

NEW JERSEY MINING CO
Form 10QSB
May 14, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended **March 31, 2007**

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

For the transition period from _____ to _____

Commission file number: **000-28837**

NEW JERSEY MINING COMPANY

(Exact name of registrant as specified in its charter)

Idaho
(State or other jurisdiction
of incorporation)

82-0490295
(IRS employer identification no.)

89 Appleberg Road, Kellogg, Idaho 83837
(Address of principal executive offices)

Registrant's telephone number, including area code: **(208) 783-3331**

Common Stock

Title of each class

The OTC-Bulletin Board

Name and exchange on which registered

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(D) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days.

Yes No

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

On May 2, 2007, 30,424,319 shares of the registrant's common stock were outstanding.

Transitional Small Business Disclosure Format (Check one): Yes [] No []

**NEW JERSEY MINING COMPANY
QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD
ENDED MARCH 31, 2007**

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PART I-FINANCIAL INFORMATION**Item 1: FINANCIAL STATEMENTS****NEW JERSEY MINING COMPANY**

(A Development Stage Company)

BALANCE SHEET**March 31, 2007***(Unaudited)*

| ASSETS | |
|--|--------------|
| Current assets: | |
| Cash and cash equivalents | \$ 807,449 |
| Investment in marketable equity security at market (cost-\$7,500) | 993,750 |
| Accounts receivable | 11,588 |
| Inventory | 92,642 |
| Total current assets | 1,905,429 |
| Property, plant, and equipment, net of accumulated depreciation | 1,209,288 |
| Mineral properties, net of accumulated amortization | 827,571 |
| Deposits | 43,550 |
| Other assets | 2,500 |
| Total assets | \$ 3,988,338 |
| LIABILITIES AND STOCKHOLDERS EQUITY | |
| Current liabilities: | |
| Accounts payable | \$ 50,453 |
| Accrued payroll and related payroll expenses | 28,776 |
| Obligation under capital lease-current portion | 36,539 |
| Equipment notes payable-current portion | 19,771 |
| Total current liabilities | 135,539 |
| Accrued reclamation costs | 18,000 |
| Obligation under capital lease-non-current | 74,351 |
| Equipment notes payable-non-current | 39,187 |
| Total liabilities | 267,077 |
| Stockholders equity: | |
| Preferred stock, no par value; 1,000,000 shares authorized; no shares issued or outstanding | |
| Common stock, no par value; 50,000,000 shares authorized; 30,259,494 shares issued and outstanding | 6,115,941 |
| Deficit accumulated during the development stage | (3,380,930) |
| Accumulated other comprehensive income | |
| Unrealized gain in marketable equity security | 986,250 |
| Total stockholders equity | 3,721,261 |
| Total liabilities and stockholders equity | \$ 3,988,338 |

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

NEW JERSEY MINING COMPANY
(A Development Stage Company)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the Three-Month Periods ended March 31, 2007 and 2006 and for the period from inception
(July 18, 1996) through March 31, 2007
(Unaudited)

| | March 31, 2007 | March 31, 2006 | From Inception (July 18, 1996) Through March 31, 2007 |
|---|-------------------|-------------------|---|
| Revenue: | | | |
| Sales of gold | \$ | \$ 40,429 | \$ 49,709 |
| Sales of concentrate | 48,744 | 77,472 | 599,405 |
| Total revenue | 48,744 | 117,901 | 649,114 |
| Costs and expenses: | | | |
| Production costs | 104,694 | 115,855 | 680,726 |
| Management | 63,184 | 52,241 | 711,692 |
| Exploration | 80,695 | 2,958 | 1,171,280 |
| Gain on sale of mineral property | | | (90,000) |
| Depreciation and amortization | 29,169 | 21,500 | 209,745 |
| General and administrative expenses | 112,139 | 53,138 | 1,297,574 |
| Total operating expenses | 389,881 | 245,692 | 3,981,017 |
| Other (income) expense: | | | |
| Timber sales (net) | | | (50,902) |
| Net royalties and other income | (917) | 3,898 | (42,156) |
| Interest income | (8,252) | | (8,252) |
| Interest expense | 3,800 | 3,425 | 29,387 |
| Write-off of goodwill | | | 30,950 |
| Write-off of investment | | | 90,000 |
| Total other (income) expense | (5,369) | 7,323 | 49,027 |
| Net loss | 335,768 | 135,114 | 3,380,930 |
| Other comprehensive income | | | |
| Unrealized gain on marketable equity security | (75,000) | | (986,250) |
| Comprehensive loss | \$ 260,768 | \$ 135,114 | \$ 2,394,680 |
| Net loss per common share-basic | \$ 0.01 | \$ 0.01 | \$ 0.21 |
| Weighted average common | | | |
| shares outstanding-basic | 29,736,290 | 23,221,965 | 16,131,965 |

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

NEW JERSEY MINING COMPANY

(A Development Stage Company)

STATEMENTS OF CASH FLOWS

**For the Three-Month Periods ended March 31, 2007 and 2006 and for the period from inception
(July 18, 1996) through March 31, 2007
(Unaudited)**

| | March 31, 2007 | March 31, 2006 | From Inception (July 18, 1996) Through March 31, 2007 |
|---|-------------------|-------------------|---|
| Cash flows from operating activities: | | | |
| Net loss | \$ (335,768) | \$ (135,114) | \$ (3,380,931) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | | |
| Depreciation and amortization | 29,169 | 21,500 | 209,744 |
| Write-off of equipment | | | 11,272 |
| Write-off of goodwill and investment | | | 120,950 |
| Gain on sale of mineral property | | | (90,000) |
| Stock issued for: | | | |
| Management and directors fees | 22,200 | 26,438 | 546,737 |
| Services and other | 7,700 | 7,561 | 141,854 |
| Exploration | 21,200 | | 57,521 |
| Change in: | | | |
| Inventories | 39,444 | 39,384 | (92,642) |
| Accounts receivable | 2,041 | (30,000) | (11,587) |
| Other assets | | | (778) |
| Accounts payable | (49,975) | (54,688) | 59,688 |
| Accrued payroll and related payroll expenses | (2,745) | (7,439) | 28,776 |
| Accrued reclamation costs | | | 18,000 |
| Net cash used by operating activities | (266,734) | (132,358) | (2,381,396) |
| Cash flows from investing activities: | | | |
| Purchases of property, plant, and equipment | (147,279) | (530) | (931,719) |
| Deposits on equipment purchases | (43,550) | | (43,550) |
| Purchases of mineral property | | | (10,404) |
| Proceeds from sale of mineral property | | | 120,000 |
| Proceeds from maturity of certificates of deposit | 200,000 | | |
| Purchase of marketable equity securities | | | (7,500) |
| Cash of acquired companies | | | 38,269 |
| Deferral of development costs | (24,337) | | (249,872) |
| Net cash used by investing activities | (15,166) | (530) | (1,084,776) |
| Cash flows from financing activities: | | | |
| Exercise of stock purchase warrants | | | 677,600 |
| Sales of common stock, net of issuance costs | 1,025,319 | 529,500 | 3,717,626 |
| Principal payments on capital lease | (8,478) | (4,655) | (92,897) |
| Payments on notes payable to bank | (4,313) | | (28,708) |
| Net cash provided by financing activities | 1,012,528 | 524,845 | 4,273,621 |

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| | | | |
|---------------------------|------------|------------|------------|
| Net change in cash | 730,628 | 391,957 | 807,449 |
| Cash, beginning of period | 76,821 | 16,863 | 0 |
| Cash, end of period | \$ 807,449 | \$ 408,820 | \$ 807,449 |
| Interest paid in cash | \$ 3,801 | \$ 3,425 | \$ 24,125 |

Non-cash investing and financing activities:

| | | | |
|---|-----------|----|---------|
| Common stock issued for: | | | |
| Equipment | | \$ | 34,526 |
| Mineral properties | | \$ | 279,300 |
| Exchange for accounts payable | \$ 12,205 | \$ | 12,205 |
| Acquisitions of companies, excluding cash | | \$ | 743,653 |
| Capital lease obligation for equipment acquired | | \$ | 178,588 |
| Notes payable for equipment acquired | \$ 22,378 | \$ | 67,665 |

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

New Jersey Mining Company
Notes to Financial Statements
(Unaudited)

1. Basis of Presentation:

The unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three month period ended March 31, 2007, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007.

For further information refer to the financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

The Company presents its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 7, Accounting for Development Stage Entities, as management believes that while the Company's planned principal operations have commenced, the revenue generated from them is not sufficient to cover all corporate costs. Additional development of the Company's properties is necessary before a transition is made to reporting as a production stage company.

2. Description of Business

New Jersey Mining Company (the Company) was incorporated as an Idaho corporation on July 18, 1996. The Company's primary business is exploring for and developing gold, silver and base metal mining resources in Idaho.

3. Net Loss Per Share

SFAS No. 128, Earnings per Share, requires dual presentation of basic earnings per share (EPS) and diluted EPS on the face of income statements for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities. For the three months ended March 31, 2007 and 2006, the effect of the Company's outstanding warrants would have been anti-dilutive. Accordingly, only basic EPS is presented. As of March 31, 2007 the Company had 6,370,543 outstanding warrants that could potentially dilute basic EPS in the future.

4. Reclassifications

Certain prior period amounts have been reclassified to conform to the 2007 financial statement presentation. These reclassifications have no effect on net loss as previously reported.

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5. Adoption of New Accounting Principles

On January 1, 2007, the Company adopted SFAS No. 155 Accounting for Certain Hybrid Financial Instruments, which amends SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities and SFAS No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 155 resolves issues addressed in Statement 133 Implementation Issue No. D1 Application of Statement 133 to Beneficial Interests in Securitized Financial Assets, and:

- Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;
- Clarifies which interest-only strips are not subject to the requirements of SFAS No. 133;
- Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;
- Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and
- Amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

The Company adopted SFAS No. 155 using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2007. There was no impact on the financial statements as of and for the three months ended March 31, 2007 as a result of the adoption of SFAS No 155. In accordance with the modified prospective transition method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS No. 155.

On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 (FIN No. 48) Accounting for Uncertainty in Income Taxes. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109 Accounting for Income Taxes, prescribing a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. In the course of our assessment, we have determined that we are subject to examination of our income tax filings in the United States and state jurisdictions for the 2003 through 2006 tax years. In the event that the Company is assessed penalties and or interest, penalties will be charged to other operating expense and interest will be charged to interest expense.

The Company adopted FIN No. 48 using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2007. There was no impact on the financial statements as of and for the three months ended March 31, 2007 as a result of the adoption of FIN No. 48. In accordance with the modified prospective transition method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of FIN No. 48.

6. New Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159), which will permit entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 will become effective in our 2008 financial statements. We have not yet determined the effect that adoption of SFAS 159 may have on our results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS 157), which will become effective in our 2008 financial statements. SFAS 157 establishes a framework for measuring fair value and expands

disclosure about fair value measurements, but does not require any new fair value measurements. We have not yet determined the effect that adoption of SFAS 157 may have on our results of operations or financial position.

Item 2: MANAGEMENT'S DISCUSSION, PLAN OF OPERATIONS, ANALYSIS OF FINANCIAL CONDITION, AND RESULTS OF OPERATIONS

Plan of Operation

The Company is executing its strategy to conduct mining and mineral processing operations on higher grade ore reserves it has located on its exploration and development properties. The financial strategy is to generate cash from these operations to pay for corporate expenses and to provide additional funds for exploration, thus reducing the need to raise funds through financing activities including sale of common stock. The Company plans to continue exploration for gold, silver and base metal deposits in the greater Coeur d'Alene Mining District of northern Idaho. The strategy includes finding and developing ore reserves in order to increase production of gold, silver, and base metals.

The Company has four mines at which most exploration and development is being conducted; the Niagara, the Golden Chest, the Silver Strand, and the Coleman. The Niagara copper-silver deposit was acquired during late 2006. The Niagara deposit was drilled in the 1970s, and although more drilling is needed, the Company will conduct economic studies to determine if the deposit can be mined profitably. The Golden Chest is considered to be in the development stage as the Company has, based upon a feasibility study which considers the proven and probable reserves and historical cost for mining and processing, determined that the operation is economically feasible. Production of gold ore at the Golden Chest mine was suspended during the quarter while a ramp is being driven to access a block of reserves discovered by drilling from the surface. Permitting has been completed and production of silver-gold ore is planned at the Silver Strand mine in 2007. An exploration crosscut at the Coleman underground mine intersected the vein during the quarter, and drifting on the vein commenced. No ore grade mineralization has yet been exposed by the drifting operation. Production from the reserves at the Coleman open pit mine and from material mined from the underground drifting operation will be processed until ore from the Silver Strand mine is available.

At the Silver Strand mine, operating permits have been received for mining and exploration. In the second quarter of 2007 a \$120,000 bond has been posted and operations are expected to begin. Mining plans are to develop infrastructure, drive a new adit, and mine a reserve block above the main adit level in 2007. Drilling plans are to test geophysical anomalies which were found in 2004.

Management also thinks exploration in the New Jersey mine area has promising potential. Previous drilling has indicated higher grade mineralization in the North Coleman vein area and at the Scotch Thistle prospect, and interesting silver-base metal mineralization has been drilled at the Enterprise prospect. Drifting will continue on the 740 level Coleman vein when work at the Silver Strand is suspended for the winter season, and further drilling may be conducted at the Scotch Thistle and Enterprise prospects.

The concentrate leach circuit at the New Jersey mineral processing plant is now approaching completion and will be commissioned in the second quarter. Concentrate will be leached and a gold-silver dore produced for sale. The reason for adding the concentrate leach circuit was to obtain more revenue compared to selling concentrates by increasing recovery and eliminating concentrate freight as well as to avoid any potential difficulties in marketing concentrates.

In the 2007 season, exploration will continue in the Murray area where the Golden Chest mine is located. The Company's exploration program has been very successful in finding new drilling targets. The most promising target is called the Gold Butte prospect where a 50 m wide breccia zone with gold mineralization occurs. The Niagara deposit was also acquired as part of the 2006 exploration effort. The Company has ordered a core drilling rig and plans to conduct its own drilling operations starting in June 2007. Operating permits have been submitted to the U.S. Forest Service for exploration drilling in the Murray area. The Company's long term objective in the Murray area is to establish enough ore reserves to justify construction of a larger mineral processing plant in the area. A feasibility study for the processing plant has commenced with a pre-feasibility report due in about 12 months.

Financial Condition-The Company maintains an adequate cash balance by increasing or decreasing its exploration and development expenditures as limited by availability of cash from operations or from financing activities. The cash balance on March 31, 2007 was \$807,449; this increase was due to financing activities which raised \$1,025,319 during the quarter. Figure 1 shows the corresponding balances for previous accounting periods.

Results of Operations-Revenue for the first quarter 2007 was \$48,744 compared to \$117,901 in the first quarter of 2006. Figure 2 shows the net loss for the first quarter of 2007 of \$335,768 and the net losses in previous accounting periods. The net loss increased in the first quarter of 2007 because of less revenue due to lower tonnes milled and lower grade ore than the first quarter of 2006 and higher exploration and general and administrative costs.

Gold production in pyrite concentrates was 32 ounces in the first quarter compared to 119 ounces for the first quarter of 2006. Gold production was lower in 2007 due to lower grade ore than 2005 and fewer tonnes processed. Gold production is expected to be approximately 50 ounces for the second quarter and then to increase, along with silver production, when Silver Strand ore processing starts.

The production operations at the Golden Chest mine are expected to be suspended for approximately one year while the access ramp is being extended to the Idaho vein reserves. Once the Idaho vein ramp development is completed there will be enough reserves for many years of mining at the current processing rate of 4,000 tonnes/year. If a larger mill is built in the Murray area, the production rate from Idaho vein reserves would be increased. Estimated proven and probable reserves for the Golden Chest are 158,958 tonnes at an average grade of 5.52 grams per tonne for a total of 28,214 ounces of Gold.

Mining operations are planned to start at the Silver Strand mine in the third quarter of 2007. Operating results at the Silver Strand mine will depend upon the price of silver as well as gold. Present silver and gold prices are sufficient in management's estimation to generate a gross profit at the Silver Strand mine based on the operating plan which was part of the permitting process.

No major capital expenditures are required for the mineral processing plant for the remainder of 2007, however the concentrate leaching plant will be completed and commissioned in the second quarter of 2007. Mill feed will come from the Coleman open pit, Coleman underground and the Silver Strand mine for the next three quarters of 2007. The cost of the core drill which has been ordered for exploration drilling is \$186,400 of which 10% has been paid. The entire cost including the 10% deposit will be financed upon delivery through a lease agreement.

The amount of money to be spent on exploration at the Company's mines and prospects will depend upon the amount of gross profit generated by operations and the amount of money raised by financing activities. Basically, management expects to be able to continue the present operating scenario with its three active mines and mineral processing plant indefinitely, but expanded exploration or production activities depend upon the results of financing activities.

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Item 3. CONTROLS AND PROCEDURES

An evaluation was performed by the Company's president and principal financial officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Upon that evaluation, the Company's president and principal financial officer concluded that disclosure controls and procedures were effective as of March 31, 2007, in ensuring that all material information required to be filed in this quarterly report has been made known to them in a timely fashion.

As disclosed in our 2007 Form 10KSB, it was determined that there were material weaknesses affecting our internal control over financial reporting. These material weaknesses are as follows:

- The Company lacks proper segregation of duties. As with any company the size of the Company's, this lack of segregation of duties is due to limited resources.
- The Company lacks accounting personnel with sufficient skills and experience to ensure proper accounting for complex, non-routine transactions.

Management's Remediation Initiatives

We are aware of these material weaknesses and have procedures in place to ensure that independent review of material transactions is performed. In addition, we plan to consult with independent experts when complex transactions are entered into.

There has been no change in the Company's internal controls over financial reporting during the quarter ended March 31, 2007, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Neither the constituent instruments defining the rights of the registrant's securities filers nor the rights evidenced by the registrant's outstanding common stock have been modified, limited or qualified.

On February 12, 2007, the Company completed an offering to certain accredited and sophisticated investors. No underwriter or brokers were involved in the sale and, therefore, no commissions were paid. Units were sold for \$0.40 and each unit consisted of one share of restricted common stock plus one half warrant whereby each whole warrant could purchase one share of the Company's restricted common stock at \$0.55 per share until December 31, 2008. The full offering, which was initialized in the fourth quarter of 2006, resulted in the sale of 2,684,584 units for \$1,073,819. Of this 2,563,334 units valued at \$1,025,319 were issued in 2007. Both the common stock and the common stock underlying the warrants are restricted as defined under Rule 144. In management's opinion, the offer and sale of the securities were made in reliance on exemptions from registration provided by Section 4(2) and Rule 506 of Regulation D of the Securities Act of 1933, as amended and other applicable Federal and state securities laws.

The Company issued 36,425 shares of restricted common stock to President Fred W. Brackebusch for management services rendered in the first quarter of 2007. The shares were valued at a price of \$0.61 per share. In management's opinion, the securities were issued pursuant to exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

During the first quarter of 2007, the Company issued 30,500 shares at a price of \$0.695 to Ivan Linscott, a Director of the Company, for exploration services and an additional 42,750 shares at an average price of \$0.47 to other accredited and sophisticated individuals for goods and services. In management's opinion, the securities were issued pursuant to exemptions from registration under Section 4(2) of the Securities Act of 1933, as amended.

Item 3. DEFAULTS UPON SENIOR SECURITIES

The Company has no outstanding senior securities.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit

Number Description

31.1 Certification pursuant to Section 906 of the Sarbanes-Oxley act of 2002.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES, February 13, 2007.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEW JERSEY MINING COMPANY

By: /s/ Fred W. Brackebusch

Fred W. Brackebusch, its
President, Treasurer & Director
Date: May 11, 2007

By: /s/ Grant A. Brackebusch

Grant A. Brackebusch, its
Vice President & Director
Date: May 11, 2007