

(a) Market Information

Mirenco, Inc. common stock is traded on the over-the-counter "bulletin board" market under the symbol "MREO.OB".

Price Range of Common Stock

The following table sets forth the high and low sale prices of the Company's common stock as obtained from the Quotes tab at the Internet site www.otcbb.com. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	2010		2009	
Quarter Ended	**High**	**Low**	**High**	**Low**
31-Mar	0.10	0.05	0.30	0.12
30-Jun	0.10	0.00	0.35	0.08
30-Sep	0.16	0.04	0.20	0.08

31-Dec	0.14	0.06	0.15	0.02

(b) Approximate Number of Equity Security Holders

Title of Class	**Approximate Number of record holders as of March 31, 2011 -**
Common Stock, No Par Value	4,000

(1) Reflected in the number of stockholders of record are shares held in "nominee" or "street" name.

(c) Dividend History and Restrictions

The Company has never paid a cash dividend on its common stock and has no present intention of paying cash dividends in the foreseeable future. Future dividends, if any, will be determined by the Board of Directors in light of the circumstances then existing, including the Company's earnings, financial requirements, general business conditions and any future possible credit agreement restrictions.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans	2,172,750	$0.34	473,017

approved by security holders			
Equity compensation plans not approved by security holders	0	0	0
Total	2,172,750	$0.34	473,017

We adopted our 2008 Stock Option Plan in September 2008. The plan provides for the grant of options intended to qualify as "incentive stock options" and options that are not intended to so qualify or "non-statutory stock options." The total number of shares of common stock reserved for issuance under the plan is 1,000,000, subject to adjustment in the event of a stock split, stock dividend, recapitalization or similar capital change.

The plan is presently administered by our board of directors, which selects the eligible persons to whom options shall be granted, determines the number of common shares subject to each option, the exercise price therefore and the periods during which options are exercisable, interprets the provisions of the plan and, subject to certain limitations, may amend the plan. Each option granted under the plan is evidenced by a written agreement between us and the optionee.

Item 6. Selected Financial Data

N/A

ITEM 7. Management's Discussion and Analysis or Plan of Operation

General and Background

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

Plan of Operation

From January 2003 until July 2003, the Company concentrated on verification by the EPA and the California Air Resources Board (CARB). The verification efforts were considered important to receive federal monies for the

DriverMax technology and to receive certification from CARB as an emissions control device.

In July 2003, the Company shifted its emphasis since its primary markets are outside the Federal Government and its technology had already been certified by CARB as a fuel saving device.

Approximately August 1, 2003, the Company began changing from a Research and Development Company to a Marketing Company. The Company began determining its markets, the effectiveness of its efforts in Mexico and Canada, the effectiveness of its international sales representative and the effectiveness of its other sales representative and distribution arrangements in relation to its markets.

Mirenco determined its markets to be segmented into eight groups:

1.

Metropolitan Transit Authorities

2.

Bus Manufacturers

3.

Mining Operations

4.

School Buses

5.

Government Entities

6.

Over-the Road Transportation Companies

7.

Company Owned Fleets

8.

Other (Construction, Agriculture, etc.)

During 2009 and 2010, due to increased regulation and economic issues, Mirenco recognized the growing importance of tailpipe emissions control and the cost of vehicle operation. We believe that market attention to tailpipe emissions and demand for green technologies such as our DriverMax technology and our Mirenco Diesel Evaluation Procedure methodology will increase due to our distributor contract with Whayne, a Caterpillar dealer in Kentucky. As stated in our agreement with Whayne, we expect that Whayne will be the exclusive distributor for our MDEP, Fuel Tracker, data base management and related services for off-road, heavy equipment and on-highway vehicles and equipment markets throughout the United States and Canada. We believe that our relationship with Whayne will bring value to the Company by providing exposure to 60 Caterpillar dealers and their customers across the US and Canada. Revenues during 2010 fell below the Company s expectations. Due to improved fourth quarter revenues through Whayne, we believe that our continued relationship with Whayne will significantly improve the Company s revenues in the future. The Company amended its contract with Whayne, as described in our 8K, dated May 5, 2010. The Company continues to develop its data base as a significant component to its MDEP. With over 1,000,000 data points and a growing number of engines involved, the Program allows for a comparison of like engines to determine commonalities which are useful in recommended maintenance and technology application.

The Company is expanding its research and development activities. These activities are concentrated in expanding current DriverMax applications. In addition, the Company is researching other fuel saving products, both proprietary and other equipment manufacturing, to offer to its customers.

Combining the ability to measure fuel usage with the FuelTracks fuel sensor and the combustion condition of an engine with MDEP, an emission factor can now be determined for every vehicle. An emission factor allows for real-time tracking of total emissions produced by each vehicle based on the vehicles actual emissions and total fuel consumed.

Results of Operations

Twelve Months Ended December 31, 2010 Compared to Twelve Months Ended December 31, 2009:

	2010	2009	Percent Change
Total Revenue	$442,329	$336,724	31%
Total Cost of Sales	330,327	256,927	29%
Gross Profit	112,002	79,797	40%
Operating Expenses	555,215	625,841	(11%)
Interest Expense	77,534	32,451	139%
Net (Loss)	($520,747)	($578,492)	(10%)

Sales increased $105,605 (31% increase) in the year ended December 31, 2010 compared to the same period for 2009. Product sales for 2010 were $247,275 and sales for services during 2010 were $195,054, compared to $144,953 and $191,771, respectively, for 2009. The increase in total sales is due mostly to fourth quarter product sales to Whayne Supply. During 2010, we continued to focus management and other resources on developing our products and relationships with distributors. Fourth quarter sales were greatly improved over the prior three quarters of 2010.

During 2010, we continued developing the sales strategy founded upon collecting emissions data before and after the use of our products and providing continuing emission testing services of our installed products. In addition, the Company believes the development of a database cataloguing the results of testing without the use of Mirenco s products has provided a source of information for customers for determining the need, and in some cases, the nature of maintenance needed. The cost of sales increase of 29% is consistent with the prior year as total cost of sales was approximately 75% of total revenue in 2010 compared to 76% of total revenue in 2009.

OPERATING EXPENSES	**2010**	**2009**	**Percent Change**

Total Salaries and Benefits	$344,810	$386,189	(11%)
Total Travel	3,862	7,313	(47%)
Total Facilities	40,225	42,874	(6%)
Total Outside Services	113,263	130,514	(13%)
Total Advertising	762	130	486%
Total Depreciation and Amortization	30,501	30,784	(1%)
Total General & Administrative	21,792	28,037	(22%)
TOTAL OPERATING EXPENSES	**$555,214**	**$625,842**	**(11%)**

The major components of our operating expenses are as follows:

Operating expenses in 2010 decreased $70,627 (11%) from 2009. The decrease is mostly attributed to a reduction in salaries and benefits by $41,379 due to a reduction in staff and outside professional fees were reduced by $17,251 (13%), as the Company utilized outside database training services in 2009 that were not used in 2010. Travel and general office expenses were also reduced 47% and 22% respectively due to cost saving measures.

Royalty expense for each of the years ended December 31, 2010 and 2009 was 3% of sales calculated per the patent purchase agreement with American Technologies, and amounted to $13,026 and $10,102, respectively. The increase is attributable to the increase in sales in 2010.

Interest expense in 2010 was $77,536 in 2010 compared to $32,451 in 2009. An increase of 139% in 2010 over 2009. The increase is due to increased borrowing from related parties, also converting debt to an employee to a note payable, and additional loans of $367,500 in the aggregate, from a major shareholder.

Liquidity and Capital Resources

Overview: We have not yet commenced generating substantial revenue. The Company expects to incur losses until we are able to generate sufficient income and cash flows to meet operating expenditures and other requirements. The following table highlights certain information in relation to our liquidity and capital resources at December 31:

Working Capital

	2010	**2009**	**Percent Change**
Total Current Assets	$ 265,979	$ 117,897	126%
Total Current Liabilities	623,464	417,960	49%
Working Capital (Deficit)	$ (357,485)	$ (300,063)	116%

As of December 31, 2010, the Company had total current assets of $265,979 and current liabilities of $623,464, resulting in a working capital deficit of ($357,485). Total current assets increased by 126% due to the purchase of C-Max units by Whayne Supply during the fourth quarter. Total current liabilities increased by 49% mostly due to increased accounts payable and an increase in the current portion of debt, as well as an increase in interest due to additional borrowing. The Company s available sources for generating cash for working capital have been through the issuance of common stock, preferred stock and notes payable and, eventually, we expect that working capital will be available through the development of profitable operations.

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

Effective January 4, 2008, the Company obtained a bridge loan of $50,000 which was due February 15, 2008, plus accrued interest at 5.15%. In addition, effective January 18, 2008, the Company obtained a line of credit that calls for maximum borrowings of $301,500. The line bears interest at 8% per annum and is due January 18, 2018. As of the date of these financial statements, aggregate draws of $335,000 have been made against the line of credit and the bridge loan plus accrued interest was repaid from proceeds of the line of credit in January 2009. There are no restrictive covenants on this credit. No draws were made during 2010. Principal payments of $21,435 were made during 2010. The outstanding balance as of December 31, 2010 is $267,205. No additional borrowing is available on this note.

During 2010, the Company obtained proceeds of $367,500 of convertible debt from a major shareholder. The notes bear 9% interest payable quarterly with balloon payments of principal due plus any accrued interest beginning July 2011 to December 2013. These notes are convertible at the shareholder s option at anytime to shares of the Company s common stock at the lesser of $.10 per share of the then current market price per common share.

Cash Flows for the Years Ended December 31, 2010 and 2009

	2010	**2009**	**Percent Change**
Cash Flows (Used in) Operating Activities	($317,709)	($417,889)	(24%)
Cash Flows (Used in) Investing Activities	-	(921)	(100%)
Cash Flows Provided by Financing Activities	462,681	332,059	39%
Net Increase (Decrease) in Cash	$144,972	($86,751)	267%

Net cash used in operating activities for the years ended December 31, 2010 and 2009 was $317,709 and $417,889, respectively. Net cash generated from operating activities increased by $100,180 over 2009. The decrease in net cash Used in operating activities was primarily driven by the aggregate effect of the year over year changes in the Company s net loss, accounts payable, accounts receivable, accrued expenses and prepayments.

Net cash used in investing activities for the years ended December 31, 2010 and 2009 was $0 and $921, respectively. Investing activities in 2009 consisted of the capitalization of patent expense and the purchase of new computer equipment. Net cash provided by financing activities for the year ended December 31, 2010 and 2009 was $462,681 and $332,059, respectively. Equity and borrowed funds from stockholders and others were obtained in the year ended December 31, 2010. Principal payments on long-term debt were made in both years.

Net cash provided by financing activities increased to $462,681 at December 31, 2010, compared to $332,059 at December 31, 2009. The increase is primarily attributable to obtaining additional loans from a majority shareholder and proceeds of the issuance of redeemable convertible preferred stock, partially offset by principal payments on long-term debt in 2010, compared to 2009.

Summary of Significant Accounting Policies

Inventories. Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market. We evaluate our inventory value at the end of each quarter to ensure that actively moving inventory, when viewed by category, is carried at the lower of cost or market. In addition, we maintain a reserve for the estimated value associated with damaged, excess or obsolete inventory. The reserve generally includes inventory that has turn days in excess of 365 days, or discontinued items. At December 31, 2010, our inventory reserve amounted to $54,323.

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

Revenue Recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectibility is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company:

Revenue is recognized from sales when a product is shipped and from services when they are performed.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred and may continue to incur net losses in the future. The Company has a working capital deficit of ($357,485) and accumulated deficit of ($13,431,694) as of December 31, 2010; and if revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company s ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax product line, which resulted a contract with Whayne, a Caterpillar dealer in Kentucky as announced in the Company s 8-K, dated January 15, 2009. The Company amended the contract as disclosed in our 8-K, dated May 5, 2010. Management believes a large market exists for the Company s products, testing services and the information provided by those services. A combination of the products and services has been developed as a long-term program for customers, particularly in regulated markets. Management will focus on the Company s efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company s liquidity and operating results, allowing it to continue in existence.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

N/A for smaller reporting companies

ITEM 8. Financial Statements and Supplementary Data

Financial Statements and Report of Independent Registered Public Accounting Firm

Mirenco, Inc.

December 31, 2010 and 2009

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

MIRENCO, Inc.

We have audited the accompanying balance sheets of MIRENCO, Inc. as of December 31, 2010 and 2009, and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIRENCO, Inc. as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended 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 B, the Company incurred net losses of $520,747 and $578,492 during the years ended December 31, 2009 and 2010. This, among others factors, as discussed in Note B to the financial statements, raise substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ StarkSchenkein, LLP

Denver, Colorado

March 28, 2011

MIRENCO, INC.
BALANCE SHEETS
December 31,

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 151,829	$ 6,857
Accounts receivable	58,478	22,453
Inventories, net	40,704	87,019
Prepaid expenses	14,968	1,568
Total current assets	265,979	117,897
PROPERTY AND EQUIPMENT, net of accumulated depreciation	416,946	445,599
PATENTS AND TRADEMARKS, net of accumulated amortization	10,516	12,364
TOTAL ASSETS	$ 693,441	$ 575,860
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES:		
Current portion of notes payable	$ 38,332	$ 37,521
Current portion of convertible notes payable related party	97,000	-
Accounts payable	350,281	280,655
Accrued expenses	43,707	30,175
Due to an officer and an affiliate	65,272	44,110
Other current liabilities	12,000	12,000
Dividends on convertible redeemable preferred stock	6,872	3,499
Note payable - related party	10,000	10,000
Total current liabilities	623,464	417,960
NOTES PAYABLE, less current portion	283,854	316,484
CONVERTIBLE NOTES PAYABLE:		
Stockholders	405,939	97,000
Other	100,000	100,000
SHARES SUBJECT TO MANDITORY REDEMPTION	146,256	18,256
Total liabilities	1,559,513	949,700
STOCKHOLDERS' (DEFICIT):		

Preferred stock, no stated value: 50,000,000 shares authorized,		
no shares outstanding	-	-
Common stock, no par value: 100,000,000 shares authorized,		
31,969,427 and 31,494,177 shares issued and outstanding, respectively	10,850,668	10,822,153
Additional paid-in capital	1,714,954	1,714,954
Accumulated (deficit)	(13,431,694)	(12,910,947)
Total Stockholders (Deficit)	(866,072)	(373,840)
TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT)	$ 693,441	$ 575,860

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

MIRENCO, INC.
STATEMENTS OF OPERATIONS
Years ended December 31,

	2010	2009
Sales		
Products	$ 247,275	$ 144,953
Services	195,054	191,771
Total Sales	442,329	336,724
Cost of sales		
Products	104,969	45,765
Services	225,358	211,162
Total Cost of Sales	330,327	256,927
Gross profit	112,002	79,797
Operating Expenses		
Salaries and wages	344,810	386,189
Royalty expense	13,026	10,102
Advertising	762	130
Other general and administrative expenses	196,617	229,420

Total Operating Expenses	555,215	625,841
(Loss) from operations	(443,213)	(546,044)
Other income (expense)		
Interest income	2	3
Interest expense	(77,536)	(32,451)
	(77,534)	(32,448)
Net (Loss)	$ (520,747)	$ (578,492)
Net (loss) per share available for common shareholders - basic and diluted	$ (0.02)	$ (0.02)
Weighted-average shares outstanding - basic and diluted	31,655,345	31,274,961

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

MIRENCO, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT)

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance January 1, 2009	30,938,722	$10,750,778	$1,714,954	($12,332,455)	$133,277
Issuance of stock for notes payable and accrued interest	197,875	35,617	-	-	35,617
Issuance of stock for cash	357,580	35,758	-	-	35,758
Net (loss)	-	-	-	(578,492)	(578,492)
Balance December 31, 2009	31,494,177	10,822,153	1,714,954	(12,910,947)	(373,840)

Issuance of stock for notes payable and accrued interest	475,250	28,515	-	-	28,515
Net (loss)	-	-	-	(520,747)	(520,747)
Balance December 31, 2010	31,969,427	$10,850,668	$1,714,954	($13,431,694)	($866,072)

The accompanying notes are an integral part of these financial statements

MIRENCO, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31,

	2010	2009
Cash flows from operating activities		
Net (loss)	$ (520,747)	$ (578,492)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation and amortization	30,501	30,784
Dividends	3,373	1,093
Decrease (increase) in assets:		
Accounts receivable	(36,025)	49,562
Inventories	46,315	15,232
Prepaid expenses	(13,400)	(22)
Increase (decrease) in liabilities:		
Accounts payable	137,580	64,134
Due to officer and affiliate	21,162	(5,692)
Accrued expenses	13,532	5,512
Net cash (used in) operating activities	(317,709)	(417,889)
Cash flows (used in) investing activities:		
Purchase of property and equipment	-	(921)
Net cash (used in) investing activities	-	(921)
Cash flows provided by financing activities:		
Proceeds from issuance of redeemable preferred stock	128,000	-
Proceeds from issuance of common stock	-	35,758
Proceeds from long-term convertible debt - related party	366,500	332,000
Principal payments on long-term debt:		
Banks and others	(31,819)	(35,699)
Net cash provided by financing activities	462,681	332,059
Increase (decrease) in cash and cash equivalents	144,972	(86,751)
Cash and cash equivalents, beginning of year	6,857	93,608

Cash and cash equivalents, end of year	$ 151,829	$ 6,857
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	$ 26,198	$ 32,451
Cash paid during the year for income taxes	$ -	$ -
Supplementary disclosure of significant non-cash and financing and investing activities:		
Common stock issued for notes payable and accrued interest payable to related parties	$ 28,515	$ 35,617
Conversion of Accounts payable to Note payable - related party	$ 67,954	$ -

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

MIRENCO, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1.

Nature of Business

MIRENCO, Inc. (the Company) was organized and incorporated as an Iowa corporation on February 21, 1997. The Company develops, markets and distributes certain technologically advanced products for which it has exclusive licensing rights. These products are for throttle control of internal combustion vehicles, primarily to improve fuel efficiency, reduce vehicle maintenance costs, reduce environmental emissions and improve overall vehicle performance. The Company's products are sold primarily in the domestic market.

2.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

3.

Revenue Recognition

In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectibility is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company:

Revenue is recognized from sales when a product is shipped and from services when they are performed. During 2010, revenues from products were $248,525 compared to $144,953 in 2009. Revenues from services were $193,804 and $191,771 in 2010 and 2009, respectively.

4.

Accounts Receivable

Accounts receivable are stated at estimated net realizable value. Accounts receivable are comprised of balances due from customers net of estimated allowances for uncollectible accounts. In determining collectibility, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances.

5.

Inventories

Inventories, consisting of purchased finished goods ready for sale, are stated at the lower of cost (as determined by the first-in, first-out method) or market. We evaluate our inventory value at the end of each quarter to ensure that actively moving inventory, when viewed by category, is carried at the lower of cost or market. In addition, we maintain a reserve for the estimated value associated with damaged, excess or obsolete inventory. The reserve generally includes inventory that has turn days in excess of 365 days, or discontinued items. As of December 31, 2010 and 2009, our inventory reserve amounted to $54,323.

6.

Income Taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized to the extent management believes that it is more likely than not that they will be realized.

7.

Patents and Trademarks

Patents and trademarks are amortized on the straight-line method over their legal lives. The Company recorded patent amortization expense of $1,848 and $2,080, respectively, in 2010 and 2009.

8.

Property and Equipment

Property and equipment are stated at cost. The Company provides for depreciation on the straight-line method over the estimated useful lives of 3 years for computer equipment, 5 years for manufacturing and test equipment and other equipment, and 39 years for buildings.

9.

Impairment of Long-Lived Assets

The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts and circumstances that suggest impairment. During the years ended December 31, 2010 and 2009, no material impairment has been indicated. Should there be any impairment in the future, the Company will measure the amount of the impairment based on the amount that the carrying value of the impaired assets exceeds its fair value.

10.

Stock-Based Compensation

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

The Company accounts for stock based compensation with the costs resulting from all share-based transactions recorded in the financial statements. Fair value is the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement in accounting for share-based payment transactions with employees. Fair value is the measurement objective for transactions in which an entity acquires goods or services from non-employees in share-based transactions.

11.

Net (Loss) Per Share

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

12.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2010 and 2009. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and notes payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values.

The carrying value of the Company s long-term debt approximated its fair value based on the current market conditions for similar debt instruments.

13.

Royalty Expense

Royalty expense is recorded and paid based upon the sale of products, services, and rights related to patents according to a contractual agreement (see Note H). Royalty expense incurred for the years ended December 31, 2010 and 2009 amounted to $13,026 and $10,102, respectively.

14. *Advertising*

Advertising costs are charged to expense as incurred and amounted to $762 and $130 for the years ended December 31, 2010 and 2009, respectively.

15. *Software Development Costs*

In connection with the development of software, the Company will incur external costs for software, and consulting services, and internal costs for payroll and related expenses of its technology employees directly involved in the development. Purchased software costs are capitalized. All other costs will be reviewed to determine whether they should be capitalized or expensed as product development costs.

16. *Research and Development*

The Company expenses research and development costs as incurred. Such costs include certain prototype products, test parts, consulting fees, and costs incurred with third parties to determine feasibility of products. Costs incurred for research and development were $54,426 and $58,064 in 2010 and 2009, respectively.

17. *Use of Estimates*

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

Significant estimates are used when accounting for the Company s carrying value of inventory, fixed assets, depreciation, accruals, taxes and contingencies, which are discussed in the respective notes to the financial statements.

18. *Segment Information*

Certain information is disclosed, based on the way management organizes financial information for making operating decisions and assessing performance. The Company currently operates in a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

19. *Recent Pronouncements*

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-01, *Equity (Topic 505): Accounting for Distributions to Shareholders with Components of Stock and Cash (A Consensus of the FASB Emerging Issues Task Force)*. This amendment to Topic 505 clarifies the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a limit on the amount of cash that will be distributed is not a stock dividend for purposes of applying Topics 505 and 260. Effective for interim and annual periods ending on or after December 15, 2009, and would be applied on a retrospective basis. The provisions of ASU 2010-01 have not had a material effect on the financial position, results of operations or cash flows of the Company.

In January 2010, the FASB issued ASU 2010-04, *Accounting for Various Topics Technical Corrections to SEC Paragraphs*. ASU 2010-04 makes technical corrections to existing SEC guidance, including the following topics: accounting for subsequent investments, termination of an interest rate swap, issuance of financial statements - subsequent events, use of residential method to value acquired assets other than goodwill, adjustments in assets and liabilities for holding gains and losses, and selections of discount rate used for measuring defined benefit obligation. The adoption of ASU 2010-04 has not had a material impact on the Company s financial statements.

In January 2010, the FASB issued ASU 2010-05*, Compensation Stock Compensation (Topic 718): Escrowed Share Arrangements and the Presumption of Compensation*. ASU 2010-05 updates existing guidance to address the SEC staff s views on overcoming the presumption that for certain shareholders escrowed share arrangements represent compensation. The adoption of ASU 2010-05 has not had a material impact on its financial statements.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements (ASU 2010-06), which provides amendments to FASB ASC topic Fair Value Measurements and Disclosures* that will provide more robust disclosures about (i) the different classes of assets and liabilities measured at fair value, (ii) the valuation techniques and inputs used, (iii) the activity in Level 3 fair value measurements, and (iv) the transfers between Levels 1, 2 and 3. ASU 2010-06 is effective for fiscal years and interim periods beginning after December 15, 2009. The adoption has not had a material effect on our disclosures.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events* (Topic 855). The amendments remove the requirements for an SEC filer to disclose a date, in both issued and revised financial statements, through which subsequent events have been reviewed. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. ASU 2010-09 is effective for interim or annual financial periods ending after June 15, 2010. Adoption of the provisions of ASU 2010-09 has not had a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB issued ASU 2010-12. *Income Taxes* (Topic 740). ASU 2010-12 amends FASB Accounting Standard Codification (ASC) subtopic 740-10 *Income Taxes* to include paragraph 740-10-S99-4. On March 30, 2010 The President signed the Health Care & Education Affordable Care Act reconciliation bill that amends its previous Act signed on March 23, 2010. FASB Codification topic 740, Income Taxes, requires the measurement of current and deferred tax liabilities and assets to be based on provisions of enacted tax law. The effects of future changes in tax laws are not anticipated. Therefore, the different enactment dates of the Act and reconciliation measure may affect registrants with a period-end that falls between March 23, 2010 (enactment date of the Act), and March 30, 2010 (enactment date of the reconciliation measure). However, the announcement states that the SEC would not object if such registrants were to account for the enactment of both the Act and the reconciliation measure in a period ending on or after March 23, 2010, but notes that the SEC staff does not believe that it would be appropriate for registrants to analogize to this view in any other fact patterns. The adoption of this standard has not had a material impact on the Company s financial position and results of operations.

In April 2010, the FASB issued ASU 2010-17, *Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition*. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity s fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. Adoption of the provisions of ASU 2010-17 did not have a material effect on the financial position, results of operations or cash flows of the Company.

On August 2, 2010, the FASB issued ASU 2010-21, *Accounting for Technical Amendments to Various SEC Rules and Schedules Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms,* *Schedules and Codification of Financial Reporting Policies*. The ASU reflects changes made by the Securities and Exchange Commission (SEC) in Final Rulemaking Release No. 33-9026, which was issued in April 2009 and amended SEC requirements in Regulation S-X (17 CFR 210.1-01 et seq.) and Regulation S-K (17 CFR 229.10 et seq.) and made changes to financial reporting requirements in response to the FASB's issuance of SFAS No. 141(R), *Business Combinations* (ASC 805), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (FASB ASC 810). Adoption of the provisions of ASU 2010-21 did not have a material impact on the Company s financial statements.

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

20. *Reclassifications*

Certain reclassifications have been made to the prior year financial statements, in order to conform to the current year presentation.

NOTE B - BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred and may continue to incur net losses in the future. Net losses for the years ended December 31, 2010 and 2009 were ($520,747) and ($578,492), respectively, and the company had a working capital deficit of ($357,485) and an accumulated deficit of ($13,431,694) at December 31, 2010. If revenues do not increase substantially in the near future, additional sources of funds will be needed to maintain operations. These matters give rise to substantial doubt about the Company s ability to continue as a going concern.

Management and other personnel have been focused on product and service development in lieu of product marketing. The Company s management team has diligently explored several market segments relative to the Company s product and service lines. From that exploration, the Company has decided it is in its best interests to explore the use of existing, well-established distribution channels for marketing and selling the DriverMax product line. Management also believes a large market exists for the Company s testing services and the information provided by those services through the Company s business relationship with Whayne Supply, a Caterpillar dealer in Kentucky. This exclusive contract was announced in the Company s 8-K filing of January 15, 2009. The Company amended its contract with Whayne Supply as disclosed in the Company s 8-K dated May 5, 2010. A combination of the products and services has been developed as a long-term program for current and potential customers, particularly in regulated markets. Management will focus on the Company s efforts on the sales of products, services, and programs with sensible controls over expenses. Management believes these steps, if successful, will improve the Company s liquidity and operating results, allowing it to continue in existence.

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

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2010 and 2009:

	2010:
PROPERTY AND EQUIPMENT	
Land and building	$ 569,748
Manufacturing and test equipment	85,799
Furniture and fixtures	40,100
Computer equipment	113,802
Other equipment	82,579
Tool and die	29,025
Total	921,053
Less accumulated depreciation	(504,107)
Net	$ 416,946

	2009:
PROPERTY AND EQUIPMENT	
Land and building	$ 569,748
Manufacturing and test equipment	85,799
Furniture and fixtures	40,100
Computer equipment	113,802
Other equipment	82,579
Tool and die	29,025
Total	921,053
Less accumulated depreciation	(475,454)
Net	$ 445,599

The Company recorded $28,653 and $28,704 of depreciation expense for the years ended December 31, 2010 and 2009, respectively. The building is collateral on the note payable of $267,205 as of December 31, 2010 (See Note E).

NOTE D - ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31, 2010:

Royalty	$	7,216
Payroll and payroll taxes		11,731
Other		24,760
	$	43,707

Accrued expenses consisted of the following at December 31, 2009:

Royalty	$	1,026
Payroll and payroll taxes		24,159
Other		4,990
	$	30,175

NOTE E - NOTES PAYABLE

Notes payable consisted of the following at December 31, 2010:

	Total	Current Portion	Long-term Portion
Note payable to bank in monthly installments of $1,464, including principal and variable interest, currently 6%, guaranteed by stockholder,			

guaranteed by Small Business Administration	$ 54,981	$ 14,668	$ 40,313
Note payable to bank in monthly installments of $3,659, including principal and interest at 8%.	267,205	23,664	243,541
	$ 322,186	$ 38,332	$ 283,854

Effective January 18, 2008, the Company obtained a line of credit that calls for maximum borrowings of $301,500. The line bears interest at 8% per annum and is due January 18, 2018. As of the date of these financial statements, aggregate draws of $335,000 have been made against the line of credit. There are no restrictive covenants on this line of credit. The outstanding balance as of December 31, 2010 is $267,205. The building with a net book value of $407,232 as of December 31, 2010, is collateral on the note.

Maturities of notes payable are as follows:

2011	$ 38,332	2012	$ 41,173	2013	$ 44,228
2014	$ 38,167	2015	$ 32,412	Thereafter	$ 127,872

Notes payable to related parties consisted of the following at December 31, 2010:

	Total	Current Portion	Long-term Portion
Note payable to investor, 9% interest payable quarterly, principal due in July 2011	$ 10,000	$ 10,000	